

BUSINESS & FINANCIAL REPORT

2022





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2022 FINANCIAL HIGHLIGHTS

	2022	2021
OPERATIONAL HIGHLIGHTS		
in USDm		
Commitments and cash flows		
Total commitments made to date	1286.2	1217.3
Total active commitments	913.8	894.5
Uncalled commitments	242.3	258.4
Cumulative paid-in capital to date	1059.2	971.8
Cumulative reflows received to date	835.3	772.7
Cumulative net cash flow to date	-223.8	-199.1
New investment commitments	95.0	83.9
Reflows from investments	62.6	124.7
Investment portfolio valuation		
Residual value	451.2	432.2
Internal rate of return (%)	5.3	5.8
Total value over paid-in (%)	121.5	124.0
Private finance mobilised		
Total private investor commitments advised by Obviam	173.6	173.6
New co-investments from private investors	0.0	9.7
FINANCIAL STATEMENT HIGHLIGHTS		
in CHFm		
Annual results		
Investment profit/-loss	-1.3	51.7
Operating result	-13.1	40.3
Total comprehensive income	-3.4	58.1
Balance sheet		
Balance sheet total	713.1	700.2
Cash and cash equivalents	268.5	272.9
Uncommitted capital	44.3	37.5
Financial assets	435.5	410.4
Shareholder's equity	688.3	671.9
Equity ratio (%)	96.5	96.0

USD
95.0 m
NEW INVESTMENT
COMMITMENTS

CHF
435.5 m
FINANCIAL ASSETS

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 accounting; investment portfolio valuation based on rolled-forward data as of 30 September 2022.

ANNUAL REVIEW

FOREWORD BY JÖRG FRIEDEN



Dear Reader,

The global situation in many developing and emerging countries has remained fragile, making the efforts of Development Finance Institutions (DFIs) even more vital. Although the COVID-19 pandemic has passed its peak, its lingering economic and social effects continue to be felt. In addition, the ongoing military conflict in Ukraine has had far-reaching economic, social, and humanitarian consequences. Energy embargoes led to a worldwide energy crisis and a significant increase in commodity prices. The impact of inflation has been felt acutely in poorer countries, exacerbating existing economic struggles. Global markets covering both equities and bonds have experienced significant falls in valuation.

In the face of such uncertainties, private investors have become increasingly reluctant to invest in frontier and emerging markets, leaving a crucial role for DFIs in filling the financing gaps for local small and medium enterprises (SMEs). SIFEM has continued its support of existing partners while committing to new transactions that promise high local job creation impacts. Three of these new investments benefit least developed countries (LDCs).

SIFEM has also pursued its climate-related objectives, closing additional transactions which contribute to its target of 25% allocation to climate relevant investments. However, the scope of SIFEM's mandate goes far beyond the one of a pure climate fund. Growing and strengthening local economies goes in parallel with fostering sustainable energy consumption. Yet, the supply of energy is not guaranteed in many countries. Therefore, SIFEM has helped accelerate the energy transition by supporting energy efficiency and reduction of CO₂ emissions by responsible companies in emerging and frontier markets.

On the financial side, the net operating income of 2022 was slightly negative. This outcome needs to be seen in the perspective of the deterioration of the macroeconomic and geopolitical environment and the long-term nature of the investments. Market uncertainties led to lower valuations, delayed expected exits and reduced cash reflows. Despite this setback, SIFEM's financial return objectives have been consistently met over the first half of the strategic period 2021–2024, and a reversal of the downturn is anticipated. The periodic capital injections provided by SIFEM's shareholder are greatly appreciated as they aid in navigating challenging market conditions with greater ease.

2022 was a year of transition for SIFEM's organization. Following a decision by its Board of Directors to strengthen corporate governance, SIFEM charged one manager with the implementation of investment decisions and the management of the portfolio, and another manager with strategic and monitoring functions: Tameo Impact Fund Solutions SA was appointed as the business services manager and took up its mandate in September 2022, while Obviam AG acted as portfolio manager throughout the year before handing over investment and portfolio related tasks to responsAbility Investments AG effective as of 1 March 2023.

The Board expresses gratitude to Obviam AG and its staff for their excellent collaboration and positive financial and impact results since SIFEM became an independent company in 2011.

The SIFEM Board extends its thanks to the Swiss Parliament and the Federal Council, represented by SECO, for their trust and support during a year of delicate transition. It looks forward to continued collaboration in promoting impact investments and achieving its ambitious objectives.

Yours faithfully,

A handwritten signature in blue ink, consisting of stylized initials 'JF' followed by a surname, written over a light blue horizontal line.

Jörg Frieden
Chairman of the Board of SIFEM

FOREWORD BY OBVIAM



Dear Reader,

Obviam's management of SIFEM has been an exciting and fulfilling journey. In the past 12 years, Obviam has committed USD 885 million to 100 investments on behalf of SIFEM, representing a tripling of cumulative commitments. We take pride in having supported SIFEM, even before it formally became a Development Finance Institution, to its current position as a pillar of Switzerland's Development Cooperation Program and a well-respected member of the European Development Finance community.

Throughout our almost two-decade partnership with SIFEM, we have had the honour of participating in numerous pioneering initiatives. Our focus on impact investing has allowed SIFEM to play a meaningful role in initiatives spanning from climate mitigation and adaptation to digital infrastructure and fintech, to gender investing and small business lending. Our aim has always been to place SIFEM at the forefront of innovation in impact investing.

Thanks to SIFEM, Obviam has played an import role in shaping the evolution of the private equity ecosystem in emerging markets, created thousands of jobs, contributed to important climate initiatives and advanced private sector development in emerging and frontier markets.

