SIFEM
SWISS INVESTMENT FUND
FOR EMERGING MARKETS

ANNUAL REPORT 2015

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

	2015	2014
OPERATIONAL HIGHLIGHTS in USDm		
Commitments and cash flows		
Total commitments made to date	707.9	652.6
Total active commitments	605.1	578.1
Uncalled commitments	189.4	172.8
Cumulative paid-in capital to date	534.0	483.7
Cumulative reflows received to date	397.0	355.7
Cumulative net cash flow to date	-137.0	-128.0
New investment commitments	81.2	100.3
Reflows from investments	42.5	35.5
Investment Portfolio Valuation		
Residual value	293.7	283.1
Internal Rate of Return (%)	7.27 %	7.85 %
Total Value over Paid-In (%)	129 %	132 %
Private finance mobilised		
Total private investor commitments advised by Obviam	103.5	99.2
New co-investments from private investors	11.9	24.8

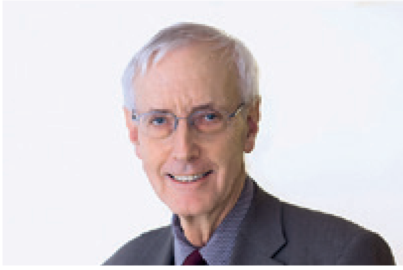
USD 81.2m
NEW INVESTEMENT COMMITMENTS

	2015	2014
FINANCIAL STATEMENT HIGHLIGHTS in CHFm		
Annual Results		
Investment profit (loss)	6.3	-8.6
Operating result	0.6	-13.4
Total comprehensive income	3.6	35.1
Balance Sheet		
Balance sheet total	581.5	588.2
Cash and cash equivalents	253.3	236.6
Cash available for new investments	63.7	65.7
Financial assets	293.8	280.1
Long-term liabilities	361.0	371.8
Shareholder's equity	193.0	149.9
Equity ratio (%)	33.2 %	25.5 %

CHF 0.6m
OPERATING RESULT

Note: Operational highlights are presented in USD, the functional base currency in which SIFEM's accounts are held. The Financial Statements are translated into the presentation currency CHF for reporting purposes. Annual result and balance sheet figures per IFRS account; investment portfolio valuation based on rolled-forward data as of 30 September 2015.

FOREWORD BY **JEAN–DANIEL GERBER**



Dear Reader,

With the adoption of the new United Nations Sustainable Development Goals (SDGs) by the international community, 2015 was an important year for development cooperation. Political leaders from around the world gathered in Addis Ababa in July to determine how the SDGs should be financed. The result, known as the Addis Ababa Action Agenda (AAAA), is remarkable. Never have world leaders given a stronger endorsement to the private sector with respect to its key role in the eradication of poverty, for the improvement of living standards in developing countries, and for sustainable development in general. In particular, the AAAA stresses the importance of Development Finance Institutions such as SIFEM, which stimulate broad–based and inclusive growth in target countries while also mobilising private capital for development.

In supporting SIFEM, the Swiss Government indicates clearly that it continues to emphasise the importance of private sector promotion in its development assistance activities. SIFEM has proven its ability to reach its development objectives, from broadening access to capital to creating jobs in developing economies and emerging markets. In particular, creating local employment opportunities is not only of importance for these countries, but should also help reduce over time the strong migration pressure towards Europe. Furthermore, SIFEM's capital investments in SMEs and other fast–growing companies and financial intermediaries generate direct investment reflows, which can be reinvested in new projects.

The end of 2015 marked the half–way point in SIFEM's current four–year strategic objective period. I am glad to report that we are en route to achieving most, if not all, of our development objectives. Many of the financial indicators are also on track, despite the operational losses incurred in the 2011–14 start–up period. In particular, I would like to highlight the fact that SIFEM reached operational break–even in 2015. Considering how young SIFEM is as an institution and how challenging the economic environment in our target countries remains, this is a significant achievement. It also confirms that SIFEM is not only an excellent generator of development effects, but also a solid investment for the Swiss Government.

The Board of SIFEM is grateful to the Swiss Government for its constant support and looks forward to continuing this constructive relationship, working together to meet the challenge of growing SIFEM's capital base in line with the increases in the resources of many of its peer European Development Finance Institutions.

Indeed, in order to maintain its role as a relevant actor in the field, SIFEM is under pressure to grow. Additional capital would directly contribute to further improving development outcomes without weighing on the accounts of the Swiss Government. SIFEM's endeavour to foster growth via its strategic influence in investment projects would be strengthened in its partner countries. Additional capital allowing an increase in average investment would increase SIFEM's influence in individual investments. Without additional capital, this can only be achieved at the expense of diversification and hence with increased financial risks.

To complement contributions from the Swiss Government, SIFEM is also committed to continue mobilising private capital for co–investments through its management company Obviam. Such co–investments render SIFEM investments more efficient and effective. The Board of SIFEM thanks Obviam for the efficient and successful implementation of SIFEM's strategy and investment projects and looks forward to continuing the constructive and fruitful relationship over the coming years.

Yours faithfully,

Jean–Daniel Gerber
Chairman of the Board of SIFEM

FOREWORD BY **CLAUDE BARRAS**

Dear Reader,

2015 has been a challenging year for developing economies and emerging markets, with global economic turbulence threatening to set back the hard–won growth achieved in recent years. This has inevitably affected the operations and portfolio risk profile of SIFEM, and casts a shadow over the next two to three years. Nevertheless, despite these adverse circumstances, SIFEM has had a solid year in terms of financial results, new investments and development effects.

I am pleased to report that in 2015 SIFEM posts a net profit of CHF 834,000 and, more importantly, for the first time in SIFEM's short history, a positive operational result of CHF 610,000. This validates the decision of the Board, as reported in the 2014 Annual Report, to revise the Business Plan to increase the size of the SIFEM loan portfolio, and therefore mitigate the volatility of current income derived from the equity positions. The first complete year of Euro hedging has also contributed positively to the result by reducing the foreign exchange effects despite an unstable currency environment.

In terms of new investments, during 2015 SIFEM fulfilled the objective set by the Board, with the commitment of USD 81.2 million in nine projects, with this amount split equally between debt and equity investments. Investment in these projects was the result of a thorough and careful selection process aimed at expanding the development reach of SIFEM in the priority countries of the Swiss development cooperation, while at the same time contributing to the financial health of the portfolio. For instance, we have partnered with two SME banks in Cambodia and Nicaragua that have a strong footprint in remote areas. SIFEM invested for the first time in a vehicle fully dedicated to the provision of financial services to smallholder farmers at the base of the pyramid, as well as in a fund dedicated to improving the delivery of healthcare services in SubSaharan Africa. In Latin America, SIFEM committed to a fund addressing the massive infrastructure gap in the Andean region which hampers the competitiveness of these economies. With regard to geography, SIFEM has continued to develop a diversified portfolio across all developing economies and emerging markets, with particular focus in 2015 on increasing exposure to least developed countries such as Laos, Cambodia, Myanmar, Rwanda and Uganda.

SIFEM's latest development impact report shows commendable results on the ground. First and foremost, since 2005, the projects supported by SIFEM have created and sustained more than 340,000 jobs in developing economies and emerging markets – jobs which are critical for men and women striving to provide for their families. The development effects of SIFEM go beyond job creation; for instance, the latest available data show that the most recent investee companies in the SIFEM portfolio collectively paid USD 460 million in taxes to their respective governments in a single year. I encourage the readers to consult the various case studies found on the SIFEM website, which capture more comprehensively the development effects of SIFEM's investments.

The Obviam team is delighted to have won the tender for the SIFEM mandate conducted in 2015 and will thus continue to be entrusted with the management of a company whose operations truly impact people's lives.

I would like to express my gratitude to the Swiss Government, and SECO in particular for the continuous support we receive in order to fulfil our mandate. I also warmly thank the SIFEM Board for its constructive contributions and meaningful guidance throughout the year.

Sincerely yours,

Claude Barras
CEO of Obviam, the investment manager of SIFEM

A TOTAL OF APPROX. USD 707.9M HAS BEEN **INVESTED IN 108 INVESTMENTS TO DATE.**

SIFEM IS DIRECTLY AND INDIRECTLY INVESTED IN **421 COMPANIES IN 72 COUNTRIES.**

THE SIFEM PORTFOLIO, TOGETHER, WITH ITS CO–FINANCIERS HAS **SUPPORTED OVER 342,000 JOBS** (SINCE THE IMPLEMENTATION OF ITS DEVELOPMENT EFFECT MONITORING SYSTEM IN 2005.

1. STRATEGY

1.1 SIFEM'S MISSION AND OBJECTIVES

SIFEM is the Development Finance Institution (DFI) of Switzerland and a key pillar of Switzerland's economic development cooperation. SIFEM promotes long–term, sustainable and broad–based growth in developing economies and emerging markets by providing financial support to commercially viable small, medium and other fast–growing enterprises. This in turn helps to create secure and permanent jobs and reduce poverty while also contributing towards their integration into the global economic system.

SIFEM's investment philosophy is guided by the belief that investing in commercially viable developing economy and emerging market SMEs can generate sustainable, long–term development effects in local communities as well as over time provide investors positive financial returns.

SIFEM AG is a private limited company, the shares of which are 100 per cent owned by the federal government. The fund management and portfolio management functions were outsourced to the specialised investment adviser Obviam in 2011 with the consent of the Swiss Federal Council. The rationale for outsourcing portfolio management was to increase operational efficiency, attract and retain necessary know–how and allow co–investments with private investors, while reducing liability and reputation risks for the Swiss Confederation. By establishing SIFEM as a government–owned DFI, the Swiss Confederation has also followed the best practice of other European countries. SIFEM has joined its peers in the Association of European Development Finance Institutions (EDFI) and works in close collaboration with other EDFI members.

SIFEM's strategic objectives are defined by the Federal Council for four–year cycles. SIFEM contributes to long–term economic growth in developing and transition countries by:

- investing primarily in funds managed by financial intermediaries and in other financial institutions (e.g. investment funds, guarantee funds, structured credit vehicles, banks, microfinance and leasing companies) providing access to capital and know–how to local, growth–oriented businesses;
- carrying out investments which produce a specific and verifiable development impact through the promotion of viable and dynamic SMEs and fast growing companies in the private sectors of the target countries; this entails first and foremost the creation of lasting and decent employment as well as the diversification and strengthening of the local financial markets/financial intermediaries, improvement in the management of the portfolio companies and their access to external finance, increased tax revenues at the investment locations etc.;
- concentrating its activities on the priority countries and regions of the Swiss development cooperation

SIFEM investments are development–oriented and therefore aim to achieve a broad set of objectives beyond the financial rate of return. In order to achieve these objectives, SIFEM observes the following broad guiding principles:

- Leverage: SIFEM seeks to optimise the flow of additional capital from private and other institutional investors for the target countries and beneficiary companies. To this end, in accordance with its mandate, SIFEM bears a portion of the political or commercial risks and conversely shares the returns from the investments with the private and institutional investors.
- Subsidiarity: SIFEM provides financing which is either unavailable on the market or not available at reasonable terms and conditions, or in sufficient amounts or maturity.
- Complementarity/Additionality: SIFEM carries out investments that not only fill a gap in financing but also include tangible value add, particularly in the form of know–how transfer and technical support for financial intermediaries and companies.
- Sustainability: SIFEM investment activity adheres to the basic principles of financial, economic, social and environmental sustainability.

1.2 PERFORMANCE AGAINST OPERATIONALISED OBJECTIVES

SIFEM's performance and development impact are defined by an operationalised catalogue of strategic objectives, which is split into four thematic groups: 1. programme–related objectives with a particular focus on compliance with SIFEM's investment guiding principles; 2. tasks and company–related objectives based on SIFEM's ability to balance the financial sustainability and the development impact of its portfolio; 3. financial objectives related to SIFEM's long–term financial sustainability; and 4. objectives related to SIFEM's efforts in developing and sustaining cooperation agreements with other development finance institutions.

SIFEM is on track to meet most of its objectives in accordance with the benchmarks set by its shareholder, and still has the possibility of meeting all of them depending on its performance in the last two years of the current strategic objective period. This reflects SIFEM's careful approach in balancing developmental and financial objectives, the investment selection skills of Obviam's team coupled with a rigorous investment committee process, as well as the hands–on approach in ensuring continued compliance with requirements and maximisation of developmental and financial outcomes.

The following table lists the operationalised objectives 2014–2017 alongside the most recent measurement figures relevant to each one.

PART 1: PROGRAMME–RELATED OBJECTIVES

OBJECTIVE	TARGET	PERFORMANCE
SUBSIDIARITY	a) At least 20 % of the investment commitments for the least developed countries and other low income countries	**On track:** At least 41 % of SIFEM's 2014–2015 commitments are expected to result in investments in Least Developed Countries or Other Low Income Countries.[1]
	b) At least half of the number of investment commitments of SIFEM serve to reach the 1st closing of the target funds	**On track:** Since 2014, 67 % of SIFEM's fund investments served to reach the first closing of the respective funds.
SUSTAINABILITY	a) All investments are bound to specific requirements regarding environmental, social and governance standards (ESG) and their enforcement.	**On track:** All of SIFEM's 2014–2015 investments have bindingly committed to implement Obviam's Responsible Investment Policy and have a formal agreement allowing participation in governance via a seat on a supervisory body. In non–fund investments, the requirements of Obviam's Responsible Investment Policy have been contractually anchored.
	b) Obviam commits all fund managers to comply with its ESG policy and implement an ESG system no later than two years after closing. Obviam also expects the portfolio companies to take a leading role with regard to ESG	**On track:** All of SIFEM's fund managers have agreed to implement Obviam's Responsible Investment Policy. The first test of the implementation is foreseen two years into the Strategic Objective period.

[1] Least Developed Countries (LDCs) and other Low Income Countries (LICs) are classified by the United Nations. The current reference point is a per capita income of less than USD 1,045.

OBJECTIVE	TARGET	PERFORMANCE
LEVERAGE EFFECT	a) One USD invested by SIFEM mobilises at least 2 USD from private investors (i.e. excluding the contribution of other DFIs)	**On track:** 1 USD invested by SIFEM mobilised around 9.3 USD of private investment for 2014–2015 investments.
	b) x–time–funds: Investments into fund 1, 2, 3 etc. of the identical fund manager result in increasing mobilisation of purely private capital	**On track:** All of the three cases of subsequent fund investments in 2014–2015 have resulted in increasing mobilisation of purely private capital.
COMPLEMENTARITY	a) Obviam or a specialist consultant provides active support/technical assistance for at least 4 investments per year	**Achieved:** During the period 2014–2015, at least 29 such events took place.
	b) Over the period 2014–17, Obviam introduced and supports at least four investments of private investors into SIFEM investee funds or companies, resulting in an investment	**Achieved:** During 2014 and 2015, Obviam has arranged additional investments from private investors for 6 fund investments of SIFEM.
GEOGRAPHIC CONCENTRATION	100 % of SIFEM direct investments and at least 60 % of the indirect investments are made in focal countries or regions for Swiss development cooperation	**On track:** During 2014–2015, 100 % of SIFEM's direct investments and at least 83 % of SIFEM's indirect investments were made in SIFEM priority countries, as defined in the investment guidelines of SIFEM at the time of investment.

PART 2: TASKS AND COMPANY–RELATED OBJECTIVES

OBJECTIVE	TARGET	PERFORMANCE
EMPLOYMENT EFFECTS	a) SIFEM creates or maintains at least 6'000 jobs each year (pro rata, i.e. if a fund has created 1,000 jobs and SIFEM owns 10 % of the fund, the number of new jobs is shown as 100 rather than 1,000)	**On track:** SIFEM's pro rata share of jobs created and sustained for the years 2013 and 2014 amounts to over 14'000.
	b) The number of jobs in the SIFEM portfolio companies increases by at least 6 % on a three year average	**On track:** The employment numbers in existing fund investees grew by over 7.5 % in one year (latest data available).
	c) All portfolio companies comply with the ILO core labour standards	**On track:** 100 % of SIFEM's investments have bindingly committed. No breaches have occurred during 2014–2015.
OVERALL IMPACT ON DEVELOPMENT	At least 75 % of the investments in the portfolio must be rated ex–post as "good" or "very good" in accordance with the development monitoring system implemented by SIFEM in coordination with the existing practices of the European development finance institutions	**On track:** 84 % of SIFEM's total portfolio has received an ex–post development effects score of "good" or "very good" (latest data available).

INSTRUMENT MIX	Total commitments and number of investments by country, sector (incl. micro finance, infrastructure) as well as number of firms receiving support	**On track:** Please refer to the numbers and charts in section 3.2.
EFFECTIVENESS	Minimum of USD 45m committed to new investments	**On track:** SIFEM has committed USD 81.2m to new investments in 2015. The average new commitments (2014–2015) amount to approximately USD 90m.
DEVELOPMENT	a) At least 25 % of the investment commitments to funds with specific development and social objectives (i.e. economic development funds and/or social impact funds)	**On track:** 35 % of SIFEM's 2014–2015 investment commitments are classified as "special objective investments".
	b) Of those at least one investment will be in social impact funds on a three year average	**Achieved:** During 2014–2015, SIFEM invested in three funds classified as social impact investments, with their key focus being on serving the "base of the pyramid".
RISK POLICY AND RISK MANAGEMENT	a) The proportion of the investments which are classified as high and very high risk projects is less than 40 % for funds	**Inconclusive:** In 2015, the proportion of fund investments which are classified as high and very high risk projects is 37 %, with an increasing trend.
	b) The proportion of the investments which are classified as high and very high risk projects is less than 15 % for debt instruments	**On track:** In 2015, the proportion of debt investments which are classified as high and very high risk projects is 6 %.

PART 3: FINANCIAL OBJECTIVES

OBJECTIVE	TARGET	PERFORMANCE
OPERATING EFFICIENCY	Operating cost ceiling of 1.5 % of the outstanding commitments	**On track:** In 2015, the total operating cost amounted to 0.9 % of total active commitments.
FINANCING	a) The operating costs of SIFEM and the minimum volume of new commitments can be met in full over the target period out of reflows from successfully concluded investments and uncommitted cash reserves	**On track:** reflows received to date plus uncommitted cash at the beginning of the period together amount to USD 216.4m, which will in all likelihood be sufficient to cover the minimum volume of annual commitments plus operating costs over the entire period.
	Increasing reflows as proportion of average annual commitments	**On track:** For the average new commitments 2014–2015 the ratio of reflows to new commitments increased from 39 % to 47 % in 2015.

OBJECTIVE	TARGET	PERFORMANCE
FINANCIAL RESULT	a) Positive operating result in accordance with IFRS	**Inconclusive:** Despite the positive operating result in 2015, the cumulative operating profit since 2014 is still negative at CHF –12.8m. It remains unclear whether operating profits in 2016 and 2017 can make up for this shortfall.
INVESTMENTS	a) Overall portfolio – Positive Internal Rate of Return (%) – Total Value over Paid–in multiplier exceeds 1	**On track:** The IRR of the overall portfolio as of 2015 amounted to 7.27%; the TVPI to 1.29.
	b) Growth funds – Internal Rate of Return exceeds 5% – Total Value over Paid–in multiplier exceeds 1.3	**On track:** The IRR for growth funds as of 2015 amounted to 19.2%; the TVPI to 1.47.
	c) At the beginning of the strategy period at least 1–2 investment institutions should be selected for comparing the reporting on the performance of SIFEM with other investment institutions	**On track:** Institutions were selected

PART 4: COOPERATION ARRANGEMENTS

OBJECTIVE	TARGET	PERFORMANCE
NETWORKS	Existing and, if applicable, new cooperation arrangements entered into with sector organisations (in particular EDFI and its working groups), incl. Qualification of the results and statements on their impact	**On track:** Please refer to section 1.3 of the Annual Report regarding Obviam's involvement with other Development Finance Institutions.

1.3 SIFEM'S COOPERATION WITH OTHER DEVELOPMENT FINANCE INSTITUTIONS

On behalf of SIFEM, Obviam actively engages with other development finance institutions (DFIs) and International Financial Institutions (IFIs), contributing to further cooperation and fostering synergies informally on a day–to–day basis, as well as more formally by being active in associations and joint working groups.