The final year of our service to SIFEM in 2022 was met with a challenging macroeconomic environment. We faced a number of obstacles which put our resilience and ability to achieve SIFEM's strategic objectives to the test. Despite these challenges, we are proud to report that we successfully closed a significant number of impactful transactions. Our total new commitments reached USD 95 million and were allocated to seven new investments, including four private equity funds with a focus on Africa, India, Colombia, and Ukraine. Furthermore, we executed three loans to financial intermediaries based in Cambodia, Vietnam, and Peru. An eighth investment was approved in 2022 and signed in early 2023.

One of the highlights of the year was SIFEM's USD 15m commitment to Horizon Capital Growth Fund IV in Ukraine. This investment supports the economic activities of one of the focus countries of the Swiss development policy in a very challenging economic, social, and humanitarian environment. Additionally, SIFEM invested in Ashmore Avenida LatAm Energy Efficient Affordable Housing Fund III, an innovative fund focused on affordable housing primarily for woman-led households in Peru. This project reflects our commitment to gender equality and climate goals, as it targets energy-efficient buildings.

Reflows this year were in line with the long-term average despite a fragile macroeconomic environment and we remain optimistic about the quality of the portfolio and its ability to continue delivering on SIFEM's objectives in the coming years.

Reflecting on these achievements, we want to extend our deepest gratitude to our dedicated and passionate Team for their crucial role in achieving our many impact-related objectives.

As we hand over the baton, we also want to express our thanks to SIFEM and SECO for their support and trust in giving Obviam the privilege of stewarding the Swiss Development Finance Institution for so many years. We extend our best wishes to responsAbility and wish them full success in this endeavour.

Sincerely yours,

Claude Barras
CEO

Andrea Heinzer
CIO

Philip Walker
MD Private Equity

1. STRATEGY

1.1 SIFEM'S MISSION AND OBJECTIVES

The Swiss Investment Fund for Emerging Markets (SIFEM) is the Swiss Development Finance Institution (DFI). It is owned by the Swiss Government and is an integral part of the instruments of economic development cooperation. SIFEM is specialised in providing long-term financing to small- and medium-sized enterprises (SMEs) and other fast-growing companies in developing and emerging countries, focusing on the priority countries of Switzerland's development cooperation. This helps create and secure more and better jobs and reduce poverty while also contributing towards the integration of these countries into the global economic system.

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

SIFEM invests in local or regional risk capital funds and provides credit lines to local banks and other financial institutions, often in collaboration with other DFIs and private investors. SIFEM works with fund managers and financial institutions not only to deliver relevant financing solutions, but also to add value to local businesses. In this sense, SIFEM's role goes beyond the provision of long-term finance and seeks to strengthen the capacity of local fund managers and financial institutions to manage environmental, social, and governance risks at the level of their underlying portfolios.

The Federal Council set the following strategic objectives, among others, for the period 2021–24:

- SIFEM takes measures to limit the negative impact of the COVID-19 crisis on the financial ratios and impact results or to strive to preserve the value of the portfolio.
- SIFEM contributes to growth in developing countries and emerging markets by encouraging the flourishing of the local private sector, in addition to other economic development cooperation measures;
- SIFEM focuses on the preservation and creation of decent jobs, the observance of proper working conditions and the strengthening of professional competence. In this way, SIFEM helps combat the causes of irregular migration and contributes to Parliament's mandate to strategically link international cooperation with the issue of migration;
- SIFEM supports the establishment of sustainable and responsible companies in developing and emerging countries, on the basis of internationally recognised environmental, social and governance criteria;
- SIFEM strengthens the resilience of these countries and companies with regard to global risks such as pandemics and the effects of climate change;
- SIFEM contributes to the achievement of international environmental goals and in particular to the mitigation of climate change and its associated negative consequences;
- SIFEM promotes gender equality through the economic empowerment of women.

In striving to reach these strategic objectives, SIFEM observes the following broad guiding principles:

- **Sustainability:** In its investment activity, SIFEM observes the basic principles of financial, economic, social and environmental sustainability as well as responsible corporate governance.
- **Financial additionality:** SIFEM provides financing which, without public support, would not be available from private financial markets (local or international) on reasonable terms or in sufficient amounts for comparable development purposes.
- **Value additionality:** In addition to investments, SIFEM provides or mobilises non-financial support to financial intermediaries and enterprises, which is intended to strengthen development effects and is provided on a subsidiary basis to the private sector, e.g. in the form of know-how transfer, the promotion of social and environmental standards, the improvement of corporate governance or professional skills. In this way, it should contribute its expertise, address sustainability risks and opportunities, as well as contributing to the achievements of Switzerland's development cooperation priorities.

- **Leverage effect:** SIFEM aims to mobilise additional funds directly from private and institutional investors who would otherwise not invest. In this way, it contributes additional resources to sustainable development. These co-investment resources complement the investment capital of the Swiss Confederation.

1.2 DEVELOPMENT IMPACT – HOW DOES SIFEM MAKE A DIFFERENCE?

SIFEM is an impact investor, as all SIFEM investments are made with the intent to generate a measurable development impact based on specific indicators and corresponding targets, including job creation, skills development, tax payments, financial sector deepening and diversification, and implementation of international best practice with regard to environmental, social, and governance (ESG) standards. SIFEM aims at maximising the development impact of its investments. While all investments must be economically viable and contribute to economic development, some investments will also specifically foster economic and social inclusion and/or actively contribute to climate change adaptation and mitigation.

SIFEM relies on a result measurement system in line with the practice of other DFIs, allowing for the monitoring and aggregation of results at the portfolio level. This framework is in line with the 2030 Agenda for Sustainable Development adopted by the United Nations in 2015, featuring 17 specific goals (Sustainable Development Goals – SDGs).