EDFI – European Development Finance Institutions

EDFI is the European Association of 15 bilateral institutions operating in developing economies and emerging markets, mandated by their governments to

- foster growth in sustainable businesses
- help reduce poverty and improve people's lives
- contribute to achieving the Sustainable Development Goals

by promoting economically, environmentally and socially sustainable development through financing and investing in profitable private sector enterprises.

EDFI strives to strengthen the flow of information and the cooperation between its members and other bilateral, multilateral and regional development finance institutions. Obviam represents SIFEM on the EDFI Board and actively contributes to five EDFI working groups.

EDFI Board

2015 was a busy year for the EDFI Board, on which SIFEM holds a seat, as it has decided to significantly step up the activities and the profile of the Association. To that effect, the EDFI Transformation Plan was drawn up by the EDFI Board and approved by an EDFI Extraordinary General Assembly convened in Brussels in October 2015. The Plan aims to increase EDFI's public profile, to deepen financing partnerships, and to expand impact. The European DFIs are convinced that there is a unique opportunity to act now, as the importance of the role of the private sector in development policy is increasingly being acknowledged among key decision makers at the national and international levels. Against this background, the EDFI Transformation Plan foresees two key initiatives:

- **Stepping up EDFI's Policy Engagement**
  The EDFI Board of Directors will remain the body deciding on important policy issues, but it will be significantly strengthened through the creation of a new task force for Strategy and Policy, which will coordinate policy engagements among EDFI members and take on an advocacy and lobbying role.

- **Establishing an EDFI Fund Management Company**
  The European Commission (EC) wishes to build on EDFI members' experience in blended finance to expand its investment programme in private sector projects. In order to achieve this objective, an EDFI management company is being established. ElectriFI – the Electrification Financing Initiative – will be the first blended facility funded by the EC and managed by the EDFI management company.

In addition, on behalf of SIFEM, Obviam has contributed to five technical EDFI working groups and one additional working group consisting of EDFI members and multilateral development banks. These working groups are as follows:

- **EDFI Working Group on Environmental and Social Matters**
  Reviewed and provided input on a new approach to identifying and monitoring Environmental & Social (E & S) risks for Financial Institutions and Funds, the implementation of which will be started in 2016.

- **EDFI Working Group on Development Effectiveness**
  Develops ideas and initiatives to improve and harmonise the measurement and the evaluation of the development impact of the institutions' investments.

- **EDFI Working Group on Technical Assistance**
  An informal platform that allows EDFI members to exchange and share their experiences in the field of technical assistance, and hence enables members to learn from each other.

- **EDFI Working Group on Communication**
  Discusses challenges and highlights of the communication work at member institutions and in 2015 also produced a number of joint EDFI publications.

- **EDFI Working Group on Corporate Governance**
  Facilitates the implementation of the corporate governance development framework, which is a common set of guidelines that EDFI members, including SIFEM, apply.

- **International Finance Institutions Working Group on Harmonization of Indicators**
  Comprises 12 EDFI members, including SIFEM, as well as 14 multilateral development banks. The group's aim is to collaboratively improve measurement, analysis and understanding of development effects and lighten the reporting burden on shared clients.

2. CORPORATE GOVERNANCE

2.1 SIFEM'S LEGAL FRAMEWORK

SIFEM's role as the Swiss DFI is legally anchored in the following two Federal ordinances:

- Ordinance on international development co–operation and humanitarian aid of 12 December 1977.[2]
- Ordinance on co–operation with Eastern European countries of 6 May 1992.[3]

As an Aktiengesellschaft (AG) formed under the Swiss Code of Obligations (SCO), SIFEM is subject to Swiss commercial law. One exception was made with respect to taxation. Due to its public ownership and developmental mandate, SIFEM is exempt from regular communal, cantonal and federal company taxes. This was confirmed by the Tax Administration of the Canton of Bern in their ruling dated 16 March 2010. However, since 1 July 2012 SIFEM is subject to stamp duty despite of its developmental mandate.

2.2 CORPORATE STRUCTURE

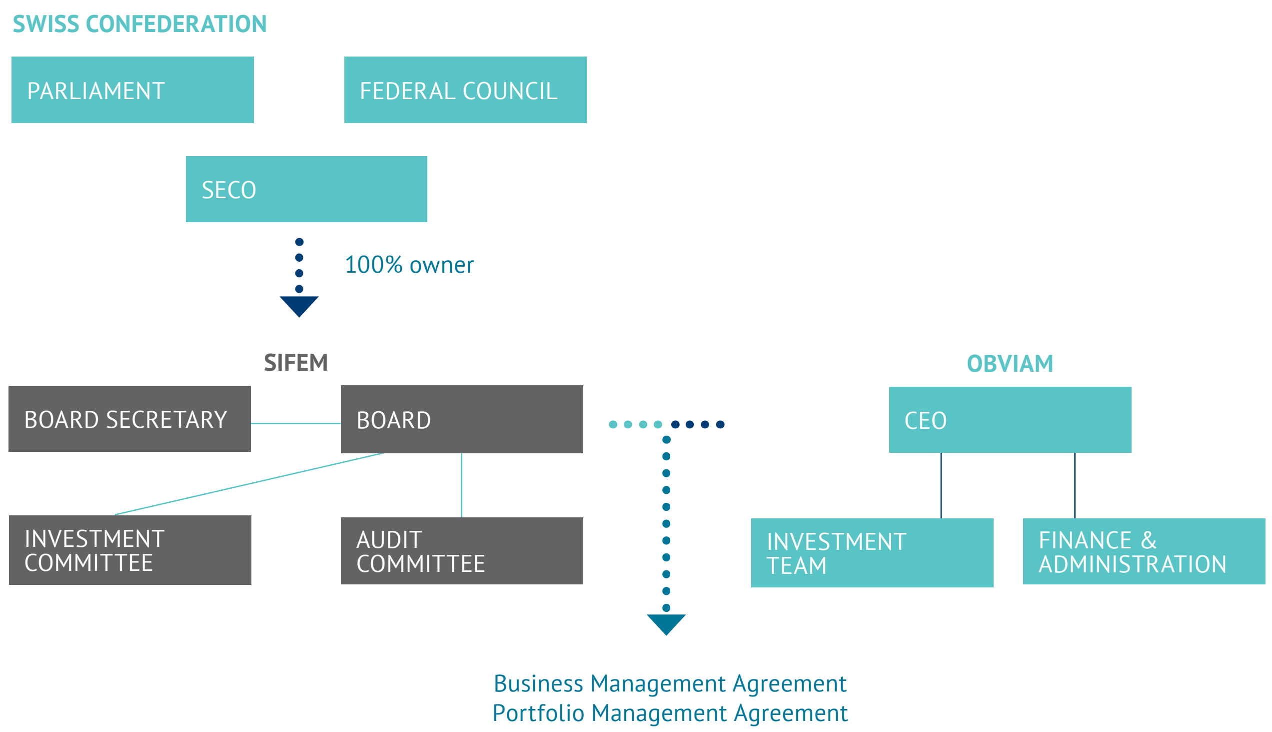
The Board of SIFEM is responsible for investment decisions and other executive management tasks. As per its Organisational Regulations, the Board has formed two committees: the Investment Committee and the Audit Committee. Investment and divestment decisions are delegated to the Investment Committee. The Audit Committee validates valuations of SIFEM investments, reviews SIFEM's financial accounts and related matters, and liaises with the auditor. SIFEM does not have any employees beside the part–time Board secretary.

The management of SIFEM's investment portfolio and its day–to–day operations have been delegated to Obviam, an independent company established specifically for this purpose, under two contracts pertaining to the management of the portfolio and of daily business activities. The core management team of emerging market finance specialists at Obviam has managed the investment operations of SIFEM's portfolio since 2005, initially as advisors to SECO. As part of the establishment of SIFEM as the development finance institution of the Swiss Confederation in 2011, the management team created Obviam as a new and independent company. This facilitates the raising of third–party capital by Obviam, thus fulfilling SIFEM's objective of mobilising private investments into target countries, while shielding SIFEM and the Swiss Confederation from liability risks. The contractual framework between SIFEM and Obviam, which was prepared under SECO's guidance prior to SIFEM's establishment, is in line with international best practice for private equity fund managers, while assuring that the standards of the Swiss Confederation are applied.

The corporate structure of SIFEM assures consistency with the principles of the Corporate Governance report of the Federal Administration and reflects a suitable vehicle for safeguarding, complementing and capitalizing on the know–how and quality of networks acquired over the past years in the area of risk capital for developing and transition economies.

[2] Verordnung vom 12. Dezember 1977 über die internationale Entwicklungszusammenarbeit und humanitäre Hilfe , SR 974.01
[3] Verordnung vom 6. Mai 1992 über die Zusammenarbeit mit den Staaten Osteuropas, SR 974.11

FIGURE 1: SIFEM CORPORATE STRUCTURE AND GOVERNANCE



2.3 GOVERNANCE AND POLICY ACTIONS

Board

The SIFEM Board faced a number of challenging circumstances in 2015. At the beginning of the year, the Swiss National Bank's decision to drop its floor in the exchange rate between the Swiss Franc and the Euro had a major short–term impact on SIFEM's balance sheet. As opposed to SIFEM investments and accounts, which are entirely denominated in foreign currency, the sharp appreciation of the CHF inflated the value of SIFEM's shareholder loans from the Confederation. When the exchange rate of the Swiss Franc overshot during the morning of the January 15, 2015, the accounting value of SIFEM's equity was briefly wiped out. This situation corrected itself within minutes as markets normalised, and hence no legal or statutory actions were required. By the end of the year, the exchange rate against the US Dollar had almost returned to its starting point, and hence the effect on the full–year financial statements has been minimal.

Considering that the Confederation holds both the equity and the shareholder loans of SIFEM, even dramatic shifts in SIFEM's liabilities such as the one observed in January 2015 do not change the fundamental economic risk for the owner. However, the procedural, legal and reputational risks for SIFEM are significant. Hence, the Board intensified its on–going discussions with SIFEM's owner about the conversion of shareholder loans into equity.

Notwithstanding the above, in 2015 the Board focused mainly on working towards achieving the 2014–2017 Strategic Objectives. As reported in section 1.2 of this Annual Report, SIFEM is well under way in terms of achieving these strategic objectives. The losses incurred due to foreign exchange movements in 2014 still weigh on the performance against the financial targets, but in this context the Board is glad to report a significant improvement in financial performance with, in particular a positive operational result of CHF 610,000 in 2015. Considering that the economic environment continues to look challenging in developing economies and emerging markets, it is uncertain whether SIFEM will be able to fully make up for past losses and thus achieve a positive result over the entire four–year period. Nonetheless, SIFEM will continue to strengthen its exposure in current–income instruments in the coming years, which will hopefully further reduce the inherent volatility of its financial results.

As mentioned in last year's Annual Report, the USD 50m capital increase for SIFEM approved by the Federal Council in 2014 is being implemented in 2015 and 2016. The first tranche of USD 25m was subscribed in January 2015, and the second tranche of the same amount will follow in May 2016. These contributions will enable SIFEM to continue implementing the 2014–2017 business plan. However, at its current size, SIFEM remains one of the smallest European DFIs and there are strong operational pressures to further grow the platform. Hence, the Board remains in close contact with SECO about potential future capital contributions. Considering the proven development effects and the growth prospects of the SIFEM business model, the Board believes that SIFEM constitutes a meaningful instrument, enabling the Swiss Confederation to contribute to the implementation of the Addis Ababa Action Agenda on Financing for Development, which stresses the key role of DFIs for achieving the Sustainable Development Goals. As a complementary measure to new capital contributions from the Confederation, the Board is committed to continue seeking additional private capital for co–investments, which further scale the platform and thereby increase both its efficiency and its effectiveness.

Besides these overarching themes, the Board addressed an array of operational topics during 2015. For instance, SIFEM conducted a WTO tender for the Portfolio and Business Management mandate. This tender concluded in November 2015 with the award of contract to Obviam as Portfolio and Business Manager of SIFEM. The contracts are currently being finalised and are expected to be signed shortly. During 2015, the Board also reviewed the public procurement status of various other third–party service provider mandates. In 2016, SIFEM will conduct another WTO tender for the Custodian and Administrator mandate. One other third–party service provider contract will become due for retender in the next few years.

Investment Committee

In 2015 the Investment Committee reviewed transactions presented by Obviam, and met eleven times for this purpose. Concept approval was granted for ten new transactions, allowing Obviam to conduct due diligence on these deals and submit them to the Investment Committee for final approval. Nine transactions were submitted following due diligence, received final investment approval from the Investment Committee and closed before year–end. For further details on the transactions closed during the year, see section 3.1.

Audit Committee

The Audit Committee held five meetings in 2015, and examined a wide range of topics from portfolio performance and valuations to financial accounts, management accounts and budget, risk management and performance of the accountants, auditors and custodians. The Audit Committee recommended that the Board approve SIFEM's 2015 financial accounts. As in previous years, ensuring that the portfolio is valued at fair market values was the overarching topic and absorbed much time. The Audit Committee also met with SIFEM's auditor and accountant to receive comfort on internal controls and cash management policies, as well as portfolio valuation.

2.4 SHORT BIOGRAPHIC PROFILES OF SIFEM BOARD MEMBERS

Jean–Daniel Gerber

Chairman of the Board, Chairman of the Investment Committee, since 2011

Jean–Daniel Gerber was Director of the State Secretariat for Economic Affairs (SECO) until he retired in 2011. During his career in the service of the Swiss Government, Jean–Daniel Gerber has been active in various areas of responsibility: in the trade sector as Swiss representative in the World Trade Organisation (WTO); in the field of development cooperation as Chief of Section for Developing Countries in the former Federal Office for Foreign Economic Affairs; in the diplomacy as Minister and Head of the Economic, Financial and Commercial Office of the Swiss Embassy in Washington; at the World Bank as Executive Director and Dean of the Executive Directors of the World Bank Group (1996/97); and as Director of the Federal Office for Migration (1998–2004). Jean–Daniel Gerber currently also sits on the Board of Lonza Group and is President of Swiss Sustainable Finance (SSF) and the Swiss Society on Public Good.

Susanne Grossmann

Vice–Chairman of the Board, since 2014, Member of the Investment Committee, since 2011

Susanne Grossmann is a Managing Partner at BTS Investment Advisors, a private equity fund advisor for investments in non–listed Indian small– and mid–sized companies. Besides her involvement in private equity Mrs. Grossmann also manages the social engagement of the BTS Group in India. Susanne Grossmann has been active in private sector finance in developing economies and emerging markets since 1999. Since 2014, she advises the SECO Start–Up Fund.

Julia Balandina Jaquier

Member of the Investment Committee, since 2011, Chair of the Audit Committee, since 2014

Dr. Julia Balandina Jaquier has over 20 years of investment and strategic consulting experience, acquired at AIG Global Investment Group, ABB Financial Services, and McKinsey. For the past 12 years, her work has focused on impact investing, and, as the founder of an independent investment consultancy, Julia Balandina Jaquier has advised major private, institutional, and sovereign investors on the design and implementation of impact investment strategies and funds. She lectures at St. Gallen University and is the author of two books.

Geoff Burns

Member of the Investment Committee, Member of the Audit Committee, since 2014

Geoff Burns has over 30 years of experience in private equity. He has his own private equity advisory business specifically to address the challenges facing Development Finance Institutions (DFIs) in this sector. He has provided advice on all aspects of investing to a number of bi–and multilateral DFIs, including the Asian Development Bank, FMO, CDC, Norfund, among others.

Hugo Fasel

Member of the Board, since 2011

Hugo Fasel has been Director of the Swiss charity Caritas since 2008. He was previously an elected member of the Swiss National Assembly, serving for four consecutive terms between 1991 and 2008, representing the Christian–Social Party from the Canton of Fribourg.

Kathryn Imboden

Member of the Investment Committee, since 2014

Kathryn Imboden is a Policy Advisor for the Consultative Group to Assist the Poor (CGAP), a research and policy platform on financial inclusion housed at the World Bank. Following nearly twenty years with the Swiss Agency for Development and Cooperation (SDC), she worked for Women's World Banking, United Nations Capital Development Fund and the Aga Khan Foundation, before joining CGAP in 2007.

Michel Juvet

Member of the Board, since 2011

Michel Juvet is a partner and member of the Executive Board of Bordier & Cie, a Geneva–based private bank. He is also President of the Board of Directors of BO Funds, a Luxembourg Investment Company and president of the Institute for Studies in Finance & Banking.

2.5 COMPENSATION REPORT

Board Compensation

In 2015, the fixed annual compensation for the entire Board of SIFEM amounted to CHF 241,200, gross of social security costs.

The Chairman of the Board received a total gross compensation of CHF 44,000 in 2015. This consists of a base compensation of CHF 30,000 for his role as Chairman of the Board and CHF 14,000 for his role as Chairman of the Investment Committee.

Excluding the Chairman, the other SIFEM Board members on average received CHF 32,867 of gross compensation, including compensation for work in Board subcommittees.

Compensation of Obviam

The compensation of Obviam is determined in accordance with the Portfolio Management Agreement and the Business Management Agreement.

Under both agreements, Obviam is compensated for actual costs incurred, within a budget that is approved annually in advance by the Board.

The original wording of Clause 4 of the Portfolio Management Agreement is as follows:

a. *SIFEM will pay the Portfolio Manager an annual management fee (the "Management Fee") equal to an amount agreed before the end of the previous year by the Board and the Portfolio Manager.*
b. *The amount of the Management Fee shall be calculated using an annual budget to be approved by the Board, consisting of the expected human resource and other expenditure directly attributable to the services provided under this Portfolio Management Agreement, and a pro–rata share of the general expenses (not directly attributable to any mandate) of the Obviam Group. For the avoidance of doubt, the share of general expenses to be borne by SIFEM shall be calculated in accordance with the pro–rata share of SIFEM's active commitments against the total active commitments on all mandates of the Obviam Group […]*
j. *[…] At the end of a business year, the Management Fee paid to the Portfolio Manager according to the annual budget shall be compared with the actual costs of the Portfolio Manager. If the Management Fee paid is in excess of the total effective cost of the Portfolio Manager for the management of the Portfolio, the amount in excess shall be returned to SIFEM […]*

The original wording of Clause 9 of the Business Management Agreement is as follows:

> *SIFEM shall compensate the Business Manager with an allowance for its expenses, calculated ex ante on the basis of an annual budget of the business management to be prepared by the Business Manager and approved by the Board of SIFEM. The expenses comprise any and all management costs, particularly secretarial work, copies, mailing costs, IT costs, telephone, travel costs, etc. […] If the allowance paid is in excess of the actual costs of the Business Manager for the business management of SIFEM, the amount in excess shall be returned to SIFEM […]*

The Board of SIFEM agreed to the annual budget proposed by Obviam for 2015 under the aforementioned agreements. For the year 2015, the total budget for Obviam under both agreements was CHF 5,317,875 (including VAT and accruals for variable compensation). While this represents an absolute increase of 14.2 per cent compared to 2014, the size of the budget relative to the total active commitment as of the end of the year increased from 0.81 per cent in 2014 to 0.88 per cent in 2015.

Furthermore, it is important to note that Obviam rarely spends its full budget. In 2015, the effective expenses amounted to CHF 4,329,328, or 81 per cent of the total budget. This corresponds to 0.71 per cent of the total active commitments of SIFEM (as per 31 December 2015), as opposed to 0.65 per cent in 2014. In absolute terms, the effective expenses increased by 16 per cent.

The increase in both budgeted and effective management costs is a consequence of the strong growth of the investment portfolio in recent years. As a proportion of the total active commitments, the 2015 figures were still substantially below the values observed in 2011–13.

The total operating costs of SIFEM amounted to CHF 5.65m in 2015. This encompasses the other operating costs of CHF 334,000, which mainly consist of stamp duty expenses. Otherwise, the operating costs only consist of management expenses and other administrative expense items such as administration and custodian fees and Board compensation. In 2015, the estimated effective total administrative costs of SIFEM accounted for 0.88 per cent of total active commitments (as per 31 December 2015). The corresponding previous year figure is 0.81 per cent. The threshold for total administrative expenses set by the Federal Council is 1.5 per cent of SIFEM's total active commitments.

Obviam has complied with Clause 16 of the Portfolio Management Agreement, the original wording of which is repeated below:

> *The Portfolio Manager [Obviam] undertakes to ensure that in the Obviam Group the proportion of the highest individual fixed salary which results from this Portfolio Management Agreement does not exceed salary class 32 of the Swiss Confederation. For the avoidance of doubt, this shall include any residence allowance and pension treatment that an employee of the Swiss Confederation earning salary class 32 would be entitled to.*

As per Clause 4 of the Portfolio Management Agreement, the original wording of which is repeated below, the incentive system for Obviam is designed as follows:

e. The Board will allocate a performance bonus (the "Performance Bonus") equal to an amount up to 20% of the annual fixed salary costs indicated in the annual budget prepared in accordance with Clause 4 (b) of this Portfolio Management Agreement for the year in question. The objectives to be attained by the Portfolio Manager [Obviam] shall be specified yearly by the Board and agreed with the Portfolio Manager in the framework of the yearly budget process.
f. One third of such Performance Bonus shall be disbursed annually to the Portfolio Manager at the beginning of the year following the year in question (the "Immediate Bonus") depending on the progress made in a given year in attaining objectives specified annually in advance by the Board according to the operational objectives set out in the Supervision and Controlling Concept agreed between SIFEM and the Swiss Confederation.
g. Two thirds of such Performance Bonus shall be disbursed to a blocked account at the beginning of the year following the year in question (the "Retained Bonus"). Such Retained Bonus payments shall be retained on the blocked account, with the total amount on the blocked account to be disbursed to the Portfolio Manager at the beginning of the year following the expiry of the strategic objectives, depending on the progress made in attaining the objectives specified in advance by the Board in line with the strategic objectives. For the avoidance of doubt, any undisbursed amount remaining on the blocked account after such period due to non– or partial fulfilment of the agreed objectives shall be returned to SIFEM. Due to the fact that the current strategic objectives are valid until end–2012, the first disbursement of the Retained Bonus shall occur in early 2013. After the first disbursement, the Retained Bonus shall be paid out every four years, in line with the four–year duration of the strategic objectives.

In accordance with the above, the Retained Bonus for 2015 was retained on a blocked account. Based on a detailed review of Obviam's performance against the annual objectives, the Board approved the disbursement of the immediate Bonus to Obviam's CEO as follows:

- One part of the annual bonus for 2015 was based on the performance against quantitative targets for the year. According to the mechanism established by the Board, Obviam CEO was entitled to 70 per cent of this immediate bonus component for 2015 which amounts to 4.66 per cent of the annual fixed salary. The immediate bonuses of individual Obviam staff members are determined by the CEO, subject to a cap of 6.66% of individual annual salaries.

3. PERFORMANCE OF THE INVESTMENT PORTFOLIO[4]

3.1 NEW INVESTMENTS

In 2015 a total of USD 81.2m of new investment commitments were made. The 2015 investments consist of 5 private equity funds (Ashmore, BPI East Africa, EMI CLMDF II, IFHA II and VenturEast II), 1 mezzanine fund (Vantage Mezzanine Fund III), 2 loans (ACLEDA Bank, Banco Lafise), 1 debt fund (agRIF). The regional breakdown of 2015 investments accounts for 2 in Latin America, 3 in Sub–Sahara Africa, 3 in East and South East Asia and 1 global project.

[4] Note: All numbers related to the investment portfolio are declared in SIFEM's functional currency USD

The new portfolio positions are as follows:

ACLEDA Bank Plc. (USD 10m subordinated loan)
Founded in 1993 as a NGO, transformed into a specialised bank in 2000 and then into a commercial bank in 2003, ACLEDA Bank is currently the largest financial institution in Cambodia. The bank has historically focused on microfinance which, together with the financing of small and medium enterprises (SMEs), accounted for the largest portion of the Bank's portfolio (more than 75 per cent of their total loans in 2015). By being present in all Cambodian provinces, ACLEDA Bank has a strong footprint in rural areas, which allows the bank to reach clients in more remote and underserved areas of the country.
The subordinated nature of the SIFEM loan allows ACLEDA Bank to access a type of long–term financing that is still scarce in the country and helps the bank strengthen its capital base. The loan will be fully earmarked to ACLEDA Bank's financing activities with SMEs, which in turn play a major role in Cambodia by creating jobs and generating income, supplying low–cost goods and services, and participating in research and innovation.

agricultural Rural Impulse Fund (USD 6m committed)
The agricultural Rural Impulse Fund (agRIF) is a USD 200m global fund investing in sustainable institutions that provide financial services to smallholder farmers and other people living in rural areas. The Fund follows a two–tiered investment strategy, deploying at least USD 105m into debt and a maximum of USD 95m into equity investments, into financial institutions and cooperatives. The fund has a complementary technical assistance facility to help investees develop agriculture–focused products. As the majority of the world's poor live in rural areas and access to finance is recognised as one of the major challenges faced by rural entrepreneurs at the base of the pyramid, agRIF presents a compelling impact opportunity to reach the rural populations with viable financial products, as well as technical assistance.

Ashmore Andean Fund II (USD 15m committed)
Ashmore Andean Fund II (AAF II) is a USD 300m private equity fund focusing on infrastructure–related assets in Colombia, Peru and selectively Central America. AAF II will invest in companies that are active in such sectors as transport, power, telecoms, logistics and social infrastructure (i.e. healthcare and education). The 2015–2030 Sustainable Development Goals (SDGs) identify a USD 1.0–1.5 trillion annual infrastructure deficit in developing countries, and as governments cannot meet this gap alone, DFIs play a crucial role in providing finance to this sector in a socially and environmentally responsible way. Thus, supporting funds such as AAF II is key to reducing the glaring infrastructure gap that hampers economic development and leaves millions of poor people without access to basic transportation, education and healthcare.

Banco Lafise Bancentro (USD 10m subordinated loan)
Banc Lafise Bancentro (Lafise) is a Nicaraguan private commercial bank. Its primary activity is to provide banking and financial intermediation services, as well as promote the development of the industrial, agricultural and commercial sectors in Nicaragua through lending activities. In 2014, 75 per cent of Lafise's portfolio was composed of loans to small and medium enterprises (SMEs) and the bank had one of the largest geographical coverages amongst all Nicaraguan banks. Such geographical reach allows the bank to attend clients in more remote areas and extend financing lines to the agriculture sector, which is still largely underserved in the country and has limited access to finance. Overall, Lafise provides a broad range of services like financing, payments, credit cards, deposits, fund administration, insurance and internet banking.

Business Partners International East Africa (USD 4m committed)
Business Partners International East Africa (BPI EA) is a USD 35m investment vehicle that will provide risk–finance to small enterprises in Kenya, Rwanda and Uganda. The Company will invest USD 50k–1m mainly via self–liquidating quasi–equity instruments and will complement finance with technical assistance in the form of non–interest bearing loans. The Company's offering is tailored to the needs of small enterprises, and accounts for their lack of collateral and irregular cash–flows. Small businesses in BPI EA's target countries do not have access to formal sources of capital and often rely on private savings, family and friends as their only source of financing. Typically, these businesses do not attract capital from private equity funds, and also have difficulties in accessing classical bank loans. Through its innovative and tested investment approach, BPI EA seeks to close the access to finance gap.

Cambodia–Laos–Myanmar Development Fund II (USD 4.2m committed)
Cambodia–Laos–Myanmar Development Fund II (CLMDF II) is a regional private equity fund focused on investing in small and medium enterprises (SMEs) located in Cambodia, Laos and Myanmar. These countries are classified as Least Developed Countries (LDCs) by the Organisation for Economic Cooperation and Development (OECD).

While their economies have grown in recent years, the lack of capital and managerial know–how continues to delay the establishment of a healthy, formalised private sector, impeding these countries' overall development. For SMEs, bank loans are often unsuitable and difficult to obtain even with the required collateral. Hence the provision of capital to local private equity funds is critical to these typically underserved regions.
As part of its investment strategy, CLMDF II will focus on SMEs serving scalable local markets, including those targeting the bottom of the pyramid. The fund's key investment sectors are expected to include: (micro) finance, education, healthcare, food and beverage (including processing), tourism and selected niche manufacturing opportunities.

Investment Fund for Health in Africa II (USD 10m committed)
The Investment Fund for Health in Africa II is a USD 160m private equity fund that will provide long–term finance to private healthcare companies in Sub–Saharan Africa. The Fund's future investee companies will be involved in activities ranging from care provision, wholesale and distribution of healthcare products, health insurance and healthcare product manufacturing. The healthcare sector is chronically underfunded in Africa. While access to long–term capital is in general difficult for SMEs, those in the healthcare sector are even worse off, as the sector is perceived as very risky. Through this investment, SIFEM intends to not only capture the high growth potential, but also to bring additional capital where it is most needed from a development impact perspective.

Vantage Mezzanine Fund III (USD 12m committed)
The Vantage Mezzanine Fund III is a USD 250m generalist mid–market fund aiming at building a portfolio of 12–20 investee companies across Sub–Saharan Africa, with a concentration in South Africa. The Fund will target sectors across the spectrum, with potential exposure to renewable energy, manufacturing, services and consumer goods. 50 per cent of SIFEM's investment is to be deployed to South Africa, and the other 50 per cent to other markets in Sub–Saharan Africa. From a structuring perspective the Fund will invest via mezzanine instruments, a much sought–after finance product with characteristics of both equity and debt.

VenturEast Proactive Fund II (USD 10m committed)
The VenturEast Proactive Fund II is an India–only focused USD 175m (target) venture capital /early–stage fund. It seeks to invest in early stage, technology–focused companies primarily targeting local consumption. Target companies will demonstrate high enabling technology that addresses current challenges for Indian consumers in the rural and semi urban markets. This includes Financial technology (like online credit platforms, non–cash payment technologies), Enterprise Applications to improve the efficiency of supply chains of SMEs and micro–enterprises, Mobile Internet and Consumer Internet (digital commerce).

3.2 PORTFOLIO CONSTRUCTION

SIFEM's portfolio was developed over a period of nearly two decades, with the first investments dating back to 1997.[5] Since inception, SIFEM has committed USD 707.9m to 108 investments across 72 countries in Africa, Asia, Eastern Europe and Latin America. While Asia historically has been the largest region, its share of the total portfolio has been slowly declining as China and India ceased to be priority countries. This trend has now come to an end and the portfolio allocation in terms of geographical distribution is very similar to that of 2014.

SIFEM PORTFOLIO BY GEOGRAPHY AND FOCUS AS OF 31 DECEMBER 2015

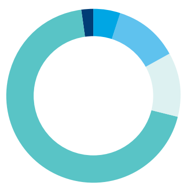
GEOGRAPHY

Figure 2

- Africa 29 %
- Asia 35 %
- CEE & CIS 10 %
- Global 8 %
- LATAM 18 %

FOCUS

Figure 3



- Microfinance 5 %
- Other Financial Intermediaries 12 %
- Current Income Funds 12 %
- Growth Capital Funds 69 %
- Infrastructure Funds 2 %

[5] Investments made between 1997 and 2005 were transferred to SIFEM when it was established in its current form in 2005.

The portfolio consists primarily of private equity funds investing in growth companies and SMEs (69 per cent), infrastructure (2 per cent) and current income funds (12 per cent). Investments in microfinance comprise 5 per cent and other financial intermediaries 12 per cent of the portfolio.

Across these focus areas, 26.8 per cent of the total portfolio now consists of current income earning assets, with the remaining 73.2 per cent consisting of equity and quasi–equity instruments.

As of June 30, 2015 SIFEM had directly and indirectly invested in 421 companies in 72 countries. The 10 countries with the largest financial exposures account for 55 per cent of the total invested capital.

LARGEST EXPOSURES PER COUNTRY BY INVESTED CAPITAL

Figure 4

- India 15 %
- China 14 %
- Nicaragua 12 %
- Vietnam 15 %
- Albania 9 %
- South Africa 8 %
- Azerbaijan 8 %
- Peru 8 %
- Colombia 7 %

LARGEST EXPOSURES PER NUMBER OF COMPANIES

Figure 5

- India, 39
- Vietnam, 34
- South Africa, 24
- China, 21
- Tunisia, 20
- Morocco, 17
- Peru, 17
- Nigeria, 14
- Ukraine, 12
- Ghana, 12

INVESTED CAPITAL EXPOSURE PER SECTOR

Figure 6

- Manufacturing 20 %
- Transport, storage and communications 9 %
- Business activities and services 8 %
- Financial intermediation 33 %
- Wholesale and retail sale 4 %
- Agriculture, fishing and forestry 6 %
- Electricity, gas and water supply 7 %
- Construction 2 %
- Hotels, restaurants and catering 4 %
- Health, social, education and recreational 7 %
- Mining and quarrying <1 %

SIFEM LARGEST EXPOSURE PER SECTOR BY NUMBER OF COMPANIES

Figure 7

- Manufacturing, 93
- Transport, storage and communications, 30
- Business activities and services, 33
- Financial intermediation, 106
- Wholesale and retail sale, 27
- Agriculture, fishing and forestry, 25
- Electricity, gas and water supply, 39
- Construction, 8
- Hotels, restaurants and catering, 15
- Health, social, education and recreational, 42
- Mining and quarrying, 3

Out of the 106 entities in the financial sector, more than 70 companies are active in the Microfinance industry, representing 5 per cent of the total invested capital.

3.3 VALUATION

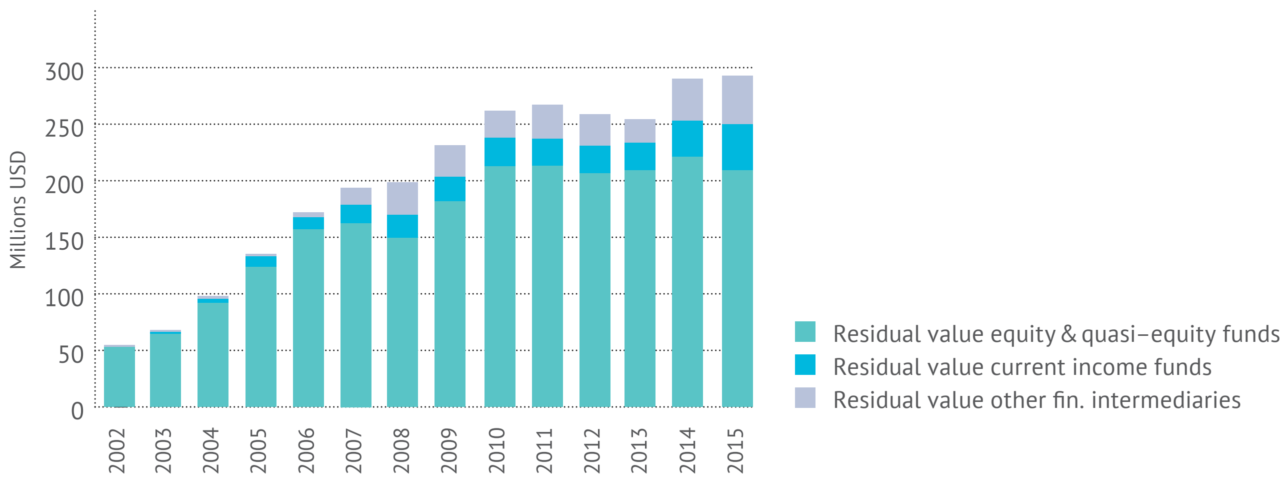
SIFEM's financial statements 2015 were audited by early March 2016, in accordance with the requirements of the shareholder, so that they could be consolidated in the Swiss Confederation's accounts. However, this did not leave sufficient time to collect and integrate the audited accounts of all portfolio companies. Hence, SIFEM has used the latest available valuations (as of September 2015) and rolled them forward to the year-end. This methodology was accepted by the auditors and any differences are unlikely to be material.

3.4 EVOLUTION OF KEY PERFORMANCE BENCHMARKS

As of 31 December 2015, SIFEM's total active commitments were USD 605.1m. The residual value of SIFEM's investment portfolio amounted to USD 293.7m, an increase of USD 10.6m or 3.7 per cent compared to 31 December 2014. Changes in the portfolio value are driven by changes in the value of the underlying investments on the one hand and the inflows and outflows of cash generated by new investments and by realisations of investments, respectively.

FIGURE 8: SIFEM PORTFOLIO NAV SINCE INCEPTION

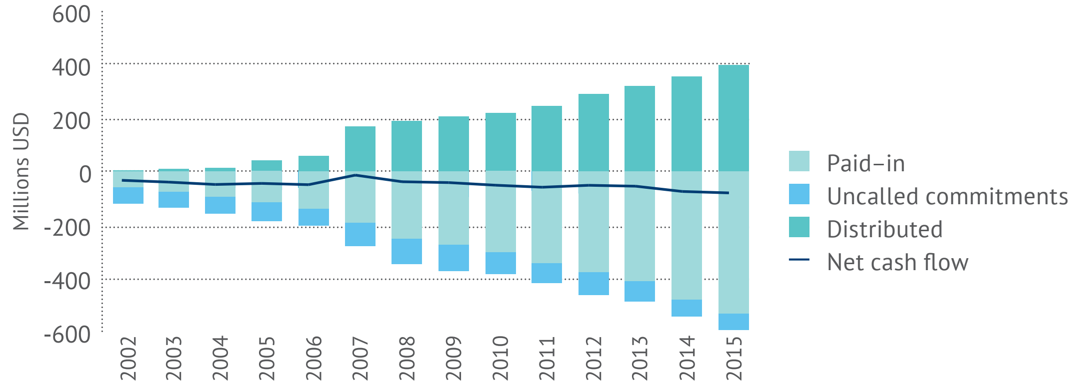
RESIDUAL VALUE



Since inception, USD 534.0m has been paid into the SIFEM investment portfolio, and the portfolio generated total reflows of USD 397.0m. SIFEM continued to be cash flow negative through 2015, posting USD –137.0m in cumulative net cash flow since inception – this is explained by a combination of an expanding portfolio, the long-term patient capital nature of its investments and the continued slow exit environment in the aftermath of the global financial crisis.

FIGURE 9: SIFEM CUMULATIVE CASH FLOWS AND UNCALLED COMMITMENTS (IN USDm) SINCE INCEPTION

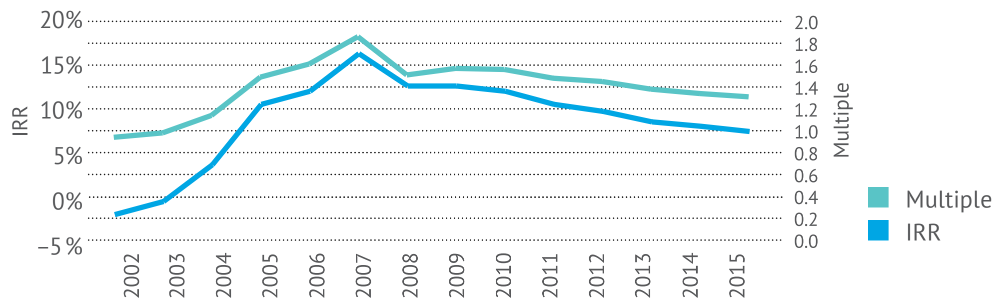
CUMULATIVE CASH FLOWS
AND UNCALLED COMMITMENTS IN USDm



As of 31 December 2015, SIFEM's portfolio Internal Rate of Return (IRR) was 7.27 per cent. The IRR is tracking the performance of the portfolio since inception. It has to be noted in this context that the SIFEM portfolio is a vehicle with no fixed-life investment pool; it is "evergreen" as reflows from past investments are reinvested.