The result measurement framework used by SIFEM is composed of three different levels: First, an internal rating tool (SIFEM GPR), originally developed by DEG, the German DFI, is used to appraise investments and track their development performance over time. In order to do this, a benchmark is established prior to investment to reflect the expected development effects. Second, a number of quantitative indicators are collected for each investment to measure development effects, which can be aggregated at the portfolio level and reported to Parliament. Third, case studies are conducted on an annual basis to take a closer look at the effects and value-add of SIFEM's investments in specific contexts.¹

The main development highlights as well as a specific thematic analysis are published annually in a separate report, based on data from the previous year. The latest available analysis, the 2021/2022 edition, focuses on the social cost of the economic crisis induced by the COVID-19 pandemic, building on research and data collected in 2020-21. It shows that job losses have been more limited than originally expected in 2020 in the companies of the SIFEM portfolio. This is mainly due to the fact that SIFEM's exposure to those economic sectors most affected by lockdowns and business closures was relatively limited.

SIFEM's current practice of impact management is broadly aligned with the Operating Principles for Impact Management, which were developed by the International Finance Corporation (IFC) and launched in 2019. The Principles provide a common market standard for what constitutes an impact investment. They describe the essential features of managing investments in companies or organisations with the intent to contribute to measurable positive social, economic, or environmental impact, alongside financial returns. Impact considerations have to be integrated into all phases of the investment lifecycle: strategy, origination and structuring, portfolio management, exit, and independent verification. Critically, the Principles call for annual disclosure as to how signatories implement the principles, including independent verification, which will provide credibility to the adoption of the Principles.

SIFEM was among the first adopters of these Principles, committing to manage its impact assets in accordance with the Principles. At the end of 2022, close to 170 investors and other stakeholders have become signatories of these Principles, covering more than USD 510 billion of assets under management. SIFEM's alignment with the Principles has been confirmed through an independent verification process carried out in November 2020.²

¹ <http://sifem.ch/impact/case-studies/>

² https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Verification_Letter_IFC_OPIM_SIFEM.pdf

1.3 PERFORMANCE AGAINST OPERATIONALISED OBJECTIVES 2021–24

SIFEM's financial performance and development impact are defined by a 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) company-related objectives and tasks based on SIFEM's ability to balance financial sustainability and development impact within its portfolio; (3) financial objectives related to SIFEM's long-term financial sustainability; and (4) objectives related to SIFEM's efforts to develop and sustain cooperation agreements with other DFIs.

The strategic objectives assigned to SIFEM for the period 2021–24 were set by the Swiss Government in the spirit of continuity from the previous period – given the long-term nature of SIFEM's investments – but they also highlight new challenges and priorities such as gender equality, the need to contribute to economic recovery in the midst of and after the COVID-19 pandemic, and the need to actively contribute to the objectives of the Paris Agreement on Climate Change, in line with the expected contribution of SIFEM to the 2030 Agenda for Sustainable development and its associated SDGs.

After two years of implementation, SIFEM appears to be “on track” to deliver on its ambitious strategic framework by 2024. To date, apart from the different requirements assigned to SIFEM, one objective was met and 19 of the 27 targets and measures defined in the strategic objectives are on track to be met for the entire strategic period, while it is still too early to tell on the status of the other targets, noting that the measurement of some of these targets has only started in 2022.

It is encouraging to see that on the development effects side, the number of jobs supported and created has continued to grow at the level of the portfolio in spite of the negative economic environment following the COVID-19 crisis, the war in Ukraine, and more generally the difficult and uncertain macroeconomic and geopolitical context. This situation had nevertheless an impact on the financial results since SIFEM had to mark down the valuation of a number of investments and a number of investment exits were delayed.

The performance results against the operationalised objectives for the 2021–24 period after two years are presented in Annex 1 of this report.

1.4 SIFEM'S COOPERATION WITH OTHER DEVELOPMENT FINANCE INSTITUTIONS

SIFEM engages actively with other DFIs and international financial institutions (IFIs). It therefore seeks to strengthen cooperation and synergies with these institutions informally, and participates actively in joint working groups in a more formal way.

EDFI – European Development Finance Institutions

EDFI is an association of 15 European bilateral institutions operating in emerging markets and developing economies and 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 (SDGs).

This is achieved by promoting economically, environmentally, and socially sustainable development through financing and investing in profitable private sector enterprises. EDFI strives to strengthen the exchange of information and cooperation among its members and other bilateral, multilateral, and regional DFIs.

SIFEM contributes actively to four EDFI working groups (Environmental and Social Matters, Development Effectiveness, Technical Assistance, Communication), three EDFI task forces (Taxation, Harmonisation and CIO), and two broader DFI working groups (Corporate Governance, International Finance Institutions Working Group on Harmonisation of Indicators).

SIFEM was in particular active in the EDFI harmonisation task force. In 2022, the harmonisation efforts focused on the implementation of the EDFI Climate and Energy Finance Statement endorsed by all members in November 2020, in particular with respect to the assessment of the “Paris alignment” at the project level, the measurement of greenhouse gases and the development of a benchmark for climate related financial disclosures.³ Other important harmonisation workstreams included job quality assessments, the review of the general exclusion list, and the development of a practical guidance on addressing human rights risks in the context of investments.

The harmonisation of standards and practices among member institutions is central to EDFI’s work. By aligning the ways in which EDFI members measure the development impact of their operations and setting standards for responsible financing, they can operate more efficiently, clients are better served, and institutions are able to achieve their development missions more effectively. Harmonization also reduces the workload of invested companies in collecting information and reporting to their investors. Harmonisation enables all EDFI member institutions to deliver high-quality development impact reporting to their stakeholders and facilitates EDFI consolidated reporting on impact. Improved reporting makes EDFI members more accountable to their shareholders, to providers of blending capital, and to private co-investors. In addition, because EDFI members engage in significant co-financing, harmonisation relieves many EDFI clients of multiple reporting obligations.

³ <https://www.edfi.eu/news/edfi-adopts-harmonised-paris-alignment-approach/>

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 1977.⁴
- Ordinance on co-operation with Eastern European countries of 6 May 1992.⁵

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 corporate 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 duties despite its developmental mandate.

On 16 December 2022, the Federal Council took note of the results of the consultation procedure on the SIFEM law and transmitted the corresponding bill and message to Parliament. The organization of SIFEM will thus be regulated in a separate law.

As with other federal entities that have become autonomous, the bill creates a legal basis in the form of a specific organizational law. The latter contains fundamental provisions concerning the purpose and tasks of SIFEM, the principles governing its activities, its financing, and the role of the Confederation as shareholder.

2.2 CORPORATE STRUCTURE

The Board of SIFEM is responsible for investment decisions and other executive management tasks. In accordance with its Organisational Regulations, the Board structure includes three committees: the Investment Committee, the Audit Committee, and the Performance and Impact Committee (the latter was created in 2022). Investment and divestment decisions are delegated to the Investment Committee. The Audit Committee validates the valuations of SIFEM investments, reviews SIFEM's financial statements and related matters, and liaises with the auditor. The Performance and Impact Committee is empowered with matters pertaining to the monitoring of the strategic and annual objectives, the ESG and Impact methodologies, the compliance and promotion of standards and good governance practices. SIFEM has no operative employees, except a part-time Board Secretary, and the Board delegates part of its operational functions to third-party service providers.

Following a public tender process carried out in 2015, the management of SIFEM's investment portfolio and its day-to-day operations was delegated through a single management agreement to Obviam AG, an independent company specialised in impact investments in developing and emerging countries.

In 2021, SIFEM decided to revise and strengthen its corporate structure, namely by separating the investment portfolio management from that of business services and to delegate them to two separate third-party suppliers under two separate management agreements. These two roles are now performed by the Portfolio Manager and Business Services Manager respectively, with clear and separated responsibilities.

- The Portfolio Manager identifies, evaluates, structures, negotiates and advises on all investment and divestment opportunities, manages the portfolio investments through to their exits, and provides other portfolio management services to SIFEM.
- The Business Services Manager performs policy-related activities in support of the Board of Directors. It assumes representative functions, administrative functions, the financial management of the Board's administrative expenses, reporting, compliance oversight as well as risk management, communication, and other functions.

⁴ Verordnung vom 12. Dezember 1977 über die internationale Entwicklungszusammenarbeit und humanitäre Hilfe, SR 974.01

⁵ Verordnung vom 6. Mai 1992 über die Zusammenarbeit mit den Staaten Osteuropas, SR 974.11

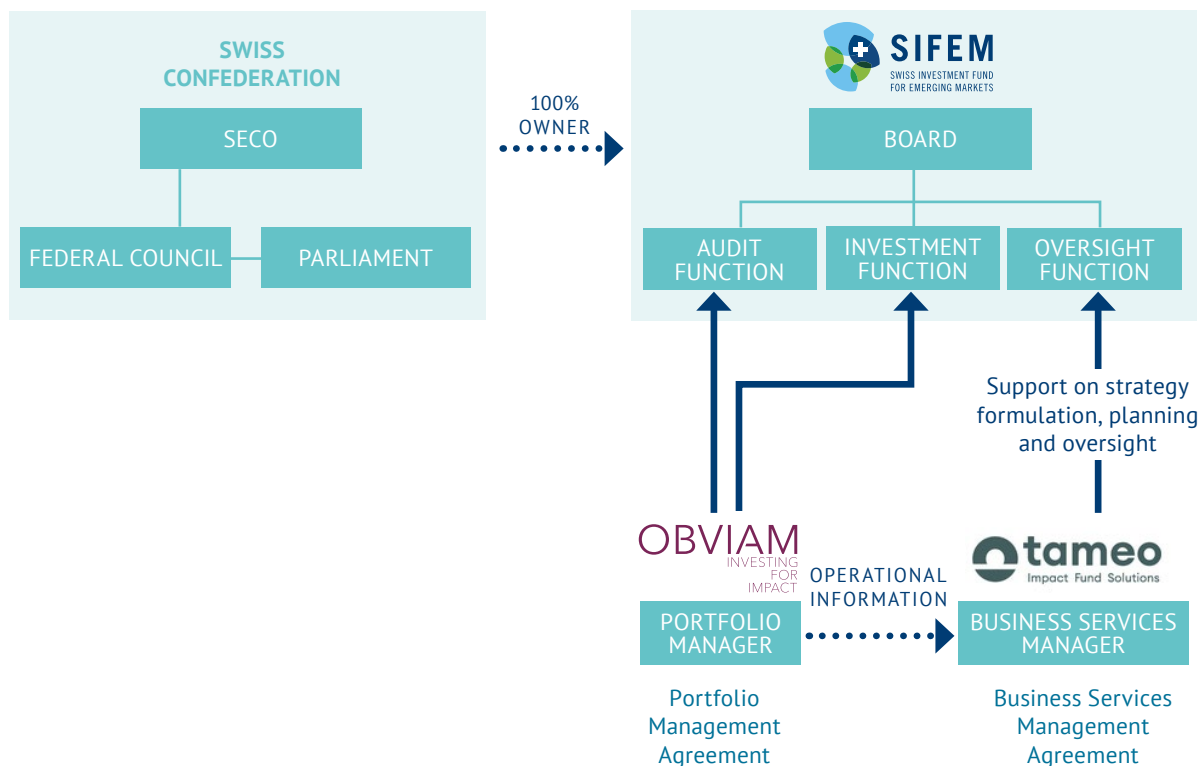
The Board of Directors, with the support of the Business Services Manager, oversees the activities of the Portfolio Manager.

To implement this new organization, SIFEM terminated the agreement with Obviam in 2021 and launched two separate procurement tenders for each of the services in the second half of 2021. The Board of Directors conducted these processes with the assistance of a specialized procurement consultant. It awarded the investment portfolio management mandate to responsAbility Investments AG (responsAbility), a Zurich-based investment management company specialized in emerging markets, in the first quarter of 2022. This decision was appealed under public law by two unsuccessful applicants, which had a suspensive effect on the decision. This situation made it necessary to enter into an interim portfolio management agreement with Obviam, effective from 1 September 2022 to 28 February 2023, in order to ensure the continuity in portfolio management. In late October 2022, the court dismissed both petitions and confirmed the appointment of responsAbility as the new investment portfolio manager. The latter took over its duties on 1 March 2023. The contractual framework between SIFEM and responsAbility is in line with international best practice for private equity fund managers and respects the standards of the Swiss Confederation.