FIGURE 10: SIFEM TOTAL PORTFOLIO IRR & MULTIPLE SINCE INCEPTION

TOTAL PORTFOLIO IRR & MULTIPLE



In 2015, the IRR decreased from 7.85 per cent (in 2014) to 7.27 per cent. This trend is not a concern as the impact on the IRR of successful exits performed in the past is diluted in an increasing portfolio. Furthermore, the addition of new private equity funds in the portfolio exacerbates the J-curve effect, as typically funds show positive valuations after four to five years of operations when portfolio companies reach maturity which then translates in higher valuations exceeding the cost of managing the fund. Write downs due to poor performance of some individual portfolio companies have been largely offset by gains in other positions.

3.5 CURRENCY EFFECTS

Fluctuations in foreign currency continue to affect the performance of the SIFEM portfolio in two ways: First, the investee companies of the private equity funds are operating in local currency environments which affect their performance since the funds themselves are mostly denominated in US Dollar and to a certain degree in Euro, South African Rand or Chinese Yuan. Second, the non-USD fund denomination currencies – namely Euro, Rand and Yuan – affect the portfolio performance once they are translated into SIFEM's operational USD currency. Exchange rate effects of these fund investments are not reported separately in SIFEM's financial statements since they are incurred directly at the level of the investee funds' valuation. This negative effect was estimated to be roughly USD 9 m in 2015.

In order to reduce this impact, the SIFEM Board decided to optimise currency management by reducing cash holdings in the main fund denomination currencies other than USD (i.e. Euro, Rand, Yuan) and, at the same time, hedging SIFEM's exposure to the Euro by entering into currency forward contracts to the amount of SIFEM's total Euro exposure (consisting of Euro debt investments, treasury cash holdings and estimated cash holdings in the underlying Euro denominated private equity funds). In 2015, the net income from the derivative instruments amounted to CHF 2.6m.

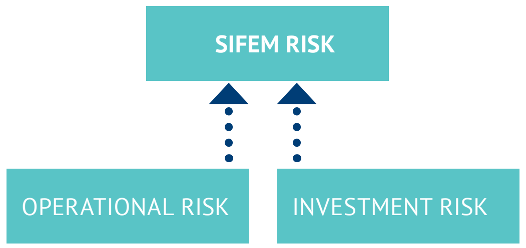
4. RISK MANAGEMENT

Identifying, mitigating, monitoring and managing risks is one of SIFEM's core duties, as these risks could potentially affect SIFEM's financial health and sustainability, its ability to generate development impact and its reputation. Reputation risk is of particular importance for SIFEM for two main reasons: (a) due to its public ownership, SIFEM is under close scrutiny by its shareholder as well as stakeholders and is being held to the highest standards; and (b) SIFEM operates in a developing economy and emerging market environment, where corporate governance tends to be weak and the risk of incidents is comparatively high.

SIFEM relies on a comprehensive Manual of Procedures which was approved by its Board and contains all the relevant policies, procedures and guidelines for operations. The Manual details the ways in which Obviam implements the Portfolio Management Agreement, and in particular how risks are identified, mitigated, monitored and managed.

Obviam applies a comprehensive portfolio–wide internal risk–rating system for all SIFEM investments, which is a useful tool for detecting, monitoring and managing the numerous risks inherent in SIFEM's investment activities. The potential risks can be divided in two main areas: first, the SIFEM operational risk and second, the investment or portfolio risk for SIFEM.

FIGURE 11: SIFEM MAIN RISK COMPONENTS



The monitoring of risk on each level follows specific procedures and processes applied throughout SIFEM's operations, and which ensure that risk is mitigated to the highest desirable degree and that the regulatory requirements are fulfilled. At each stage, the objective is to reduce the risks for SIFEM to the minimum possible under the given investment guidelines. The risks addressed are monitored on a continuous basis. Any significant risk events are duly reported to the Board, together with proposals on how the risks can be mitigated.

4.1 OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

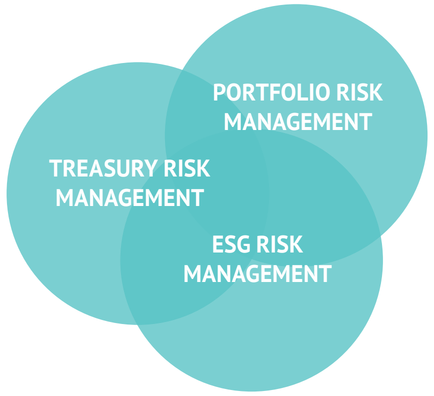
SIFEM submits itself annually to a full audit according to the Swiss Code of Obligations. Since the 2008 revision of the Swiss Code of Obligations, companies undergoing such a full audit are required to demonstrate the existence and quality of an Internal Control System (ICS). The Board of Directors and the executive management in a company are required to grant due attention to the quality and documentation of their ICS.

The Procedure Manual serves as SIFEM's Internal Control System. It covers all of the operational processes and controls in depth. The accounting and financial reporting processes have been outsourced to the bank acting as custodian and administrator, and to an external bookkeeping agent.

4.2 INVESTMENT RISK MANAGEMENT

SIFEM's portfolio is a clear reflection of the institution's developmental mandate, as it primarily consists of investments in countries and projects with a structurally high risk. Therefore it is essential to have an adequate risk management system that takes account of risk capacity in order to control these risks and by doing so, ensure that the financial performance safeguards SIFEM's ability to maintain and expand its investment capabilities.

Investment risk management is based on three elements:



Portfolio Risk Management
Obviam is responsible for the identification, evaluation and selection of investment opportunities for SIFEM, as well as the monitoring of SIFEM's investments. At each stage of the investment process, Obviam applies specific tools and follows pre–defined procedures.

Furthermore, Obviam actively monitors the portfolio, focusing in particular on the change in risk ratings, valuations, reporting, performance of the investees and compliance with the various applicable policies and guidelines. Any violation of applicable policies or guidelines is reported to the Board, together with proposed actions to rectify the situation.

Obviam uses its in–house risk rating tool which has been validated by SIFEM's auditor. Each investment is rated on an annual basis. A comprehensive description of the tool is provided in section 4.3 and a portfolio risk analysis in section 4.4.

Treasury Management
Obviam is responsible for ensuring compliance with liquidity risk limits. The calculation of the liquidity ratio and review of compliance with the limits are carried out by the custodian bank under the supervision of Obviam. Periodical cash flow forecasts are generated to ensure liquidity. Safe keeping of cash reserves that are not needed at short term for investment operations is done with the Federal Finance Administration and the Swiss National Bank, adding an important layer of security. Unfunded commitments are backed by cash reserves in matching currencies in order to avoid currency risks.

ESG Risk Management
Environmental, Social and Governance (ESG) matters are of increasing importance to investors, companies and wider society. As a responsible investor, SIFEM is committed to investing in accordance with international best practice ESG standards, in order to contribute to sustainable development in its target markets.

SIFEM benefits from Obviam's comprehensive approach to responsible investment: this includes a Responsible Investment Policy which contains a policy statement on responsible investment, an Exclusion List, and descriptions of ESG requirements and implementation.

In order to monitor ESG risk SIFEM's portfolio is subject to an annual ESG risk rating review. Enhanced support is provided for investments where serious ESG issues and/or insufficient ESG management systems are detected. ESG incidents are captured in a Management Information System and a watch list is generated periodically to ensure early recognition of potential risks. An overview of the ESG risk distribution of the portfolio is generated annually.

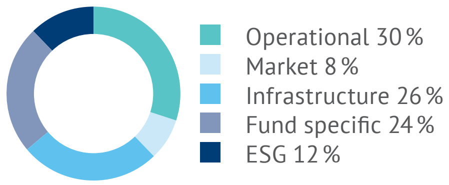
All active investee companies in the SIFEM portfolio have been individually rated for ESG risk. Moreover all ESG Management Systems of portfolio funds have been individually rated according to quality since 2005. When a problem is identified SIFEM becomes proactive. It coordinates with DFI co–investors to find a way to remedy the situation and help the company comply with ESG best practices. From time to time Technical Assistance (TA) funding is mobilised from SECO to reach that goal.

4.3 PORTFOLIO RISK RATING TOOL

In 2012 Obviam developed and implemented a comprehensive in–house risk rating system for the SIFEM portfolio, which was also validated by SIFEM's auditor. The system includes different rating metrics for Private Equity Funds, FIs and debt funds in microfinance or other asset classes. It primarily measures financial risk, but also considers other dimensions such as environmental, social and reputation risks. The system comprises over 30 risk indicators that capture operational, market, infrastructure and ESG risks, as well as fund, debt instrument and FI–specific risks.

RISK WEIGHTING IN SIFEM'S RISK RATING TOOL FOR PRIVATE EQUITY FUNDS AND DEBT FUNDS

Figure 12



These indicators are aggregated and weighted into a risk score for every investment. The scores are then adjusted by quantitative factors derived from their historical financial performance. In cases of microfinance or other debt funds with limited upside, further adjustments are made to cater for the different risk profiles of SIFEM's investment instruments. To determine the risk score of direct investments in financial institutions, an alternative set of qualitative criteria is taken into consideration, which gives more weight to endogenous factors.

RISK WEIGHTING IN SIFEM'S RISK RATING TOOL FOR DIRECT DEBT INVESTMENTS

Figure 13

The risk rating system is used throughout Obviam's investment process, with first risk assessments performed ex–ante during due diligence of potential investments. Post–investment, each project is re–rated on a regular basis to capture and monitor the evolution of risks.

The individual rating of each investment is rescaled into a risk score ranging from 1 (very high risk) to 5 (very low risk). Risk scores of 4 or 5 classify an investment as low risk or even very low risk, respectively, while a risk score of 3 indicates a moderate risk.

A risk score of 2 however puts an investment on the watch–list, which necessitates increased supervision. Finally, a risk score of 1 means that an investment is a work–out case for which a clear action plan needs to be drawn and implemented.

4.4 SIFEM PORTFOLIO RISK RATINGS OVERVIEW 2015

As per December 2015, the break–down of the SIFEM portfolio in terms of investments per risk category looks as follows:

FIGURE 14: NUMBER OF SIFEM INVESTMENTS PER RISK CATEGORY AS OF DECEMBER 2015

Projects per risk category	2014		2015	
Very low risk	11	15 %	6	7 %
Low risk	9	12 %	15	19 %
Moderate risk	26	35 %	22	27 %
High risk	10	13 %	18	22 %
Very high risk	19	25 %	20	25 %

The largest concentration of investments can still be found in the moderate risk categories. These are mainly investments which perform according to expectations or are too recent to be meaningfully assessed.

For the most part, projects in the high or very high risk categories either do not meet the expected performance or their risk score is affected by a higher macroeconomic and market risk. The relative high number of riskier investments results from SIFEM's developmental mandate. It should be noted, however, that the proportion of high risk investments has increased over the past year. This trend reflects the challenging economic environment of SIFEM's target markets as compared to earlier years, and hence adding to the total portfolio risk. In particular, exits have been slower to materialise than projected, which negatively feeds into the risk scores. This is the single largest contributor to the increase in the risk profile shown by SIFEM's risk management system.

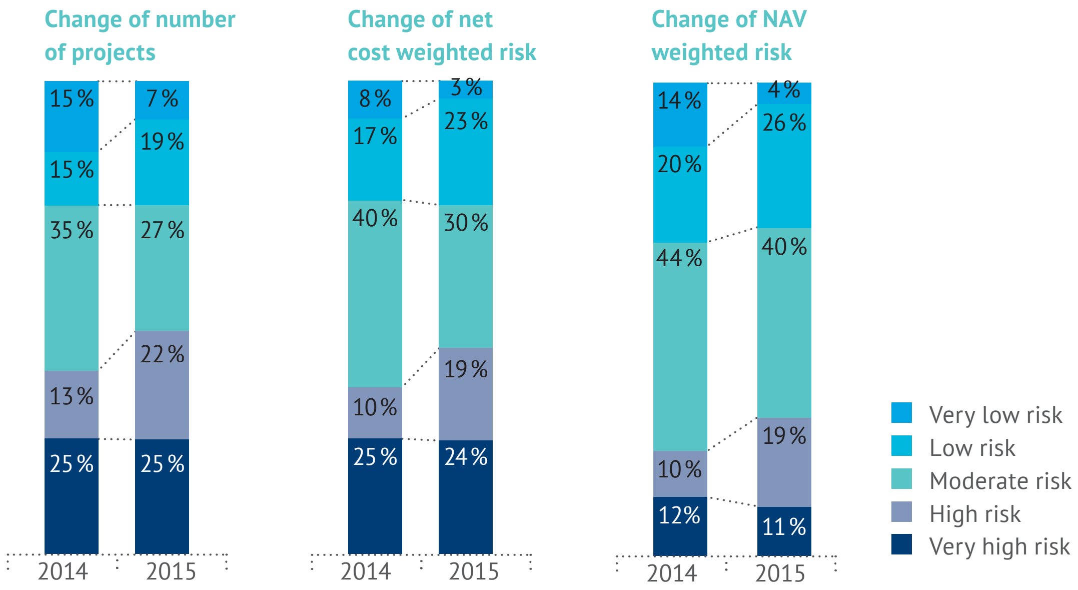
Investments in the low risk or very low risk categories are mainly projects which exceed their expected performance. Over the last year, the number of projects with low risk has increased. This has, however, occurred at the expense of the investments in the very low risk category, thereby adding further to the increase in the total portfolio risk.

From a portfolio perspective, risk can be measured either by weighting the exposure by the cost of investments or by the investments' residual value or net asset value (NAV), respectively. While measuring risk exposure weighted by cost of investment represents a historic perspective, the assessment of risk exposure using the residual value is more a forward looking approach since it determines the amount of remaining value which is at risk of being lost in the future. Figure 15 below shows difference between the two methodologies for weighting.

When measuring the exposure to each risk category by weighing each investment by its NAV, the largest concentration can be observed in the moderate risk category. This is not surprising since highly risky projects tend to be more heavily provisioned or have historically lost value as compared to their original cost of investment, thereby losing relative weight in the total residual value of SIFEM's portfolio.

The move towards overall higher risk in 2015 as compared to the previous period is confirmed for both approaches, but it is more exacerbated when using the cost of investments rather than the NAV for weighting the assets:

FIGURE 15: CHANGE IN NUMBER OF PROJECTS, COST OF INVESTMENTS AND NAV OF SIFEM PORTFOLIO PER RISK CATEGORY AND INVESTMENT TYPE AS OF DECEMBER 2015



Building a balanced portfolio between debt and equity instruments contributes to the financial sustainability and stability of SIFEM. As shown in Figure 16, debt instruments have a lower risk profile which compensates for the higher risk born by equity investments:

FIGURE 16: NUMBER OF SIFEM INVESTMENTS PER RISK CATEGORY AND INSTRUMENT AS OF DECEMBER 2015

Projects per risk category	Private Equity Funds		Pooled Debt Vehicles		Direct Debt Investments	
Very low risk	6	10 %				
Low risk	5	8 %	8	50 %	2	33 %
Moderate risk	15	25 %	4	25 %	3	50 %
High risk	15	25 %	2	13 %	1	17 %
Very high risk	18	31 %	2	13 %		

A more granular view on the risk allocation within the portfolio can be attained by ways of considering each asset class individually while at the same time using the different weightings approaches. The table below (Figure 17) shows that the private equity funds exhibit a concentration in the higher risk categories when measured by investment cost. However, when measured by residual value, the largest share of SIFEM's private equity portfolio falls into the moderate risk category.

The pooled debt vehicles such as debt funds and similar show a very different picture: Here, most investments can be considered as being of lower risk. This is not surprising since the underlying assets of such vehicles consist of debt or sub–ordinated debt which is senior to equity investments. Also, the pooled vehicles offer certain diversification which typically makes them less risky than direct debt transactions. Weighting the pooled debt investments and the direct debt investments by residual value is less meaningful since most of these debt assets are held at the face value of the debt which equals cost.

Only if a debt investment is provisioned, does a change in risk category allocation occur. For fully provisioned debt investments, the exposure to the risk category (typically the highest for such underperforming assets) disappears if weighted by NAV, since a residual value of zero is allocated for that investment. This underlines the forward looking nature of the NAV–approach: Such an investment was a loss for SIFEM, but since its value in the current portfolio is zero, no value is at risk for future losses with respect to that particular investment.
Not surprisingly, the average risk rating of SIFEM's direct debt transactions lies indeed between the risk rating of the private equity funds and the pooled debt vehicles with a concentration in the average risk category. Furthermore, a significant share of the direct debt exhibits low risk only and thereby contributes to the lowering the average risk of the SIFEM portfolio. Since SIFEM intends to continue growing the relative share of debt investments, a further decrease in total portfolio risk can be assumed.

FIGURE 17: PROJECTS, NET COST AND RESIDUAL VALUE OF THE SIFEM PORTFOLIO AS A PERCENTAGE PER RISK CATEGORY AS OF DECEMBER 2015

Private Equity Funds	PROJECTS	COST	RESIDUAL VALUE
Very low risk	10 %	4 %	6 %
Low risk	8 %	12 %	17 %
Moderate risk	25 %	28 %	41 %
High risk	25 %	22 %	22 %
Very high risk	31 %	33 %	15 %

Pooled Debt Vehicles	PROJECTS	COST	RESIDUAL VALUE
Very low risk			
Low risk	50 %	70 %	72 %
Moderate risk	25 %	20 %	23 %
High risk	13 %	6 %	5 %
Very high risk	13 %	4 %	0 %

Direct Debt	PROJECTS	COST	RESIDUAL VALUE
Very low risk			
Low risk	33 %	31 %	31 %
Moderate risk	50 %	52 %	53 %
High risk	17 %	17 %	16 %
Very high risk			

Typically, the movements between risk categories are marginal, meaning that most investments only move one category up or down, if at all. However, there were three cases in 2015 where investments experienced a strong deterioration in their risk rating and correspondingly increased by two risk categories. The movements between categories during 2015 can be observed in the risk migration matrix in Figure 18. According to this matrix, a total of 13 projects had a deteriorating risk rating in 2015 as compared to 2014, whereas 5 projects saw an improved risk rating.

FIGURE 18: RISK MIGRATION MATRIX (MIGRATING PROJECTS IN BOLD FIGURES)

2014 (columns) / 2015 (rows)

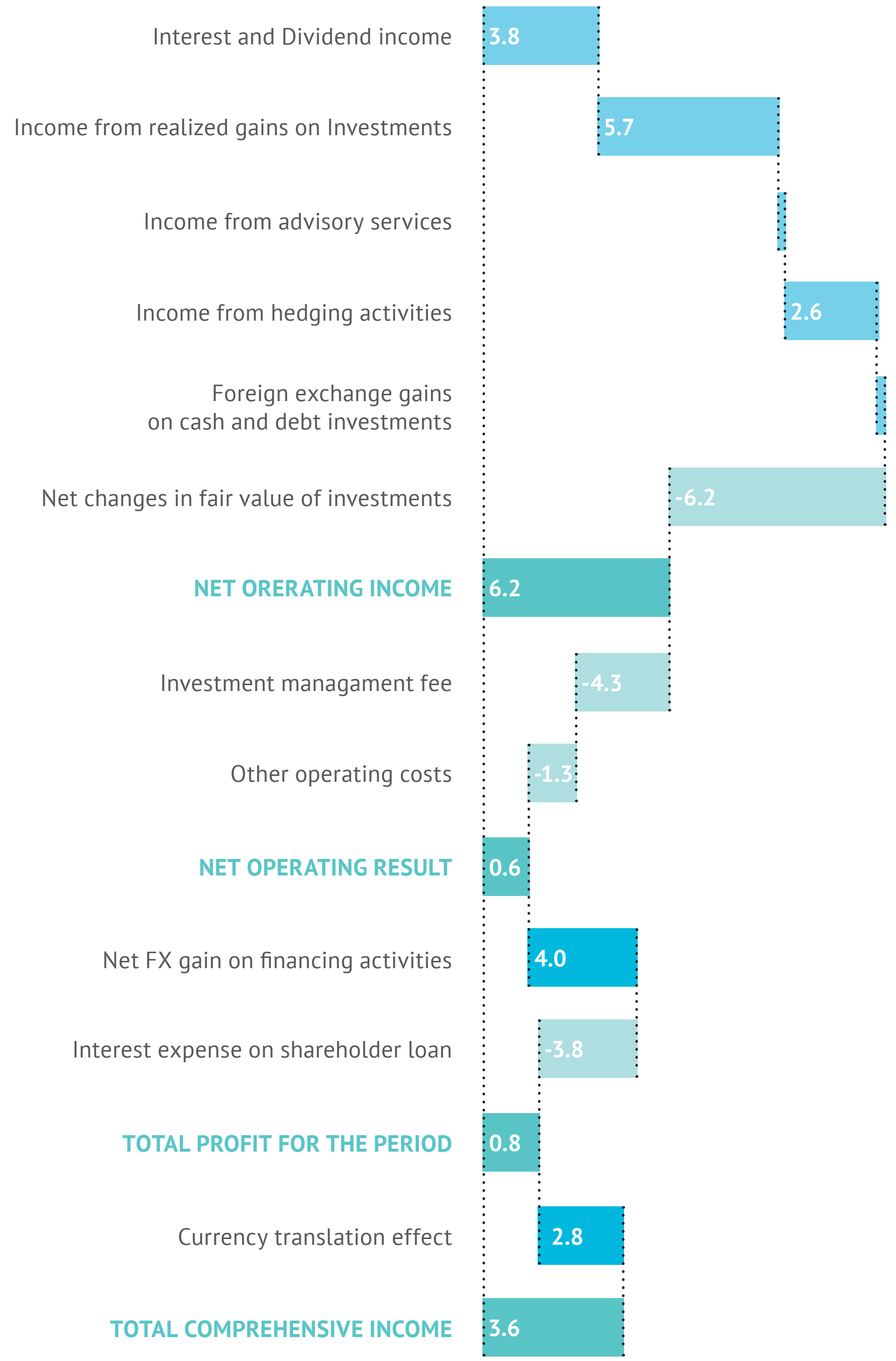
Number of Projects	New Projects	1 Very high risk	2 High risk	3 Moderate risk	4 Low risk	5 Very low risk	Total	Total %
1 Very high risk	0	17	**1**	**2**	0	0	20	24,7 %
2 High risk	2	0	11	**5**	0	0	18	22,2 %
3 Moderate risk	6	0	**1**	12	**2**	**1**	22	27,2 %
4 Low risk	1	0	0	**4**	8	**2**	15	18,5 %
5 Very low risk	0	0	0	0	0	6	6	7,4 %
	9	17	13	23	10	9	81	

5. FINANCIAL RESULTS

5.1 SIFEM RESULT FOR 2015

SIFEM ended the year 2015 with positive results. In accordance with accounting under IFRS standards, SIFEM realised a net operating profit of CHF 0.61m. A gain on investment operations of CHF 6.26m more than offset the operating expenses of CHF 5.65m, therewith bringing SIFEM back to operational sustainability. Despite the difficult economic environment in SIFEM's target markets, the financial performance of the investment portfolio was significantly superior in 2015 compared to 2014.

FIGURE 19: BREAK-DOWN OF TOTAL COMPREHENSIVE PROFIT AND LOSS 2015 ON KEY CONTRIBUTING FACTORS



The largest contribution to the positive operating performance was the income from realised gains on investments, meaning that SIFEM very profitably exited a number of successful investments in the underlying fund portfolios. While this income item is comparable with the 2014 figure, SIFEM saw significantly increased income from interests received from its debt investments, which grew from CHF 1.51m to CHF 3.13m, thus demonstrating the success of the strategic shift towards a higher allocation to debt investments.

Other positive contributions to the 2015 results came from the currency effects in the cash holdings and debt investments of CHF 0.31m which compares to a loss of CHF 6.40m in 2014. In addition to these gains from currency effects, SIFEM's hedging operations yielded a net profit of CHF 2.58m (approx. + CHF 3.4m gain from the EUR/USD hedges and a CHF 1.25m loss from a USD/CHF hedge used for protecting the value of the capital increase in February 2014).

Approximately half of this amount can be attributed to provisions taken on under–performing investments while the other half can be explained by the depreciation of the EUR against the USD (with the latter effect largely being offset by SIFEM's hedging operations as mentioned above).

A positive result of CHF 0.83m remains for the year 2015, taking into account financial expenses, which include the foreign exchange losses on the shareholder loans denominated in CHF and the implied interest expense paid on those loans. However, if the exchange rate effects from the translation of SIFEM's operating currency USD to the reporting currency CHF are taken into account, a total comprehensive income of CHF 3.59m results. These earnings will be retained and added to the capital reserves in full since SIFEM does not plan to pay out dividends in 2016.

5.2 NOTES ON SIFEM RESULTS UNDER IFRS ACCOUNTING

Since more than 70 per cent of SIFEM investments are denominated in USD, the US dollar plays a prominent role in measuring SIFEM's investment performance and in preparing its accounts. In compliance with the requirements of IFRS, the US dollar was therefore determined to be SIFEM's functional currency for both its accounting and performance measurement. All CHF figures provided in this report and in the accounts are translated from the underlying US dollar accounts.

IFRS dictates the use of fair market valuation of the investment portfolio. Thereby, IFRS more transparently mirrors the movements in the unrealised value of SIFEM's portfolio investments, and the operating result reflects well the performance of SIFEM's investment activities.

However, IFRS is less well suited to reflecting the liabilities side of SIFEM's balance sheet. SIFEM is entirely financed by the Swiss Confederation at zero cost of capital. Nonetheless, IFRS requires that SIFEM account for implied interest charges on the shareholder loans, which amounted to CHF 3.82m in 2015. In addition, since the shareholder loans are denominated in CHF, a net foreign exchange gain of CHF 4.04m resulted for the year. These effects, as reflected in SIFEM's financial result under IFRS, add up to a net financial gain of CHF 0.22m for the year.

5.3 NOTES ON SIFEM RESULTS UNDER SCO ACCOUNTING

Although SIFEM has adopted IFRS, reporting under SCO accounting standards continues in parallel, primarily for compliance and statutory purposes. Under SCO accounting rules, SIFEM recorded a loss of CHF 0.98m in 2015.

While the liabilities side of SIFEM's balance sheet is accurately reflected in the SCO accounts, the SCO accounting standards require SIFEM to hold the investment portfolio at values considerably below fair market valuations, which is more conservative but also less accurate. The appreciation of investments is typically only recognised at the time of realisation.

5.4 IMPLICATIONS OF EXTRAORDINARY EUR/CHF EXCHANGE RATE VOLATILITY IN 2015

On 15 January 2015, the Swiss National Bank (SNB) abandoned its policy of maintaining a minimum exchange rate for the CHF against the EUR. Following this announcement the CHF appreciated significantly not only against the Euro but also against other major currencies, such as the USD and the CNY, compared to the year–end exchange rates applied.

The SNB's decision and the subsequent foreign exchange rate volatility had a significant temporary impact on SIFEM's interim account. The effect balanced out towards the end of the year, however, with the CHF weakening against the EUR, and the USD generally appreciating.

5.5 SUMMARY REMARKS

Even though the business environment remained challenging in SIFEM's target countries, 2015 marked the first year in which SIFEM achieved an operational profit since its establishment in 2011. This is not only a positive sign with respect to SIFEM's ability to become financially self–sustaining, but also reflects the successful implementation of several new policies. In terms of SIFEM's investment programme, the most notable change is the increase in the share of current–income investments, which is reflected in the increasing interest income. In addition, 2015 was the first full financial year during which SIFEM had its new hedging policies in place, which aim at reducing the exposure to interest rate and foreign exchange rate risks. These policies have worked well, and, as expected, have reduced the volatility in SIFEM's 2015 operating result.

In 2015, SIFEM was also profitable after taking the financial results into account. As discussed in previous annual reports, the financial results are much less under SIFEM's control than the operating results. This is due to the financial results being primarily determined by foreign exchange effects and imputed interest charges on shareholder loans. In this sense, and despite the small difference between the two measures, the total profit for the period remains much less relevant for measuring SIFEM's performance during the period than the operating result.

2015 FINANCIAL STATEMENTS – IFRS

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REPORT OF THE STATUTORY AUDITOR
To the Board of Directors of

SIFEM AG, Bern

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of SIFEM AG, which comprise the statement of financial position, statement of comprehensive income, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS).

Zurich, 4 March 2016

BDO Ltd

Franco A. Straub

Licensed Audit Expert

ppa. Tobias Schüle

Auditor in Charge
Licensed Audit Expert

Enclosure
Financial statements

STATEMENT OF FINANCIAL POSITION

	NOTE	31.12.2015	31.12.2014
			in 1'000 CHF
ASSETS			
Cash and cash equivalents	7	253,266	236,614
Derivative financial assets held for risk management	8	26,589	66,327
Other receivables, prepayments and accrued income	9	7,848	5,143
Total current assets		**287,703**	**308,084**
Equity instruments*	10	228,752	228,329
Debt instruments*	10	65,007	51,807
Total non–current assets		**293,759**	**280,136**
Total assets		**581,462**	**588,220**
LIABILITIES AND EQUITY			
Trade payables		31	0
Derivative financial liabilities held for risk management	8	26,470	65,950
Other liabilites and accrued expenses		1,033	594
Total current liabilities		**27,534**	**66,544**
Loans and borrowings	11	360,976	371,772
Total non–current liabilities		**360,976**	**371,772**
Total liabilities		**388,510**	**438,316**
Share capital		125,000	100,000
Capital reserve (additionally paid in capital)		89,680	75,218
Legal reserve		355	20
Translation reserve		27,793	25,041
Retained earnings		–49,876	–50,375
Total equity	12	**192,952**	**149,904**
Total liabilities and equity		**581,462**	**588,220**

* Voluntary changes in presentation (see 3 Changes in accounting policies, page 43)

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2015	2014
		1 January – 31 December in 1'000 CHF	
Interest income	13	3,308	1,557
Dividend income		470	713
Income from realized gains on Investments		5,724	7,075
Revenue from advisory services		42	50
Net income from derivative financial instruments held for risk management	16	2,578	1,085
Net foreign exchange gains on cash and cash equivalents and on direct debt investments	17	311	–6,403
Net changes in fair value of investments at fair value through profit or loss	18	–6,177	–12,668
Total net income/–loss		**6,256**	**–8,591**
Investment management fee	14	–4,329	–3,735
Administration and custodian fees	15	–307	–294
Personnel expenses		–291	–307
Administration expenses		–333	–309
Advertising expenses		–54	–60
Other operating result		–332	–65
Operating result		**610**	**–13,353**
Financial income	19	7,758	38,161
Financial expense	19	–7,534	–4,062
Total profit/–loss for the period		**834**	**20,746**
Currency translation effect from translation to presentation currency		*2,752*	*14,317*
Total comprehensive income		*3,586*	*35,063*

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	LEGAL RESERVES	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
EQUITY AT 1 JANUARY 2014	100,000	75,218	20	10,725	–71,121	114,841
						in 1'000 CHF
Total comprehensive income for the year						
Profit for the year					20,746	20,746
Foreign currency translation differences from translation to presentation currency				14,317		14,317
Total comprehensive income for the year	**0**	**0**	**0**	**14,317**	**20,746**	**35,063**
Transactions with owners of the Company, recognised directly in equity						
Other capital contributions						
Total transactions with owners of the Company	**0**	**0**	**0**	**0**	**0**	**0**
EQUITY AT 31 DECEMBER 2014	100,000	75,218	20	25,041	–50,375	149,904
Total comprehensive income for the year						
Profit for the year					834	834
Foreign currency translation differences from translation to presentation currency				2,752		2,752
Total other comprehensive income for the year			335		–335	
Total comprehensive income for the year	**0**	**0**	**335**	**2,752**	**499**	**3,586**
Transactions with owners of the Company, recognised directly in equity						
Issue of ordinary shares	25,000					25,000
Other capital contributions (Note 11)		14,462				14,462
Total transactions with owners of the Company	**25,000**	**14,462**	**0**	**0**	**0**	**39,462**
EQUITY AT 31 DECEMBER 2015	125,000	89,680	355	27,793	–49,876	192,952

STATEMENT OF CASH FLOWS

	NOTE	2015	2014
		1 January – 31 December in 1'000 CHF	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / – loss for the year		834	20,746
Adjustments for:			
Interest income	13	–3,308	–1,557
Dividend		–470	–713
Income from realized gains on Investments		–5,724	–7,075
Interest expense	19	3,820	3,681
Net foreign exchange gain / loss		–4,355	–31,379
Net income from derivative financial instruments held for risk management		–2,578	–1,085
Changes in fair value of investments at fair value through profit or loss	18	6,177	12,668
Changes in:			
Derivative financial instruments held for risk management		255	
Other receivables, prepayments & accrued income		–2,563	–3,294
Trade payables		30	–28
Other liabilities and accrued expenses		419	266
Purchase of investments		–57,981	–66,306
Proceeds from sale of investments		40,341	26,746
Interest received		3,440	1,446
Dividend / other investment income received		470	713
Income from realized gains on Investments received		5,724	7,075
Proceeds from sale of derivative financial instruments		2,446	703
Net cash flow from operating activities		**–13,023**	**–37,393**
Net cash flow from investing activities		**0**	**0**
Proceeds from issue of share capital		25,000	0
Net cash from financing activities		**25,000**	**0**
Net increase / – decrease in cash and cash equivalents		**11,977**	**–37,393**
Cash and cash equivalents at 1 January	7	236,614	254,151
Effect of exchange rate fluctuations on cash and cash equivalents		4,675	19,856
Cash and cash equivalents at year–end	**7**	**253,266**	**236,614**

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

SIFEM AG – Swiss Investment Fund for Emerging Markets ("SIFEM" or the "Company") is a company domiciled in Switzerland. The address of the entity's registered office is c/o Obviam DFI AG, Bubenbergplatz 11, 3011 Bern. The Company's shares are fully owned by the Swiss Government.
SIFEM is the Development Finance Institution (DFI) of Switzerland. It is primarily involved in specialized investment funds to finance small– and medium–sized enterprises (SMEs). These are predominantly private equity or mezzanine funds. The portfolio also includes direct debt investments to financial intermediaries and loans to pooled investment vehicles. On a selective basis, SIFEM also invests in microfinance. SIFEM's investment philosophy is guided by the belief that investing in commercially viable emerging market SMEs can provide investors with risk adjusted return, and generate sustainable, long term development effects in local communities.

Both the investment activities and the day–to–day business administration of the Company are delegated to Obviam DFI AG (acting as Portfolio Manager and Business Manager).

2. BASIS OF PREPARATION

(a) Statement of compliance
The financial statements of the Company as at and for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) in addition to the statutory financial statements which are prepared in accordance with the Swiss Code of Obligation (CO).

The financial statements were authorised for issue by the Board of Directors on 4th of March 2016.

(b) Basis of measurement
The financial statements have been prepared on the historical cost basis except for derivative financial instruments held for risk management purposes and financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency
These financial statements are presented in Swiss francs. The functional currency of the entity is US Dollar. All financial information presented in Swiss francs has been rounded to the nearest thousand.

3. CHANGES IN ACCOUNTING POLICIES

(a) Voluntary change of presentation
To improve the quality of presentation, SIFEM merged the balance sheet positions "Equity instruments" and "Investment funds" to "Equity instruments". Furthermore to align financial reporting with the internal management reporting structure which is prepared in accordance to international reporting standards of the Private Equity Fund Association, SIFEM subdivides each of the two portfolio segments of debt and equity instruments into subcategories "Funds and other pooled investment vehicles" and "Banks and other financial intermediaries". Investments in funds and other pooled investment vehicles refer to indirect exposures to final beneficiaries through such funds, pooled investment vehicles or any other structured financial instruments, while investments in banks and other financial intermediaries refer to direct exposure (equity or debt) in or to such entities. SIFEM discloses in section 6 "Financial risk management" whether the respective investment is granted to or made in a fund or other pooled investment vehicle respectively to or in a bank or other financial intermediary. The change in presentation has no effect on the valuation of the assets nor on the statement of comprehensive income.

The following table illustrates the effect of the change of presentation of the comparative amounts in the balance sheet:

	Note	31 December 2014 previously reported	Adjustment	31 December 2014 adjusted
Direct Investments	10			
Equity instruments		4,211	224,118	228,329
Debt instruments		51,807	–	51,807
Investment funds	10	224,118	–224,118	–
Total non–current assets		**280,136**		**280,136**

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into USD at the exchange rate at that date.

Non–monetary assets and liabilities in foreign currencies that are measured at fair value are translated into USD at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss as net foreign exchange gain / loss, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain from financial instruments at fair value through profit or loss.

For the translation to the presentation currency all assets and liabilities are translated at the exchange rate at the balance sheet date. All equity items other than the profit or loss for the period are translated to the presentation currency at the historical exchange rate. Income, expenses and cash flows are translated using the average exchange rate of the reporting period. The exchange differences on translating balance sheets and income statements are debited or credited as a translation adjustment in the statement of comprehensive income. Exchange differences on translating cash, cash equivalents and related cash flows are separately disclosed in the cash flow statement as exchange effect on cash and cash equivalents.

The following exchange rates were applied:

	2015		2014	
	Balance sheet rate	Average rate	Balance sheet rate	Average rate
USD/CHF	0.999001	1.030918	1.010714	1.092106
USD/EUR	1.086300		1.215400	
USD/ZAR	0.064535		0.086422	
USD/CNY	0.153998		0.161119	
CHF/USD	1.001000	0.970009	0.989399	0.915662

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in the fair value, and are used by the Company in the management of its short–term commitments.

(c) Derivative financial instruments held for risk management

Derivative financial instruments held for risk management purposes comprise foreign exchange forward contracts, interest rate forward contracts and interest rate swaps. Derivatives are initially recognised at fair value, with any directly attributable transaction costs recognised directly in profit or loss. Subsequent to initial recognition, derivative financial instruments held for risk management purposes are measured at fair value, with changes in fair value generally recognised in profit or loss.

SIFEM uses derivative financial instruments to economically hedge its exposure to foreign exchange and interest rate risks arising from operating activities. SIFEM does not hold or issue derivative financial instruments for trading purposes.

(d) Financial assets

Financial assets are classified either as “at fair value through profit or loss” or “loans and receivables”. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of financial assets at the time of acquisition. Trade date accounting is applied for routine purchases and sales of financial assets. Financial assets at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition. The Company and its subsidiary meet the criteria for an investment entity in accordance with IFRS 10 Consolidated Financial Statements. As per 1 January 2013, the Company therefore applied the exception to consolidation for investment entities included in IFRS 10, as amended, and continues measuring its investments at fair value through profit or loss.

Financial assets not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets are partially or fully derecognised if SIFEM's contractual rights to the cash flows from the financial assets have either expired or were transferred and SIFEM is neither exposed to any risks arising from these assets nor has any entitlement to income from them.

Subsequent measurement – financial assets at fair value through profit or loss

Subsequent to initial measurement, all financial assets at fair value through profit or loss are measured at fair value. All changes in fair value, other than interest and dividend income and expense, are recognised in profit or loss as part of net change in fair value of investments at fair value through profit or loss.

The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which SIFEM has access at that date. The fair value of a liability reflects its non–performance risk. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only observable inputs. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any differences between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss.

When available, SIFEM measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If the market for a financial instrument is not active, then SIFEM establishes fair value using a valuation technique appropriate for the circumstances. Valuation techniques include comparison to similar instruments for which observable prices exist and other valuation models. The chosen valuation technique makes maximum use of relevant observable inputs, relies as little as possible on unobservable inputs and estimates specific to SIFEM, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk–return factors inherent in the financial instrument. SIFEM calibrates valuation techniques and tests them for validating using prices from observable current market transactions in the same instrument or based on other available observable market data.

Subsequent measurement – loans and receivables

Subsequent to initial measurement loans and receivables are measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s), and that loss event(s) had an impact in the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of amounts due or terms that SIFEM would not consider otherwise, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payments status of the borrower.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest in the impaired assets continues to be recognised. For debt instruments, when an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Debt instruments

This position includes loans and debt notes granted to funds and other pooled investment vehicles, banks and financial intermediaries. Debt instruments are accounted for at amortised cost. Necessary impairments are accounted for as such through profit or loss.