In parallel, as SIFEM did not receive any applications in response to the call for tenders for the management of its business services, the Board of Directors invited selected consultants to participate in a direct award procedure in accordance with the applicable Swiss public procurement legislation. This process was also carried out with the assistance of a specialized procurement consultant. In June 2022, the mandate was awarded to Tameo Impact Fund Solutions SA (Tameo), a Geneva-based company specialized in sustainable finance. It took up its duties on 1 September 2022, in accordance with the original timetable set by the Board of Directors.

The corporate structure of SIFEM ensures consistency with the latest principles of the corporate governance report of the Federal Administration and constitutes a suitable vehicle for safeguarding, complementing, and capitalising on the know-how and quality networks acquired over the past years in the area of risk capital for emerging markets and developing economies.

FIGURE 1: SIFEM CORPORATE STRUCTURE AND GOVERNANCE



2.3 GOVERNANCE AND POLICY ACTIONS

Board

During this year of transition, the Board was heavily involved in the implementation of the new corporate structure. It planned, coordinated, and managed the transition of the business services management from Obviam to Tameo and worked since then with the new business services manager on various transition related, policy, and organizational elements.

The transfer of the portfolio management was delayed as a consequence of the appeals, thus generating uncertainty that was successfully managed. The Board was diligent in implementing an interim management agreement with Obviam to protect SIFEM's interests and secure continuity in portfolio management operations. Since the appeals' dismissals in October, the board focused on the transition of the portfolio management from Obviam to responsAbility.

Investment Committee

In 2022, SIFEM's Investment Committee held eight formal meetings to review investment proposals presented by the portfolio manager Obviam. Concept approval was granted for six new proposals, allowing Obviam to conduct due diligence on these deals and submit them to the Investment Committee for final approval which was granted. Seven transactions closed before year-end for a total of USD 95 million. For further details on the transactions closed during the year, see Section 3.1.

Audit Committee

The Audit Committee held five meetings in 2022 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 2022 financial statements. Ensuring that the portfolio is valued at fair market value was the overarching topic and was subject to particular attention in order to reflect the latest development in the different markets and in the general macroeconomic and political environment.

Performance and Impact Committee

The Performance and Impact Committee was created in 2022. It had its first formal meeting in the second half of the year, after thorough preparatory work carried out by Board members. Terms of reference and an ad-hoc policy were drafted to define the role and responsibilities of the committee, supported by the Business Services Manager. It also prepared various recommendations to the Board of Directors with regard to the assessment of the annual targets of the portfolio managers and to the deployment of the Climate strategy of SIFEM.

2.4 SHORT BIOGRAPHIES OF BOARD MEMBERS

Dr Jörg Frieden (since 2018)

Chairman of the Board since 2018, Chairman of the Investment Committee, since 2018

Jörg Frieden's career at the Federal Department of Foreign Affairs, from 1986 to 2018, covered a broad range of posts and responsibilities. He worked as coordinator in Mozambique, advisor for the World Bank in Washington, and as Head of the Eastern and Southern Africa Section in Bern. Between 1999 and 2003, his professional career took a sidestep to the Federal Office for Refugees where he held the position of Deputy Director. In 2003, he returned to the Swiss Agency for Development and Cooperation (SDC) where he took up the position of Resident Director of Development Programmes in Nepal. From 2008 to 2010, he was Deputy Director of the SDC and headed the Global Cooperation Department. He was also an advisor to and representative of Federal Councillor Micheline Calmy-Rey in the UN Commission on Sustainable Development. From 2011 to 2016, Jörg Frieden was Executive Director of Switzerland at the World Bank Group, specifically at the International Finance Corporation (IFC) and then Swiss Ambassador to Nepal until 2018. Jörg Frieden is also a board member of Helvetas, an NGO working in the field of development cooperation based in Zurich, and member of the development commission of the Canton of Fribourg.

Susanne Grossmann (since 2011)

Vice-Chairwoman of the Board since 2014, Member of the Investment Committee since 2011

Susanne Grossmann has been active in private sector finance in emerging markets and developing economies since 1999. From 2007–2014 she was Managing Partner at BTS Investment Advisors, a private equity fund advisor for investments in non-listed Indian small- and mid-sized companies. Today, Ms. Grossmann manages the Dalyan Foundation, a charitable foundation supporting women and children in India and Turkey. Since 2014, she has also

been a Managing Director at FinanceContact GmbH in charge of administering the SECO Start-Up Fund. She serves as a member of the investment committee of Dreilinden GmbH in Hamburg, a company supporting social acceptance of gender and sexual diversity.

Dr Julia Balandina Jaquier (since 2011)

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

Julia Balandina Jaquier has nearly three decades of investment and strategic consulting experience, the last 18 of which have been focused on impact investing. She has facilitated the development of a broad range of mission-driven investment programs and funds, acting in a principal capacity as well as a trusted adviser to major private, institutional and sovereign investors. Julia Balandina Jaquier is the founder of KATALYST, the capacity-building platform for families of wealth. She lectures/d on impact investment at IMD, St. Gallen University, Harvard, Yale and CEIBS. She is the author of two books on impact investment and serves on (advisory) boards of Unilever, FORE Partnership and toniic 100 of Kieger Asset Management in Zürich. Julia Balandina Jaquier started her career at McKinsey and subsequently held senior positions at ABB Financial Services and AIG Global Investment Group, where she managed AIG's European direct private equity business.

Geoff Burns (since 2014)

Member of the Investment Committee since 2014, 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 to address specifically the challenges facing 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 and Norfund. He is a board member of the Ascent Rift Valley private equity fund in Mauritius, of the SDG Frontier Fund in Brussels and of Gebana AG in Zurich. He sits on the investment committee of various funds or investment structures active in emerging markets (responsAbility, AfricInvest, Ascent Rift Valley).