Equity instruments

This position consists of investments in funds and other pooled investment vehicles as well as direct investments in banks and other financial intermediaries to finance small– and medium–sized enterprises (SMEs). These investments refer to indirect exposures to final beneficiaries through such funds, pooled investment vehicles or any other structured financial instruments and are accounted for as at fair value through profit or loss.

(e) Investments in associates and jointly controlled entities

Investments in associates and jointly controlled entities are accounted for as venture capital investments and carried at fair value through profit or loss.

(f) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

(g) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the statement of comprehensive income over the period of the loans and borrowings using the effective interest method.

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre–tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

(i) Net income from derivative financial instruments held for risk management

Net income from derivative financial instruments held for risk management relates to non–trading derivatives held for risk management purposes. It includes all realized and unrealized fair value changes, interest, and foreign exchange differences.

(j) Interest income, dividend income and Income from realized gains on Investments

Interest income is recognised in profit or loss, using the effective interest method. It includes interest income from cash and cash equivalents and from debt securities included in direct investments.

Income from realized gains on investments is the cumulative income resulting mainly from exits in funds at a price higher than the paid in price. Realized gains occur when exits are disbursed at a level that exceed its cost of book value or other gains are paid out by the fund to the investors.

Dividend income is recognised in profit or loss on the date that the right to receive payment is established.

(k) Fees and commission expense

Fees and commission expenses are recognised in profit or loss as the related services are received.

(l) Income tax

As an incorporated company formed under the Swiss Code of Obligations, SIFEM is subject to Swiss commercial law. One exception was made in respect to taxation. Due to its public ownership and developmental mandate, SIFEM is exempt from regular communal, cantonal and federal income taxes as well as capital tax. However, some dividend and interest income received by SIFEM are subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as other operating expenses.

(m) New and revised standards and interpretations not adopted

The following new, revised and amended standards and interpretations have been issued until the date of approval of the 2015 financial statements, but are not yet effective and are not applied early in these financial statements. Their impact on the financial statements of SIFEM has not yet been systematically analysed. The expected effects as disclosed below the table reflect only a tentative first assessment.

	Expected Effect	Effective date	Planned application by SIFEM
New Standards or Interpretations			
IFRS 9 Financial Instruments	***	1 January 2018	2018
IFRS 15 Revenue from Contracts with Customers	***	1 January 2017	2017
Revisions and amendments of Standards and Interpretations			
Annual Improvements to IFRSs 2012–2014 Cycle	***	1 January 2016	2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	***	1 January 2016	2016
Disclosure Initiative (Amendments to IAS 1)	***	1 January 2016	2016

* No, or no significant, impact is expected on the financial statements of SIFEM.
** Mainly additional disclosures or changes in presentation are expected in the financial statements of SIFEM.
*** The impacts on the financial statements of SIFEM cannot yet be determined with sufficient reliability

5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed and in any future periods affected.

The following estimates used and assumptions made in applying the accounting policies could result in a material adjustment in the financial statements:

(a) Determination of fair values
The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risk affecting the specific instrument. Refer also to notes 3 (d) and 10.

(b) Determination of functional currency
Functional currency is the currency of the primary economic environment in which SIFEM operates. When indicators or the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management has determined that the functional currency of SIFEM is the US Dollar.
Since globally active private equity funds–of–funds like SIFEM tend to be highly diversified, this factor does not give a clear indicator of SIFEMs functional currency. However, the US Dollar is the single most important currency affecting the pricing of transactions, not only for SIFEM but for the entire emerging markets private equity industry. Furthermore, SIFEM reports its investment performance to its investor in US Dollar only.

6. FINANCIAL RISK MANAGEMENT

SIFEM has exposure to the following risks from financial instruments:
- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

Risk management framework
Identifying, mitigating, monitoring and managing risks is one of SIFEM's core duties, as it affects its financial health and sustainability and its ability to generate development impact. For this purpose, SIFEM relies on a comprehensive manual of procedures which describes how the business is conducted. It has been approved by SIFEM's Board of Directors, as a document detailing how its investment manager implements the Portfolio Management Agreement, and in particular how risks are identified, mitigated, monitored and managed. All the relevant policies, procedure descriptions, and guidelines are an integral part of this manual.

The monitoring of risk on each level follows specific procedures and processes applied throughout the operations, which ensure that the regulatory requirements are fulfilled. At each stage, the objective consists of reducing the risks for SIFEM to the minimum possible under the given investment guidelines. The risks addressed are monitored on a continuous basis. Any significant risk events such as violations of prudential limits or investment guidelines, or non–compliance with policies, events of fraud, or significant deviations from set targets or changes in risk assessments or definitions are duly reported to the Board of Directors.

SIFEM's portfolio is a clear reflection of the institution's developmental mandate, as it primarily consists of investments in countries and projects with high structural risks. Therefore, it is essential to have an adequate risk management system that takes special account of risk capacity in order to control these risks and by doing so, ensure that the business outcome safeguards SIFEM's ability to maintain and expand its development capabilities.

The portfolio risk management is based on four pillars:
- Investment Risk Management
- Environmental, social and Governance matters (ESG) Risk Management
- Treasury
- Investment management support through financial expertise

Investment Risk Management
Obviam is responsible for the identification, evaluation and selection of investment opportunities for SIFEM, as well as the monitoring of SIFEM's investments. At each stage of the investment process, Obviam applies specific tools and follows pre–defined procedures. Furthermore, Obviam actively monitors the portfolio, focusing in particular on the change in risk rating, valuations, reporting, performance of the investees and compliance with the various applicable policies and guidelines. Any violation of applicable policies or guidelines is reported to the Board, together with proposed actions to rectify the situation. The approach to portfolio risk management is determined by an annual updated risk rating tool for each investment. Obviam uses its in–house risk rating tool which was partially developed in a joint venture with other European DFIs, such as BIO from Belgium and Finnfund from Finland.

Classification of financial instruments

The table below provides a reconciliation of the line items in SIFEM's statement of financial position to the categories of financial instruments.

At fair value through profit or loss	Trading	Designated at fair value	Loans and receiva-bles	Other liabilities at amortised costs	Total Carrying amount
					in 1'000 CHF
31 December 2015					
Cash and cash equivalents			253,266		253,266
Derivative financial assets held for risk management	26,589				26,589
Other receivables and accrued income			5,493		5,493
Debt investments					65,007
– Banks and other financial intermediaries			34,454		
– Funds and other pooled investment vehicles			30,553		
Equity investments					228,752
– Banks and other financial intermediaries		2,762			
– Funds and other pooled investment vehicles		225,990			
Total	**26,589**	**228,752**	**323,765**	**0**	**579,107**
Trade payables				31	31
Derivative financial liabilities held for risk management	26,470				26,470
Other liabilites and accrued expenses				1,043	1,043
Loans and borrowings				360,976	360,976
Total	**26,470**	**0**	**0**	**362,050**	**388,520**
31 December 2014 (after reclassification)					
Cash and cash equivalents			236,614		236,614
Derivative financial assets held for risk management	66,327				66,327
Other receivables and accrued income			5,077		5,077
Debt investments					51,807
– Banks and other financial intermediaries			23,808		
– Funds and other pooled investment vehicles			27,999		
Equity investments					228,329
– Banks and other financial intermediaries		2,942			
– Funds and other pooled investment vehicles		225,387			
Total	**66,327**	**228,329**	**293,498**	**0**	**588,153**
Derivative financial liabilities held for risk management	65,950				65,950
Other liabilites and accrued expenses				570	570
Loans and borrowings				371,772	371,772
Total	**65,951**	**0**	**0**	**372,342**	**438,292**

The table above only includes financial instruments. Other receivables and accrued income do therefore not include tax receivables and prepaid costs (TCHF 2,355). The position other liabilities and accrued expenses do not include tax payables and advances received (TCHF 20).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with SIFEM, resulting in a financial loss to SIFEM. It arises principally from debt securities held, other receivables and accrued income and cash and cash equivalents and results in earnings volatility due to losses.

Management of credit risk

The approach to credit risk management is determined by its annual updated risk rating tool for financial institutions. Furthermore, Obviam regularly monitors the ability and willingness of an issuer to service its financial obligations in full and on a timely basis. The risk rating tool for financial institutions is capable to incorporate the following risk factors with the respective weightings:

- Financial Institutions operating risks, 32 % (31 December 2014: 32 %)
- Financial Institutions financial risks, 30 % (31 December 2014: 30 %)
- Market risks, 6 % (31 December 2014: 6 %)
- Infrastructure risks in target region/country, 26 % (31 December 2014: 26 %)
- ESG risks, 6 % (31 December 2014: 6 %)

Each of these risk factors is divided in several sub–categories. A significant shift in the risk rating will be reported to the Board of Directors and a yearly risk report will be issued to the shareholders.

In case of a major event the risk rating will be adjusted to reflect to the current inherent risk of the given investment. SIFEM's investment positions are monitored on a quarterly basis by the Finance and Risk Manager and the Investment Team.

SIFEM's maximum credit exposure at the reporting date is represented by the respective carrying amounts of the relevant derivative financial assets held for risk management and financial assets in the statement of financial position and amounts to TCHF 350,355 as of 31 December 2015 (31 December 2014: TCHF 359,010).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

SIFEM AG granted a collateral in the form of cash in respect of derivative transactions.

The tables below provides a reconciliation of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

FINANCIAL ASSETS Related amounts not offset in the statement of financial position	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets off-set in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instru-ments (including non-cash collateral)	Collateral pledged used for netting	Net amount
						in 1'000 CHF
31 December 2015						
Derivative financial assets held for risk management	26,589	0	26,589	26,470	119	0
Total	**26,589**	**0**	**26,589**	**26,470**	**119**	**0**
31 December 2014						
Derivative financial assets held for risk management	66,328	0	66,328	65,951	377	0
Total	**66,328**	**0**	**66,328**	**65,951**	**377**	**0**

FINANCIAL LIABILITIES Related amounts not offset in the statement of financial position	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instru-ments (including non-cash collateral)	Collateral pledged used for netting	Net amount
						in 1'000 CHF
31 December 2015						
Derivative financial liabilities held for risk management	26,470	0	26,470	26,470	0	0
Total	**26,470**	**0**	**26,470**	**26,470**	**0**	**0**
31 December 2014						
Derivative financial liabilities held for risk management	65,951	0	65,951	65,951	0	0
Total	**65,951**	**0**	**65,951**	**65,951**	**0**	**0**

Concentration of credit risk
Obviam's investment team reviews credit concentration of debt instruments held based on geographical and counterparty allocations. There was no significant concentration in this portfolio of credit risk to any individual issuer or group of issuers at 31 December 2015 or 31 December 2014.

SIFEM's cash and cash equivalents are held with a Swiss bank, which is rated as an BBB+ based on the rating of Standard and Poor's, as well as with the Swiss National Bank.

Liquidity risk

Liquidity risk is the risk that SIFEM will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk
SIFEM's policy and Obviam's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damages to SIFEM's reputation.

SIFEM's liquidity risk is managed on a quarterly basis by Obviam's finance department and the custodian bank in accordance with policies and procedures in place. A detailed Cash Management policy is part of Obviam's procedure manual.

At 31 December 2015, for derivative financial instruments that are classified as derivative financial assets / liabilities held for risk management, SIFEM had posted cash with its contractual counterparty of the derivative financial instruments as collateral. Cash under collateral amounts to TCHF 5,015 (gross amount on margin accounts) and is classified under other receivables, prepayments and accrued income.
The overall liquidity risk is monitored on a quarterly basis by the Board of Directors. The Cash Management result is monitored by the Audit Committee every six months.

MATURITY ANALYSIS FOR FINANCIAL LIABILITIES	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 year	1 to 5 years	later
					in 1'000 CHF
31 December 2015					
Trade payables	31	(31)	(31)	–	–
Derivative financial liabilities held for risk management	26,470	(26,470)	(16,460)	–	(10,010)
Other liabilities and accrued expenses	1,043	(1,043)	(1,043)	–	–
Loans and borrowings	360,976	(360,976)	–	(360,976)	–
Total	**388,520**	**(388,520)**	**(17,534)**	**(360,976)**	**(10,010)**
31 December 2014					
Derivative financial liabilities held for risk management	65,951	(65,951)	(56,090)	(165)	(9,927)
Other liabilities and accrued expenses	585	(585)	(585)	–	–
Loans and borrowings	371,772	(371,772)	(313,000)	(58,772)	–
Total	**438,308**	**(438,308)**	**(369,675)**	**(58,937)**	**(9,927)**

The table above shows the undiscounted cash flows of SIFEM's financial liabilities on the basis of their earliest possible contractual maturity. The gross amount includes interest payable when appropriate. The existing loan agreements with the Swiss Confederation were granted in 2011 with a lending period of 4 years. No notice of termination was served and therefore the loans were automatically extended until 2019 as per loan agreements.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's credit standing) will affect SIFEM's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risk

SIFEM's strategy for the management of market risk is driven by its investment objective. SIFEM is a key pillar of the Swiss Confederation's efforts to promote sustainable private sector–led growth in developing and transition economies with a view towards reducing poverty and contributing to increased living standards in these countries.

SIFEM invests in a commercial way in companies that are most likely to be commercially viable and hence sustainable. Furthermore, SIFEM's investments are development–oriented, aiming to achieve a broad set of objectives beyond the financial rate of return. SIFEM aims to develop a comprehensive portfolio of equity participations in private equity funds targeting small and medium enterprises (SMEs). SIFEM may also act as co–investor in the underlying portfolio companies of its private equity funds, and make other direct investments.

In order to manage the market risk SIFEM's investment management team constantly monitors the financial markets globally and in the relevant target markets, although its investments are private and rather illiquid, and verifies if actual movements in the financial markets would influence the risk of the underlying investments consequently shifting the overall risk of the portfolio.

As part of the market risk management approach a yearly risk assessment is performed using the risk rating tool for fund investments, mostly exposed to market risk, which is capable to incorporate the following risk factors with the respective weightings:

- Fund operations risks, 30 % (31 December 2014: 30 %)
- Market risks, 8 % (31 December 2014: 8 %)
- Infrastructure risks in target region/country, 26 % (31 December 2014: 26 %)
- Fund specific risks, 24 % (31 December 2014: 24 %)
- ESG risks, 12 % (31 December 2014: 12 %)

Each of these risk factors is divided in several sub–categories. A significant shift in the risk rating will be reported to the Board of Directors and a yearly risk report will be issued to the shareholders.

In case of a major event the risk rating will be adjusted to reflect the current inherent risk of the given investment. SIFEM's investment positions are monitored on a quarterly basis by Obviam's finance department and investment team based on the quarterly financial reporting provided by the underlying investments. Moreover, in order to reduce the market risk by increasing transparency and quality of financial data, the finance department supports the investment team regarding technical issues of reporting or requests further information for reporting in case available information is insufficient. A performance report is sent to the Board of Directors three times a year (second, third and fourth quarter).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

SIFEM's exposure to interest rate risk is limited as SIFEM holds only limited interest rate bearing instruments which are mostly fixed–rate instruments and because of using interest rate swaps as hedges for variable rate instruments.

As of the balance sheet date, SIFEM's interest rate profile was as follows (interest–bearing financial instruments):

	31.12.2015	31.12.2014
		in 1'000 CHF
Debt instruments	24,541	16,600
Effect of interest rate swaps	10,010	9,894
Fixed–rate instruments (assets)	**34,551**	**26,494**
Cash and cash equivalents	253,266	236,614
Debt instruments	40,466	47,327
Variable rate instruments (assets)	**293,732**	**283,941**
Fixed rate loans and borrowings	(360,976)	(371,772)
Fixed–rate instruments (liabilities)	**(360,976)**	**(371,772)**
Derivative financial liabilities held for risk management	(10,010)	(9,894)
Variable rate instruments (liabilities)	**(10,010)**	**(9,894)**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by TCHF 2,837 (31 December 2014: TCHF 2,740). This analysis considers only floating–rate instruments and assumes that all other variables, in particular the foreign exchange rates, remain constant.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

SIFEM invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in Euro (EUR), Swiss Franc (CHF), Chinese Yuan (CNY) and South African Rand (ZAR). Consequently, SIFEM is exposed to the risk that the exchange rate of its currency relative to other foreign currency may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of SIFEM's financial assets or liabilities denominated in currencies other than the US Dollar.

SIFEM's currency position and exposures are monitored on a quarterly basis by Obviam's finance department and SIFEM's Board of Directors. At the reporting date the carrying amount of SIFEM's net financial assets and liabilities in individual foreign currencies expressed in CHF were as follows:

	31.12.2015	31.12.2014
		in 1'000 CHF
EUR	2,089	19,961
CHF	–358,702	–359,010
Total net exposure	**–356,613**	**–339,049**

The following sensitivity analysis shows the impact on the income statement should the CHF/USD or the EUR/USD exchange rates change by 5 % in the applicable exchange rate at 31 December 2015 and 31 December 2014, with all other variables held constant:

INCOME IMPACT ON BALANCE SHEET ITEMS	31.12.2015	31.12.2014
		in 1'000 CHF
EUR	+/– 104	+/–998
CHF	+/– 17,935	+/–17,951

A strengthening of the US Dollar against the above currencies would have resulted in an equal, but opposite effect to the amounts above.

Other market price risk

At the reporting date the carrying amount of SIFEM's Equity Instruments in CHF were as follows:

	31.12.2015	31.12.2014
		in 1'000 CHF
Equity instruments to banks and other financial intermediaries	2,762	2,942
Equity instruments to funds and other pooled investments	225,990	225,387
Total exposure in Equity Instruments	**228,752**	**228,329**

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

Price risk is managed by the investment manager by diversifying the portfolio.

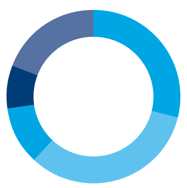
Apart from the detailed information in the quarterly report concerning the investments and their performances, the distribution of the portfolio with respect to continents, currencies, types of funds and main industrial sectors covered by the direct primary investments in each fund is provided in the quarterly reports. Investments with a very high or high risk rating are subject to a constant monitoring.

The internal procedures require the investment manager to manage price risk continuously but at least on a quarterly basis based on the financial statements as well as valuations provided by underlying investments. In case of subsequent events action is taken immediately. SIFEM's procedures require price risk to be monitored on a quarterly basis by its Board of Directors.

Where the price risk is not in accordance with the investment policy or guidelines, the investment manager is required to rebalance the portfolio upon request of the Board of Directors within a given period of time.

AT 31 DECEMBER 2015

GEOGRAPHY



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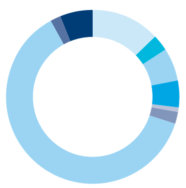

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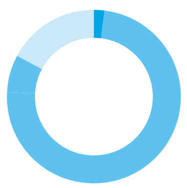
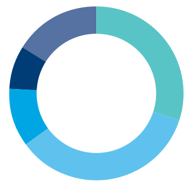


AT 31 DECEMBER 2014

GEOGRAPHY



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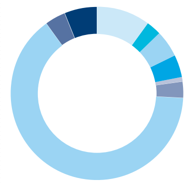
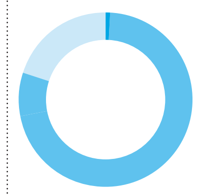


CURRENCY



For limiting the overall risk, the SIFEM portfolio is well diversified across the eligible geographic regions and sectors and to some degree across currencies. Most of the investees are in a development stage. The ability of some to continue as a going concern may depend on additional funding. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total un–recoverability of an investment. The financial risk management objectives and policy of SIFEM are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences are also part of the Company's policy. However, the operational risk remains. For not publicly listed investments a quantitative sensitivity analysis for the price risk is not meaningful as the performance is linked to fundamental data (technology, management, milestones, etc.) and therefore such an analysis is not presented.

Operational Risk Management

SIFEM bears operational risks which are inherent in the type of operations in which it is involved. A systematic review of operational risks and mitigates is presented in the manual of procedures. It identifies the type of risks SIFEM is exposed to and the actions to be taken to mitigate and manage them. Among the most pertinent risks are the general portfolio risk due to the inherently high risks of private equity investments in emerging and frontier markets, the ESG risks (environmental, social and corporate governance risks) and thereto linked the reputational risks which are typically high in those markets.

Capital management

In 2011, 2012 and 2015 SIFEM has received a capital contribution (share capital and shareholder loans) per year from SECO. No capital contributions have occurred in the years 2013 and 2014. A capital contribution of CHF 25 million (from SECO) is foreseen to be registered in Q2 2016. Therefore, any assumptions for portfolio growth and the business plan for new investments are based the capital contribution foreseen and on the availability of existing reserves and reflows from maturing investments. The volatility and relatively high unpredictability of reflows from historic investments require a frequent adjustment of the business plan for new investments.

Reflows are forecasted but subject to changes due to their volatility. It is difficult to attach probabilities to the different scenarios until SIFEM's older investments reach their final stages in the coming few years. SIFEM aims to maintain enough uncommitted capital to meet the business plan targets.

The private equity funds in which SIFEM is investing are typically not drawing down the total amount of committed capital and in particular not all of these funds are likely to call the maximum of committed capital at the same time. This leads to a situation of permanently high cash holdings at SIFEM. The investment policy of SIFEM does allow over–commitments with a formal approval of the Board of Directors only. A continued high cash ratio is therefore to be expected. However, TCHF 189,615 of the cash balance is reserved for undrawn commitments.

7. CASH AND CASH EQUIVALENTS

	31.12.2015	31.12.2014
		in 1'000 CHF
Cash at Bank	253,266	226,980
Swiss Federal Finance Administration	0	9,634
Total cash and cash equivalent	**253,266**	**236,614**

Cash and cash equivalents are denominated in CHF (0.3 %), in USD (98.5 %), in EUR (1.2 %) as of December 31, 2015. (31 December 2014: CHF (6 %), in USD (92 %) and in EUR (2 %)). TCHF 223,071 (31 December 2014: TCHF 204,486) of Cash at Bank is placed at the Swiss National Bank.

8. DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

	31.12.2015		31.12.2014	
				in 1'000 CHF
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange	16,579	16,460	56,433	56,056
Interest rate	10,010	10,010	9,894	9,894
Total derivative financial instruments	**26,589**	**26,470**	**66,327**	**65,950**

SIFEM uses a mixture of forward foreign exchange contracts and interest rate swaps to hedge the foreign currency– and interest risk on future foreign exchange currency cash flows and variable interest investments.

9. OTHER RECEIVABLES AND ACCRUED INCOME

At 31 December 2015, other receivables and accrued income mainly include collaterals (TCHF 5,015), management fee prepayment (TCHF 1,237), management fee reimbursement (TCHF 965) and accrued interest receivables (TCHF 477). At 31 December 2014, other receivables and accrued income mainly included collaterals (TCHF 3,848), management fee reimbursement (TCHF 814) and accrued interest receivables (TCHF 403).

10. FINANCIAL INVESTMENTS

	31.12.2015	31.12.2014 (after reclassification)
		in 1'000 CHF
Equity instruments to Banks and other financial intermediaries	2,762	2,942
Equity instruments to funds and other pooled investment vehicles	225,990	225,387
Equity investments	**228,752**	**228,329**
Debt instruments to Banks and other financial intermediaries	34,454	23,808
Debt instruments to funds and other pooled investment vehicles	30,553	27,999
Debt investments	**65,007**	**51,807**
Total Financial Investments	**293,759**	**280,136**

Valuation of financial instruments

SIFEM's accounting policy on fair value measurement is disclosed in the accounting policies (note 4).

SIFEM measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Quoted price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation technique based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The financial investments of SIFEM are typically not traded in active markets and therefore their fair value assessment cannot be based on quoted prices or dealer price quotes. For determining the fair value of financial instruments SIFEM applies valuation techniques following the best practices as described by the International Private Equity Valuation (IPEV) Guidelines. These valuation techniques are based on comparison to similar instruments for which observable prices exist and other valuation models. Typically, discounts for lack of liquidity are applied. The objective of these valuation techniques is to arrive at a fair value determination which reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

SIFEM has an established control framework with respect to the measurement of fair values. This framework is based on the critical analysis (by SIFEM's representatives on the advisory committees or similar governing bodies of the portfolio investment vehicles) of the fair value determination, verification of observable pricing inputs and performance of model valuations; a review and approval process for new models and changes to such models, calibration and back testing of models against observable market transactions, analysis and investigation of significant valuation movements, review of unobservable inputs and valuation adjustments, and reporting of significant valuation issues to the Board of Directors. The Audit Committee of the Board of Directors, who has the overall responsibility for significant fair value determination, finally challenges these valuations over time on an independent basis and eventually proposes them to the Board of Directors for approval.

The table below analyses financial instrument measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
				in 1'000 CHF
31 December 2015				
Derivative financial assets for risk management	0	26,589	0	26,589
Derivative financial liabilities for risk management	0	–26,470	0	–26,470
Equity instruments to Banks and other financial intermediaries			2,762	2,762
Equity instruments to Funds and other pooled investment vehicles			225,990	225,990
	0	**119**	**228,752**	**228,871**
31 December 2014 (after reclassification)				
Derivative financial assets for risk management	0	66,327	0	66,327
Derivative financial liabilities for risk management	0	–65,950	0	–65,950
Equity instruments to Banks and other financial intermediaries			2,942	2,942
Equity instruments to Funds and other pooled investment vehicles			225,387	225,387
	0	**377**	**228,329**	**228,706**

The following tables show a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Equity Investments to Banks and other financial intermediaries	Equity Investments to funds	Total
			in 1'000 CHF
Balance as at 1 January 2015	**2,942**	**225,387**	**228,329**
Total gains/losses recognised in profit or loss	–202	–3,312	–3,514
Purchases	0	35,703	35,703
Sales	–5	–34,368	–34,373
Foreign currency exchange differences	27	2,580	2,607
Balance as at 31 December 2015	**2,762**	**225,990**	**228,752**
Total gains or losses for the period included in profit or loss relating to assets and liabilities held at the end of the reporting period	–202	–3,312	–3,514
Balance as at 1 January 2014	**3,448**	**194,655**	**198,103**
Total gains/losses recognised in profit or loss	–816	–11,388	–12,204
Purchases	0	36,634	36,634
Sales	–5	–16,640	–16,645
Foreign currency exchange differences	315	22,126	22,440
Balance as at 31 December 2014	**2,942**	**225,387**	**228,329**
Total gains or losses for the period included in profit or loss relating to assets and liabilities held at the end of the reporting period	–816	–11,388	–12,204

Although SIFEM believes that its estimates of the fair values are appropriate, the use of different methodologies or assumptions could have led to different measurements of fair value. We refer to note 6 Financial risk management, where we performed a quantitative sensitivity analysis.

Valuation technique used to Level 3 fair values

Obviam undertakes a detailed process of multiple reviews before any fund value is accepted by the board.

All investments held by SIFEM's underlying funds report fair value using guidelines in compliance with the International Private Equity Valuation Guidelines ("IPEV"). These guidelines have been developed by the global Private Equity Associations and are the standard by which all Institutional Private Funds are valued.

These guidelines provide the underlying Fund Managers the framework upon which they exercise judgment in selecting the appropriate valuation methodology for each investment. This Framework covers the valuations for:

(i) Quoted Equity Investments: In respect of actively publicly–traded investments, the fair value is determined by the bid price on the reporting date of such investment as is readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.

(ii) Unquoted Equity Investments: In respect of unquoted investments, the fair value is determined using the most appropriate of the following methodologies or combination thereof: (a) Price of Recent Investment (b) Earnings Multiple, (c) Net Assets, and (d) Discounted Cash Flow.

The valuation is generally based on the latest available net asset value ("NAV") of the fund reported by the corresponding Fund Manager provided that the NAV has been appropriately determined by using proper fair value principles in accordance with IFRS 13. The Fund Advisory Board which is comprised of Investor representatives, including SIFEM's Investment Advisor Obviam reviews and approves the NAV provided by the Investment Manager.

In general, NAV is adjusted by capital calls and distributions falling between the date of the latest NAV of the fund and the reporting date. In addition, the valuations of listed underlying investee companies which are valued at mark–to–market by the fund manager are adjusted to reflect the current share price on their primary stock exchange as of the reporting date. The adjusted net asset method is the single technique used across all fund investment types (Buyout, Venture, Special Situations). Other reasons for adjustments include but are not limited to the following:

- Obviam becoming aware of subsequent changes in the fair values of underlying investee companies;
- Features of the fund agreement that might affect distributions;
- Inappropriate recognition of potential carried interest;
- Market changes or economic conditions changing to impact the value of the fund's portfolio;
- Materially different valuations by fund managers for common companies and identical securities;
- NAV reported by the fund has not been appropriately determined by using proper fair value principles in accordance with IFRS 13.

In addition, SIFEM has the following control procedures in place to ensure that the NAV of the underlying fund investments is calculated in a manner consistent with IFRS 13:

- Thorough initial due diligence process and ongoing monitoring procedures;
- Comparison of historical realizations to last reported fair values;
- Qualifications, if any, in the auditor's report or whether there is a history of significant adjustments to NAV reported by the fund manager as a result of its annual audit or otherwise.

Once the Advisory Board approved the valuations, they are included into the fund accounts and presented to the Fund Auditors for Audit.

Before any of these Fund valuations are entered into SIFEM's accounts, the Obviam CFO will review the valuation presented by the Fund. This includes review of the valuation material as well as discussions with Obviam Investment Managers where needed. The CFO then presents the combined valuations to Obviam's CEO for a last review, before they are presented to the Audit Committee of the SIFEM Board which is comprised of experienced Investment Professionals who review and challenge Obviam on the valuations. Based on this review, the valuations could be adjusted if needed. Once approved, the valuations are presented to the SIFEM board for approval.

The final, board approved valuations are included in SIFEM's accounts.

Sensitivity Analysis Level 3 fair values

SIFEM utilizes a methodology that uses as key input NAV ("adjusted net asset method"). Thus, the key "unobservable input" would be NAV itself. No reasonably possible change in the inputs used in determining the fair value would cause the fair value of Level 3 financial instruments to significantly change.

11. LOANS AND BORROWING

	31.12.2015	31.12.2014
		in 1'000 CHF
Loan A	184,077	189,649
Loan B	119,729	123,351
Loan C	28,585	29,433
Loan D	28,585	29,339
Total non–current liabilities	**360,976**	**371,772**

The Swiss Confederation granted SIFEM four interest–free loans which are measured at amortised cost. IFRS requires the initial recognition of financial assets and liabilities at their fair value, whereas the fair value of an interest free loan is the present value of all future cash flows under the loan agreement, discounted using a market interest rate. A discount rate of 1% was applied to determine the present value of all loans. The discount rate to be used is the prevailing market rate for a similar loan, i.e. the rate that a third party would charge the borrower for a loan with otherwise similar terms (currency, maturity, collateral, etc.). The application of the effective interest method resulted in an interest expense of TCHF 3,820 (2014: TCHF 3'681).

The loans with a minimum term until 17 August 2015 (loans granted in 2011) and 19 December 2015 (loans granted in 2012) have not been terminated and hence were automatically extended for an additional period of four years (i.e. until 17 August 2019 and 19 December 2019, respectively). The term of the loans is extended for an additional four years on an ongoing basis unless either party terminates a loan one year in advance. A total of TCHF 14,462 is capitalized as equity to cover amortizations over the entire period of the loans.

For more information please refer to notes 6 – Financial risk management and 20 – Related party transactions.

12. EQUITY

Share capital:
On 31 December, 2015, the number of outstanding shares amounted to 12,500,000 shares with a nominal value of CHF 10 each (31 December 2014: 10,000,000 with a nominal value of CHF 10 each). As per 31 December 2015 SIFEM did not hold any treasury shares (31 December 2014: 0). All shares issued by the Company were fully paid in.

Dividends:
The amount available for dividend distribution is based on the available distributable retained earnings of SIFEM AG, determined in accordance with the legal provisions of the Swiss Code of Obligations (CO). The Company did not distribute a dividend in 2015 neither in 2014.

Capital reserve:
The capital reserve relates to capital contributions which arose from granting and the extension of interest free shareholder loans and from the sale of the investment portfolio from the shareholder to the Company below fair value.

Translation reserve:
The translation reserve comprises all foreign currency translation differences arising from the translation of the Company's financial statements from its functional currency (USD) into the presentation currency (CHF).

13. INTEREST INCOME

	2015	2014
		1 January – 31 December in 1'000 CHF
Interest income from cash and cash equivalents	176	46
Interest income from direct debt investments	3,132	1,511
Total interest income	**3,308**	**1,557**

At 31 December 2015, an amount of TCHF 463 (2014: TCHF 333) has not been received yet in cash and is included in other receivables and accrued income.

14. INVESTMENT MANAGEMENT FEE

The Investment Management Fees contains fees invoiced by Obviam DFI AG for Portfolio Management and Business Management. SIFEM has delegated these functions to Obviam.

15. ADMINISTRATION AND CUSTODIAN FEES

On 2 December 2011, the Board of Directors accepted and signed a Custodian Agreement with Credit Suisse AG, as well as a new Administration Agreement with Credit Suisse Funds AG. Credit Suisse receives a fee in arrears at an annual rate of 7 basis points for the first TCHF 200 of NAV, 6 basis points for the second TCHF 200, and 5 basis points thereafter. Under the custodian agreement, Credit Suisse receives a fee of 3 basis points for the first TCHF 200 of NAV, and 2 basis points thereafter. A transaction and settlement fee arises per incident on the custodian mandate. The administration fee for the financial year 2015 amounted to TCHF 193 (2014: TCHF 171) and the custodian fee for the financial year 2015 amounted to TCHF 114 (2014: TCHF 151). The administration fees for 2015 and custodian fees for the second semester 2015 were not paid at the balance sheet date and are included in other liabilities and accrued expenses. The Custodian and Administration Agreement can be terminated by SIFEM at any time.

16. NET INCOME / (EXPENSE) FROM DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

	2015	2014
		1 January – 31 December in 1'000 CHF
Net interest income from derivative financial instruments	132	33
Realized gain from derivative financial instruments	4,243	703
Realized loss from derivative financial instruments	–1,542	0
Increase / –decrease in fair value from derivative financial instruments	–255	349
Net income from derivative financial instruments	**2,578**	**1,085**

17. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	2015	2014 (after reclassification)
		1 January – 31 December in 1'000 CHF
Net foreign exchange gain / (loss) from cash and cash equivalents	1,756	–4,737
Net foreign exchange gain / (loss) from debt instruments	–1,445	–1,667
Total net foreign exchange gains/ (losses)	**311**	**–6,403**

18. NET CHANGES IN FAIR VALUE OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014 (after reclassification)
	1 January – 31 December in 1'000 CHF	
Increase in fair value of equity instruments	12,876	16,147
Increase in fair value of debt instruments	1,335	613
Decrease in fair value of equity instruments	–20,388	–28,321
Decrease in fair value of debt instruments	–0	–1,106
Net changes in fair value of financial assets at fair value through profit or loss	**–6,177**	**–12,668**

19. FINANCIAL INCOME/EXPENSE

	2015	2014
	1 January – 31 December in 1'000 CHF	
Foreign exchange gain	7,758	38,161
Financial income	**7,758**	**38,161**
Interest expense	–3,820	–3,681
Foreign exchange loss	–3,715	–381
Financial expense	**–7,535**	**–4,062**

Foreign exchange gain arises from the shareholder loans granted in Swiss francs.

Interest expense arises from the application of the effective interest rate method on the shareholder loans (refer note 11).

Foreign exchange loss arises from the application of the effective interest rate method and the revaluation at the extension of the shareholder loans (refer to note 11).

20. RELATED PARTY TRANSACTIONS

Shareholder
SIFEM is fully owned by the Swiss Confederation. The Swiss Confederation comprises the various departments and administrative bodies of the Swiss Confederation, governmental agencies and other companies controlled by the Confederation.

The Swiss Confederation granted SIFEM interest free loans in the total amount of TCHF 360,976 (refer note 11) (31 December 2014: TCHF 371,772).

SIFEM on the other hand holds a deposit account with the Swiss Federal Finance Administration (refer note 7). The interest rate is at arm's length.

All other transactions with the government, governmental agencies and companies controlled by the Swiss Confederation are conducted on the basis of normal relationships with customers and suppliers and on conditions applicable to unrelated third parties, in particular the interest payment on the deposit account SIFEM holds with the Swiss Federal Finance Administration.

Portfolio and business manager
SIFEM appointed Obviam DFI AG, a specialised emerging market investment management company incorporated in Switzerland, as its portfolio and business manager. The compensation of Obviam is determined in accordance with the Portfolio Management Agreement and the Business Management Agreement.

Under both agreements, Obviam is compensated for the actual cost incurred, within a budget that is approved annually in advance by the Board of Directors. The fee approved for 2015 amounts to 0.88 % (2014 0.81 %) of SIFEM's total active commitments as of 31 December of the same year. The combined portfolio and business management fee paid for the financial year 2015 amounted to TCHF 4,329 (2014: TCHF 3,735). The budgeted combined portfolio and business management fee amounted to TCHF 5,318 (2014: TCHF 4,656). The investment management contract can be terminated by SIFEM at any time. The increase from the previous year is directly linked to SIFEM's new corporate structure.

Total administrative expenses (investment management fee, administration and custodian fees, personnel expenses, administration expenses and advertising expenses) in 2015 amount to 0.88 % (2014: 0.82 %) of SIFEM's total active commitments as of 31 December of the same year. The threshold for total administrative expenses set by the Federal Council is 1.5 % of SIFEM's total active commitments, whereby a certain degree of flexibility is applied until the current uncommitted cash reserves are committed to new investments.

Key management personnel compensation
The Chairman of the Board received total compensation of CHF 44,000 in 2015 (2014: CHF 44,000). This consists of a base compensation of CHF 30,000 (2014: 30,000) for his role as Chairman of the Board and CHF 14,000 (2014: 14,000) for his role as Chairman of the Investment Committee.

The Vice–Chairman and Board members received a base compensation of CHF 22,100 (2014: CHF 22,100). Members of the Investment Committee received an additional compensation of CHF 11,900 (2014: CHF 11,900) and Members of the Audit Committee received an additional compensation of CHF 8,500 (2014: CHF 8,500).

21. CAPITAL COMMITMENTS

As of 31 December 2015 the Company had capital commitments with debt– and equity instruments which were not yet called by the relevant investment manager for TCHF 190,100 (31 December 2014: TCHF 172,982).

22. SUBSEQUENT EVENT

No events occurred between 31 December 2015 and 4th of March 2016 that would require adjustments to the amounts recognised in these financial statements or would need to be disclosed under this heading.