Kathryn Imboden (since 2014)

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. In this position, she focuses on the engagement of global standard-setting bodies in financial inclusion. Following nearly twenty years with the Swiss Agency for Development and Cooperation (SDC), where she led SDC's macroeconomic and financial sector work, she held financial sector policy related positions at Women's World Banking, United Nations Capital Development Fund, and the Aga Khan Foundation, before joining CGAP in 2007.

Angela de Wolff (since 2017)

Member of the Investment Committee from 2017 to 2022, member of the Performance and Impact Committee since 2022

Angela de Wolff has been active in the financial sector for almost 30 years, with a focus on responsible investment since 2001. She began her career as a consultant with Andersen Consulting and then held various positions in private banks. Among other positions, she has led the sustainability team at Lombard Odier bank. In 2007, she capitalised on her experience to create Conser, an independent verification firm specialised in responsible investment / ESG. She is the co-founder of Sustainable Finance Geneva, a non-profit association which aims to promote responsibility and sustainability in finance. She also sits on the Board of Directors of Société Générale Private Banking (Suisse) SA, Equitim Foundation (Lausanne) and of the Audemars-Watkins Foundation in Geneva. Angela de Wolff obtained a Master's in economics from Lausanne University in 1989. She became a Certified European Financial Analyst (CEFA) in 2000.

Dr Dominique Biedermann (since 2021)

Member of the Performance and Impact Committee, since 2022

Since 2012, Dr Dominique Biedermann has been a member of the Board of Directors of the Federation of Migros Cooperatives and its Audit Committee, as well as Chairman of the Committee of Ethics and Deontology of the University of Geneva. Furthermore, he is member of the Board of the relief and social organisation Caritas-Genève. He is a lecturer at the University of Neuchâtel and provides consulting mandates for different institutions. After receiving his PhD in economics from the University of Geneva in 1989, he joined the Pension Fund of the Canton of Geneva (CPEG) as deputy director and from 1994 to 1998 as CEO. In that function, he was co-founder of the Ethos Foundation in 1997 and of the company Ethos Services in 2000, two institutions fully dedicated to the promotion of sustainable investments. CEO of both organisations until 2015, he was subsequently Chairman of their Boards of Directors from 2015 until June 2018.

2.5 MANAGEMENT OF CONFLICT OF INTEREST

SIFEM has had a conflict of interest policy in place for several years, which sets out how perceived or actual conflicts of interest are to be managed.

Board members are required to withdraw if they believe they have or may have a conflict of interest.

In accordance with the Ordinance on the Organisation of the Government and the Administration (RVOV), the members of the Board of Directors make an annual declaration of interests directly to the shareholder via SECO.

SIFEM is planning to implement ongoing training for its Board members on various topics relevant to their duties and responsibilities.

2.6 COMPENSATION REPORT

Board Compensation

Since 2022 compulsory social security contributions are explicitly part of the remuneration ceilings decided by the AGM.

In 2022, the annual remuneration for the entire Board amounted to CHF 354,982 including social security contributions (2021: CHF 334,573.).

The remuneration of the Chairman of the Board amounted to CHF 56,593 in 2022 (2021: CHF 56,630). It consists of a base compensation of CHF 30,000 for his role as Chairman of the Board, CHF 24,000 for his role as Chairman of the Investment Committee and CHF 2,593 for social security contributions.

Excluding the Chairman, the remuneration of the six other Board Members was on average CHF 49,732 (2021: CHF 49,357), including compensation for work in Board sub-committees and social security contributions.

Compensation of Obviam

The compensation of Obviam was determined by the terms of the Management Agreement dated 2016 until 31 August 2022.⁶ Under this Agreement, Obviam is compensated within a budget that is approved annually in advance by the Board. Obviam has complied with the salary restrictions stated in the Management Agreement.⁷

.....
⁶ The wording of Clause 4.6 and 4.7 of the Management Agreement is as follows:

- 4.6. SIFEM will pay the 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 Manager.
- 4.7. 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 portfolio management expenditure directly attributable to the services provided under this 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 [...]. In preparing the annual budget, the Manager shall take into account the fees to be generated by engagements and mandates assigned to the Manager by any third party as well as the allocation of costs to a plurality of engagements and mandates. 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.

⁷ The wording of Clause 4.17 of the Management Agreement is as follows:

- 4.17. The Manager undertakes to ensure that in the Obviam Group the proportion of the highest individual fixed salary which results from this 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.

The Board agreed to the annual budget proposed by Obviam for 2022 under the aforementioned Management Agreement. For the full year 2022, the budget for Obviam was CHF 9.1 million for the whole year, excluding VAT and accruals for variable compensation. The costs incurred under this budget over 8 months amounted to CHF 6.0 million.

For the period from 1 September to 31 December, the compensation of Obviam was determined by the Interim Portfolio Management Agreement. It was based on a fixed monthly fee agreed upon for the services to be provided. The compensation of Obviam under this agreement amounted to CHF 2.5 million (excl. VAT)

The total compensation of Obviam under the two agreements was CHF 8.6 million (excl. VAT).

As per the Management Agreement in force through 31 August 2022 and the subsequent Interim Portfolio Management Agreement, the Board may decide to allocate a variable compensation element to Obviam based on performance against pre-defined objectives.⁸ The Board fixed the annual, short-term component of the incentive scheme for 2022 at 5.6 per cent of the overall fixed salary cost over the eight-month period.⁹ As regards the long-term component of the incentive scheme covering the period 2021–24, which is tied to performance against the SIFEM strategic objectives, accruals were made in accordance with both agreements, and a long-term bonus will be paid out to Obviam in 2023, following an assessment by the Board of Directors of the level of contribution of Obviam to the achievement of the strategic objectives 2021–24 as of December 2022.