2015
SWISS CODE OF OBLIGATIONS: FINANCIAL STATEMENTS

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REPORT OF THE STATUTORY AUDITOR
To the General Meeting of

SIFEM AG, Bern

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of SIFEM AG, which comprise the balance sheet, statement of income and notes to the financial statements for the year ended 31 December 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Franco A. Straub

Licensed Audit Expert

ppa. Tobias Schüle

Auditor in Charge
Licensed Audit Expert

BALANCE SHEET

	NOTE	31.12.2015		31.12.2014	
					in CHF
ASSETS					
Current Assets					
Cash and cash equivalents	1	253'265'894	50.0 %	236'613'657	49.1 %
Other current receivables	2	5'016'695	1.0 %	3'850'403	0.8 %
Accrued income and prepaid expenses	3	2'830'662	0.6 %	1'291'780	0.3 %
Total current assets		**261'113'251**	**51.6 %**	**241'755'840**	**50.2 %**
Non–Current Assets					
Financial assets	4	196'783'998	38.9 %	169'381'203	35.2 %
Shareholdings	5	48'350'247	9.6 %	70'620'376	14.7 %
Total non–current assets		**245'134'245**	**48.4 %**	**240'001'579**	**49.8 %**
TOTAL ASSETS		506'247'496	100.0 %	481'757'419	100.0 %
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Short–term liabilities					
Other current liabilities	6	33'442	0.0 %	5'458	0.0 %
Deferred income and accrued expenses	7	1'030'920	0.2 %	588'610	0.1 %
Total short–term liabilities		**1'064'362**	**0.2 %**	**594'068**	**0.1 %**
Long–term liabilities					
Long–term liabilities due to shareholder	8	374'444'018	74.0 %	374'444'018	77.7 %
Total long–term liabilities		**374'444'018**	**74.0 %**	**374'444'018**	**77.7 %**
Total Liabilities		**375'508'380**	**74.2 %**	**375'038'086**	**77.8 %**
Shareholders' Equity					
Share capital	9	125'000'000	24.7 %	100'000'000	20.8 %
General legal retained earnings		354'967	0.1 %	20'000	0.0 %
Voluntary retained earnings / – Accumulated losses		5'384'149	1.1 %	6'699'333	1.4 %
Total shareholders' equity		**130'739'116**	**25.8 %**	**106'719'333**	**22.2 %**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		506'247'496	100.0 %	481'757'419	100.0 %

INCOME STATEMENT

	NOTE	2015	2014
		1 January – 31 December in 1'000 CHF	
Net proceeds from sales of services	**10**	**42'052**	**50'673**
Costs for third party services		–4'329'328	–3'735'170
Staff costs	11	–291'988	–306'784
Other operational costs	12	–633'392	–368'654
Earnings before interests and taxes		**–5'212'656**	**–4'359'936**
Financial result general	13	5'877'478	33'167'620
Financial result from financial assets and shareholdings	14	–6'099'292	–14'226'766
Financial result from derivative financial instruments	15	2'832'717	736'326
Earnings before currency translation and taxes		**–2'601'753**	**15'317'244**
Result from currency translation from functional currency (USD) to reporting currency		1'673'550	10'178'097
Profit before taxes		**–928'202**	**25'495'341**
Taxes (stamp duties)		–52'014	–44'952
Profit for the year		**–980'216**	**25'450'389**

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

General

These statutory financial statements have been prepared in accordance with the Swiss Code of Obligations (32th title). In order to ensure comparability, previous year figures have been adapted accordingly. The significant accounting policies, that are not required by law, are described below. It was considered and applied in these statutory financial statements that the law provides the possibility to build and dissolve hidden reserves.

INFORMATION TO ITEMS OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

	31.12.2015	31.12.2014
		in CHF
1 Cash and cash equivalents		
Cash at Banks	253'265'894	226'979'793
Cash at Swiss Federal Finance Administration (Shareholder)	–	9'633'864
Total	**253'265'894**	**236'613'657**
2 Other current receivables		
Withholding tax receivables	2'042	1'992
Collaterals	5'014'653	3'848'411
Total	**5'016'695**	**3'850'403**
3 Accrued income and prepaid expenses		
Prepaid expenses	2'353'215	888'904
Accrued income	477'447	402'876
Total	**2'830'662**	**1'291'780**
4 Financial assets		
Equity instruments	133'831'990	118'978'001
Debt instruments	62'952'007	50'403'202
Total	**196'783'998**	**169'381'204**

5 Shareholdings

Company/Domicile	Share capital in local currency 31.12.2015		Share capital in local currency 31.12.2014		Holding of capital and votings in % 31.12.2015	Holding of capital and votings in % 31.12.2014	Book value in CHF 31.12.2015	Book value in CHF 31.12.2014
Sino Swiss Partnership Fund/Beijing, China	CNY	197'302'502	CNY	197'302'502	70.19 %	70.19 %	14'312'224	34'754'437
Swiss Technology Venture Capital Fund Ltd./Mauritius	USD	14'026	USD	14'026	99.99 %	99.99 %	1'228'952	1'838'923
SEAF Central and Eastern Europe Growth Fund LLC/Delaware, USA	USD	5'886'413	USD	6'070'413	20.81 %	20.81 %	1'326'695	1'644'577
SEAF Central Asian Small Enterprise Fund	USD	9'617'524	USD	9'597'524	41.98 %	41.98 %	245'518	457'105
Fidelity Fund I	USD	1'540'089	USD	2'048'089	47.06 %	47.06 %	–	–
ASEAN China Investment Fund	USD	0	USD	69'856'371	0 %	21.05 %	–	615'513
SEAF South Balkan Fund	EUR	6'927'430	EUR	6'778'804	30.52 %	30.52 %	1'602'730	1'717'700
SEAF Blue Waters Growth Fund	USD	17'963'815	USD	17'963'815	28.00 %	28.00 %	1'547'832	2'219'609
Aureos Latin America Fund II L.P.	USD	36'795'441	USD	36'634'314	28.29 %	28.29 %	10'011'603	9'751'092
Altra Private Equity Fund I L.P.	USD	14'339'525	USD	14'339'526	43.11 %	43.11 %	6'188'111	6'116'398
SEAF Trans Andean Fund	USD	12'442'481	USD	12'240'780	39.62 %	39.62 %	659'224	768'352
SEAF LATAM Growth Fund	USD	14'250'612	USD	14'147'794	41.18 %	41.18 %	722'666	271'534
Kaizen Private Equity Fund	USD	21'337'620	USD	18'417'620	22.81 %	22.81 %	4'576'978	4'121'262
Medu III International Partnership L.P.	USD	8'922'240	USD	8'198'578	19.72 %	22.95 %	922'715	1'396'878
Commodity Value Chain Sustainable Investment Sub-Fund	USD	5'000'000	USD	5'000'000	100.00 %	100.00 %	5'005'000	4'946'998
TOTAL							48'350'247	70'620'376

in CHF	31.12.2015	31.12.2014
6 Other current liabilities		
Accounts payable	30'659	–
Social insurances	2'783	5'458
Total	**33'442**	**5'458**
7 Deferred income and accrued expenses		
Accrued expenses	1'030'920	588'610
Total	**1'030'920**	**588'610**
8 Long-term liabilities due to shareholder		
Loans due to shareholder	374'444'018	374'444'018
Total	**374'444'018**	**374'444'018**
Maturity structure		
Up to five years	374'444'018	374'444'018
Total	**374'444'018**	**374'444'018**

9 Share capital

The share capital consists of 12,500,000 shares with a nominal value of CHF 10 each (31.12.2014 10,000,000 shares with a nominal value of CHF 10 each).

1 January – 31 December in 1'000 CHF	2015	2014
10 Net proceeds from sales services		
Income from fund retrocessions	42'052	50'673
Total	**42'052**	**50'673**
11 Staff costs		
Salaries and wages	–20'260	–26'927
Board compensation	–241'050	–229'120
Social security costs	–18'052	–18'326
Other personnel costs	–12'626	–32'411
Total	**–291'988**	**–306'784**
12 Other operational costs		
Insurance premiums	–75'348	–114'681
Accounting and payroll expenses	–137'003	–93'757
Audit expenses	–71'767	–97'697
Other administration expenses	–295'436	–3'211
Sponsorship and membership contributions	–53'838	–59'308
Total	**–633'392**	**–368'654**

	2015	2014
		1 January – 31 December in 1'000 CHF

13 Financial result general

	2015	2014
Interest income	179'698	49'207
Interest expenses	–3'520	–3'377
Bank charges	–309'066	–294'925
Foreign exchange gains	13'087'221	38'965'665
Foreign exchange losses	–7'076'855	–5'548'950
Total	**5'877'478**	**33'167'620**

14 Financial result from financial assets and shareholdings

	2015	2014
Interest income from financial assets	3'132'025	1'510'820
Distributions and dividends	6'194'864	7'788'849
Expenses	–31'588	–11'261
Capital gains	300'554	70'807
Capital losses	–8'965'900	–16'250'673
Foreign exchange losses	–6'729'247	–7'335'308
Total	**–6'099'292**	**–14'226'766**

15 Financial result from derivative financial instruments

	2015	2014
Interest income	154'704	40'289
Interest expenses	–22'438	–7'653
Capital gains	4'243'290	703'690
Capital losses	–1'542'839	–
Total	**2'832'717**	**736'326**

FURTHER INFORMATION

16 Fulltime employees

The annual average number of fulltime employees during the reporting year was less than 10.

17 Disclosure of derivative financial instruments

	2015	2014
Foreign exchange forward contracts (long)	16'521'052	56'433'782
Foreign exchange forward contracts (short)	–16'521'052	–56'433'782
Interest rate SWAPS (long)	10'010'000	9'893'996
Interest rate SWAPS (short)	–10'010'000	–9'893'996
Total	**–**	**–**

18 Collateral

Assets pledged to secure own losses on derivative financial instruments amount to CHF 5,014,653.

19 Significant events after the balance sheet date

"There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here."

20 Outstanding capital commitments

		31.12.2015		31.12.2014
Debt investments				
European Financing Partners SA / Loan (EFP II)				
European Financing Partners SA / Loan (EFP III)	EUR	5'455'311	EUR	5'605'200
European Financing Partners SA / Loan (EFP IV)				
Interact Climate Change Facility / Loan	EUR	10'615'805	EUR	12'779'132
ACLEDA Bank Plc. / Loan	USD	10'000'000	USD	–
E + Co. / Loan	USD	2'300'000	USD	2'300'000
Locfund II (Debt)	USD	–	USD	–
CAMIF II LP Subordinated Loan Series B	USD	3'484'000	USD	3'484'000
HEFF / Loan	USD	–	USD	–
Global Partnerships Social Investment Fund 5.0 LLC Loan	USD	–	USD	1'750'000
Emergency Liquidity Facility / Loan	USD	–	USD	500'000
Equity investments				
Africa Credit Opportunities Fund I	USD	8'640'000	USD	12'000'000
CAMIF II LP Equity	USD	3'347'244	USD	3'347'244
HEFF / Equity	USD	1'359'460	USD	1'579'240
Locfund II (Equity)	USD	14'332	USD	175'362
Ashmore Andean Fund II	USD	15'000'000	USD	–
Business Partners International East Africa LLC	USD	4'000'000	USD	–
7L Capital Partners Emerging Europe L.P.	EUR	25'059	EUR	25'059
AfricInvest Fund II	EUR	410'000	EUR	519'000
AfricInvest Fund III	EUR	4'593'259	EUR	7'000'000
Balkan Financial Sector Equity Fund	EUR	200'936	EUR	290'069
Capital North Africa Venture Fund	EUR	767'545	EUR	767'545
Capital North Africa Venture Fund II	EUR	3'576'621	EUR	650'227
KD Private Equity Fund B.V.	EUR	–	EUR	4'513'318
Maghreb Private Equity Fund II	EUR	–7'086	EUR	50'441
Maghreb Private Equity Fund III	EUR	2'716'110	EUR	3'001'986
Vietnam Equity Fund	EUR	–	EUR	1'296'113
Abraaj North Africa II, L.P.	USD	3'210'533	USD	3'752'237
African Infrastructure Fund	USD	604'496	USD	604'496
Armstrong South East Asia Clean Energy Fund	USD	2'866'189	USD	6'311'637
Aureos Central America Fund	USD	–	USD	1'235'092
Aureos East Africa Fund	USD	62'751	USD	62'751
BTS India Private Equity Fund	USD	1'918'370	USD	1'995'921
BVCF III L.P.	USD	614'656	USD	2'227'793
Cambodia–Laos Development Fund S.C.A., SICAV–SIF	USD	456'634	USD	716'254
Cambodia–Laos–Myanmar Development Fund II, L.P.	USD	4'200'000	USD	–
Catalyst Fund I	USD	1'918'723	USD	4'004'447
Central American Small Enterprise Investment Fund II	USD	529'495	USD	529'495
IFHA–II COÖPERATIEF U.A	USD	8'364'432	USD	–
Central American Small Enterprise Investment Fund III	USD	4'009'515	USD	4'911'724
CoreCo Central America	USD	2'442'726	USD	2'711'936
Europe Virgin Fund	USD	970'770	USD	1'936'893
Euroventures Ukraine II	USD	128'813	USD	165'016

		31.12.2015		31.12.2014
Equity investments continued				
EV Amadeus Asian Clean Energy Fund L.P.	USD	5'399'476	USD	5'399'476
Evolution One	USD	1'954'639	USD	2'091'846
Falcon House Partners	USD	3'796'748	USD	5'936'225
Fidelity Equity Fund II	USD	883'820	USD	883'820
GEF Africa Sustainable Forestry Fund	USD	1'476'680	USD	1'638'948
GroFin East Africa Fund	USD	–	USD	–
JS Private Equity Fund I	USD	5'325'417	USD	5'269'046
Kendall Court Mezzanine (Asia) Bristol Merit Fund	USD	326'980	USD	419'853
Latin Renewables Infrastructure Fund	USD	3'355'599	USD	5'687'519
Mongolia Opportunities Fund I	USD	1'236'323	USD	1'632'587
NAMF II	USD	8'803'630	USD	8'803'630
Progression Eastern African Microfinance Equity Fund	USD	2'596'528	USD	3'101'626
rABOP	USD	599'023	USD	599'023
Solar Investment Fund	USD	–	USD	2'619'783
Solidus Investment Fund	USD	–	USD	600'000
Sphinx Turnaround Fund	USD	150'000	USD	6'752'750
Synergy Private Equity Fund Ltd	USD	5'213'237	USD	6'161'064
Terra Capital Investors	USD	–	USD	1'070
Vantage Mezzanine Fund III (Pan African Sub–Fund)	USD	5'865'401	ZAR	–
VenturEast Proactive Fund LLC	USD	96'607	USD	355'450
VenturEast Proactive Fund II	USD	10'000'000	USD	–
VI (Vietnam Investments) Fund II	USD	2'062'500	USD	2'625'000
Aureos Latin America Fund II L.P.	USD	9'500	USD	–
Agrif Feeder B.V. / Shares	USD	1'900'000	USD	–
Horizon Equity III	ZAR	16'382'943	ZAR	6'478'068
Horizon Techventures	ZAR	–	ZAR	3'281'229
Vantage Mezzanine Fund III (Southern African Sub–Fund)	ZAR	60'492'728	ZAR	–
Vantage Mezzanine Fund	ZAR	3'497'234	ZAR	3'497'234
Shareholdings				
SEAF South Balkan Fund	EUR	563'574	EUR	609'082
SEAF Central and Eastern European Growth Fund	USD	–	USD	–
SEAF Central Asia Small Enterprise Fund	USD	389'954	USD	399'954
Fidelity Equity Fund I	USD	500	USD	500
ASEAN China Investment Fund	USD	–	USD	1'292'634
SEAF Blue Waters Growth Fund	USD	1'970'132	USD	1'970'132
Aureos Latin America Fund	USD	–	USD	55'536
Altra Private Equity Fund I L.P.	USD	1	USD	1
SEAF LATAM Growth Fund	USD	1'132'040	USD	1'174'380
SEAF Trans Andean Fund	USD	70'329	USD	150'243
Kaizen Private Equity	USD	3'021'294	USD	3'687'201
Medu III Interenational Partnership L.P.	USD	5'230'714	USD	5'377'352

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	31.12.2015	31.12.2014
		in CHF
Retained earnings / –loss brought forward	6'364'365	–18'751'057
Net profit or –loss for the year	–980'216	25'450'389
Available earnings	**5'384'149**	**6'699'332**

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:

Transfer to the general legal retained earnings	0	334'967
To be carried forward	5'384'149	6'364'365
Total	**5'384'149**	**6'699'332**

LIST OF ABBREVIATIONS

AAF II	Ashmore Andean Fund II
AG	Swiss public limited company (Aktiengesellschaft)
AgRIF	Agricultural Rural Impulse Fund
Art.	Article
BPI EA	Business Partners International East Africa
CLMDF II	Cambodia–Laos–Myanmar Development Fund II
CEE	Central and Eastern Europe
CHF	Swiss Franc
CNY	Chinese Yuan Renminbi
CIS	Commonwealth of Independent States
CVCSI	Commodity Value Chain Sustainable Investment Fund
DE	Development Effectiveness/Effects
DEG	Deutsche Investitions– und Entwicklungsgesellschaft mbH (German DFI)
DFI	Development Finance Institution
EC	European Commission
EDFI	European Development Finance Institutions
ElectriFI	Electrification Financing Initiative
EM	Emerging Market(s)
E&S	Environmental & Social
ESG	Environmental, social and governance
EU	European Union
EUR	Euro
FI	Financial Institution
GDP	Gross Domestic Product
GPR	Corporate–Policy Project Rating Tool (developed by DEG)
ICCF	Interact Climate Change Facility
ICS	Internal Control System
IFHA II	Investment Fund for Health in Africa II
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IPEV	International Private Equity Valuation Guidelines
IRR	Internal Rate of Return
m	million
LATAM	Latin America
MENA	Middle East and North Africa
MFI	Microfinance Institution
NAV	Net Asset Value
No.	Number
OECD	Organisation for Economic Co–operation and Development
PE	Private Equity
PEF	Private Equity Fund
SCO	Swiss Code of Obligations
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SIFEM	Swiss Investment Fund for Emerging Markets
SME	Small and Medium–sized Enterprise
SNB	Swiss National Bank
SR	Classified Compilation of Swiss Federal Legislation
SSA	Sub–Saharan Africa
TA	Technical Assistance
TVPI	Total Value over Paid–In
USD	United States Dollar
WTO	World Trade Organisation
ZAR	South African Rand

GLOSSAR

Custodian
A regulated, specialised financial institution responsible for safeguarding SIFEM's financial assets such stocks, bonds and currencies.

Development Finance Institution (DFI)
A term used to refer to the range of bilateral and multilateral institutions that provide risk capital to the private sector developing countries.

European Development Finance Institutions (EDFI)
The association of 15 European based, bilateral Development finance institutions whereby SIFEM is a member.

Internal Rate of Return (IRR)
The annualised effective compounded rate of return for an investment and is commonly used to evaluate the desirability of investment projects. It is the standard measure of financial return used in the Private Equity Industry.

International Financial Reporting Standards (IFRS)
A set of accounting standards developed by the Intentional Accounting Standards Board (IASB) for the preparation of public company financial statements.

International Private Equity and Valuation Guidelines (IPEV)
A set of internationally recognised guidelines that set out the best practice where private equity investments are reported at fair value and have been adopted by the leading global Private Equity associations.

Obviam
A Bern–based investment management company formed by the former management of SIFEM to act as Investment Advisor to the newly created SIFEM. The company is fully owned by its employees and does not hold SIFEM or the Swiss Confederation as a shareholder.

Private Equity
Medium to long-term finance provided in return for an equity stake in growing companies, which are usually not listed on a public exchange.

Private Equity Fund
A close ended, collective investment platform which aggregates capital from multiple investors to then invest in private equity securities.

Reflows
Any type of payments received in return from SIFEM's investment portfolio, including capital repayments, realised capital gains, dividends, interest.

Legacy Position
The portfolio of investments that were made on behalf of the Swiss Confederation prior to the establishment of SIFEM in 2011.

Mezzanine Fund
A close ended, collective investment platform which aggregates capital from multiple sources to then invest in debt and quasi debt securities of primarily private companies.

Net Asset Value (NAV)
The amount attributable to the investors of a portfolio on the basis of the fair value of its Assets less its liabilities.

Net income
In SIFEM's IFRS financial statements IFRS, net income refers to the result from investment activities. It combines interest income, dividend income, investment–related services income, foreign exchange gains/losses on investments, changes in NAV of investments, and impairment losses on debt investments.

Operating Result
In SIFEM's IFRS financial statements, the operating result is calculated by subtracting administrative and operating costs from the net income.

Total Comprehensive Income
In SIFEM's IFRS financial statements, total comprehensive income is calculated by adding the financial result and currency translation effects to the operating result.

This Annual Report is complemented by a separate Report on Operations (mission, how we work, new investments & case studies, performance). Both reports can be downloaded at www.sifem.ch

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VISUAL INSPECTION




SIEMENS