The total management costs of Obviam, including VAT, bonus payments and accruals for the financial year 2022 amounted to CHF 9.9 million (2021: CHF 9.7 million)

Compensation of Tameo

Under the terms of the Business Services Management Agreement dated August 2022, Tameo is compensated for the actual costs incurred, within a budget which is approved annually in advance by the Board of Directors. The business services management costs (incl. VAT and representation expenses) paid for the financial year 2022, from September to December 2022, amounted to CHF 255,936 (2021: CHF 0).

The compensation for the combined portfolio management and the business services management conducted in 2022 by Obviam and Tameo totalled in CHF 8.8 million excluding VAT, bonus payments and accruals, corresponding to 1.07 per cent of total active commitments (2021: 1.02 percent).

.....
⁸ The wording of Clauses 4.9 to 4.11 of the Management Agreement is as follows:

- 4.9 The Board will allocate a performance bonus (the "Performance Bonus") equal to an amount up to twenty (20) Percent of the annual fixed salary costs indicated in the annual budget prepared in accordance with Clause 4.7 of this Agreement for the year in question. The objectives to be attained by the Manager shall be specified yearly by the Board and agreed with the Manager in the framework of the yearly budget process.
- 4.10 One third of such Performance Bonus shall be disbursed annually to the 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.
- 4.11 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 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.

⁹ This corresponds to the achievement of 84% of the annual targets set by the SIFEM Board.

Administrative and management-related operating costs

SIFEM's administrative and management-related operating costs include the compensation of the Board, the compensation of Obviam and Tameo, and the expenses for administration, custodian, and other administrative expenses. In 2022, these costs amounted to CHF 11.7 million (2021: 11.0 million). This corresponds to 1.44 per cent of the total active positions of SIFEM, which is below the cap of 1.5 per cent defined by the Federal Council. The corresponding 2021 figure was 1.35 per cent. When other operative costs – not related to the management of SIFEM – are added¹⁰, SIFEM's total operative costs reached CHF 11.8 million in 2022, or 1.45% of total (2021: 11.4 million). The costs of the procurement process for the Business Services Management mandate and the legal costs associated with the appeal amount to CHF 209,876.

¹⁰ As can be seen from the presentation of SIFEM's financial statements, another item ("other operating result") is added to the operating costs. This specific item includes costs which are not administrative or management-related per se, but are linked to SIFEM's investment operations: they cover fees and interest costs charged to SIFEM when joining funds at subsequent closings. Since such fees are charged outside the commitment contribution, they are treated as other operating expenses in SIFEM's accounting system.

3. PERFORMANCE OF THE INVESTMENT PORTFOLIO¹¹

3.1 NEW INVESTMENTS

The global situation in many developing and emerging countries has remained fragile after the COVID-19 pandemic passed its peak. In addition, the ongoing military conflict in Ukraine has had far-reaching economic, social, and humanitarian consequences and led to a worldwide energy crisis and a significant increase in commodity prices. The impact of inflation has been felt acutely in poorer countries, exacerbating existing economic struggles.

In the face of such uncertainties, SIFEM continued to be an active counter-cyclical investor. In 2022, it closed seven new investments totalling USD 95 million. The new include four investments in private equity funds and three loans to financial institutions.

The private equity funds will undertake investments in India, Sub-Saharan Africa, Latin America and Ukraine/ Moldova and focus on different objectives such as the provision of affordable and sustainable housing, bridging the digital divide in Sub-Saharan-Africa through the deployment of digital infrastructure and digital services, supporting mid-sized innovative tech companies operating from Ukraine and Moldova, and last but not least supporting Agritech startups in India with promising impact for rural areas.

Loans were extended to a microfinance institution in Cambodia, with a first loss guarantee provided by the Swiss Agency for Cooperation and Development (SDC), the second of its kind after a first transaction in Nepal in 2021, in Peru to a credit union and in Vietnam to a regulated non-banking financial institution. This financing targets the development of decent work and supports economic growth through SMEs, with a particular focus on women empowerment and deployment of photovoltaic energy for some of them.

The new portfolio positions are as follows:

Amret (USD 15M)

Financial Institution, Cambodia, Direct loan



Amret is the second-largest microfinance institution and a leading financial institution in Cambodia. It leverages on a well-developed network of over 150 branches and over 4000 employees spread all over the country to address the needs of more than 300'000 active borrowers, mostly composed of micro and small entrepreneurs located in underserved rural areas. Amret is an existing partner of SIFEM, since 2017. SIFEM provides a USD 15 million subordinated debt facility earmarked for MSMEs (micro, small and medium enterprises) to create employment and income opportunities for young people, women, and other disadvantaged groups of the population. This investment benefits from a first loss guarantee from SDC on 30% of the nominal amount.

Ashmore Avenida LatAm Energy Efficient Affordable Housing Fund III (USD 15M)

PE Fund, Latin America, Equity investment



Ashmore AVENIDA is a Latin America real estate manager currently raising Ashmore Avenida LatAm Energy Efficient Affordable Housing Fund III with a USD 150m target. The Fund will build two types of greenfield real estate projects in Colombia and Peru, two SIFEM target countries. Most of the projects will focus on low-income residential units for sale, located in urban centers close to employment and educational hubs. In addition, it will develop quality complementary social infrastructure assets in the healthcare and education sectors in the same urban low-income neighbourhoods (only in Colombia). The Fund's strategy will have important economic, social, and ecological positive impacts. SIFEM has committed USD 15m alongside the European Investment Bank, which acts as the anchor investor.

¹¹ Note: All numbers related to the investment portfolio are declared in SIFEM's functional currency USD

Convergence Partners Digital Infrastructure Fund (USD 15M)

PE Fund, Sub-Saharan Africa, Equity investment



Convergence Partners Digital Infrastructure Fund (CPDIF) invests growth capital in the digital infrastructure and digital services sectors in Sub-Saharan Africa. CPDIF is the third fund managed by Convergence Partners. SIFEM committed USD 15m to CPDIF.

Meaningful participation in today's digital economy requires a high-speed broadband connection to the Internet. Digital infrastructure underpins better-functioning, more inclusive and more connected societies and is critical to delivering the UN SDGs. According to the World Bank, Sub-Saharan Africa is the least connected region in the world, with only 30% of the local population connected to the Internet in 2020.

The Fund invests in digital infrastructure and digital services with a vision of bridging the digital divide in Africa. Specifically, it aims to enhance the availability, quality, capacity, and affordability of networks with an objective of digital inclusion in Africa.

Cooperativa Pacifico (USD 10M)

Financial Institution, Peru, Direct loan



Cooperativa Pacifico is the largest and one of the longest existing credit unions in Peru and has a longstanding footprint in MSME (micro, small & medium enterprises) financing. It has been a partner of SIFEM since 2018. While the country was hit hard by the COVID-pandemic, Cooperativa Pacifico proved resilient and continued focusing on the most vulnerable clients. SIFEM provides a USD 10 million loan to the financial institution to support the economic development in a difficult moment when the aftermath of the pandemic, slow growth and growing inequality accumulate.

SIFEM's loan is earmarked for long-term financing to MSMEs. It enables the financial institution to grow its loan portfolio and increase its capacity to further contribute to the economic recovery and development of Peru, a SIFEM priority country. The institution has indicated its intention to expand its loan product offering for women and has been qualified for the 2X Challenge.¹²

EVN Finance (USD 10M)

Financial Institution, Vietnam, Direct loan



EVN Finance is a deposit-taking non-bank financial institution regulated by the State Bank of Vietnam and the second largest finance company in Vietnam. It is the only finance company authorised by the Central Bank to accept corporate deposits, thereby filling a niche in the market. Since recently, it offers tailor-made products catering to the needs of small-scale solar photovoltaic panel developers. SIFEM provides a senior loan of USD 10m to EVN Finance to promote job creation through SMEs and foster renewable energy production.

Vietnam is one of SIFEM's priority countries. SMEs in Vietnam are one of the main drivers for poverty alleviation, particularly in rural areas. However, their contribution to Vietnam's economy has been historically limited due to the dominance of large state-owned enterprises. SME development faces a substantial financing gap. The loan to EVN Finance is an opportunity for SIFEM to support access to credit for SMEs and to the post-COVID-recovery of the economy overall. With 50% of SIFEM's loan earmarked for SME lending, it will support the growth of EVN Finance's SME portfolio. The other 50% of the loan will be ringfenced to climate mitigation projects, mainly the financing of small-scale solar photovoltaic projects and C&I projects for which EVN Finance has created dedicated products. This transaction is SIFEM's first green loan.

¹² Launched at the 2018 G7 Summit, the 2X Challenge has significantly surpassed its original 2018-2020 target to mobilise USD 3bn in gender lens investments and raised more than USD 11 bn. At the G7 Summit 2021, a new collective 2021-22 target of USD 15bn was announced. A strategic process was engaged to shape the future of the 2X Challenge, envisioning more nuanced targets across different types of asset classes, sectors, regions and peer groups.

Horizon Capital Growth Fund IV (USD 15M)

PE Fund, Ukraine, Equity investment



Horizon Capital Growth Fund IV (HCGF IV) invests in fast-growing tech- and export-oriented medium-sized enterprises in Ukraine and Moldova. The tech sector plays a crucial role in job creation and security, knowledge transfer, and innovation for the region. Horizon Capital is a leading investor in the region and has previously raised four other funds. SIFEM committed USD 15m to HCGF IV.

The fund provides growth capital to export-oriented companies, particularly established, later-stage technology leaders and new economy champions. The focus is on fast growing, mid-sized companies offering IT services and innovative IT products and operating from Ukraine and Moldova.

The IT industry has experienced record revenue in 2022 and despite the conflict with Russia, the asset-lite industry has been swift to adapt and relocate. It is expected to remain a driver for job creation, especially for young people. The Fund and the Manager have already been approved by the 2X Committee as a 2X Flagship Fund. The woman-led Fund Manager is expected to continue to play a leading role in the promotion of women's economic empowerment.

Omnivore Agritech & Climate Sustainability Fund III (USD 15M)

PE Fund, India, Equity investment



Omnivore invests in start-ups developing breakthrough technologies for agriculture, food, and the rural economy (AgriTech) in India. It intends to increase smallholder profitability, enhance smallholder resilience, improve agricultural sustainability, and catalyze climate action. India's agrarian sector generates income for half of the country's population. However, the sector lags in development. Tech-based solutions help improve productivity and income along the value chain. The fund also aims at contributing to climate change mitigation and adaptation, India being one of the biggest emitters of GHG and exposed to climate change impacts. SIFEM committed USD 15 million.

The fund contributes to higher productivity and income for smallholder farmers, the majority of the Indian agrarian economy. Technology holds the potential to generate better transparency and build connectivity across the value chain, offering smallholder farmers the possibility to capture commensurate value for their products while also bringing about efficient resource utilization and affordable financing solutions. Furthermore, the fast-growing agritech sector attracts many entrepreneurs, scientists, and engineers that are driving the transformation of the sector and eliciting innovation into the whole value chain of agriculture and food production, creating many new jobs at the same time. Finally, the investments contribute to climate mitigation and resilience in agriculture and food systems by enabling climate-smart production, mitigating financial risk for smallholder farmers, and building efficient supply chains. The Manager, Omnivore Capital Management Advisors, is a long-term partner of SIFEM and several other European DFIs.

3.2 PORTFOLIO CONSTRUCTION

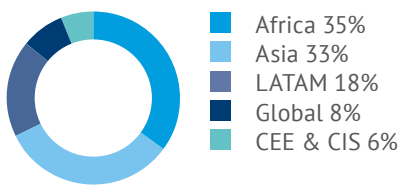
SIFEM's portfolio has developed over a period of two decades, with the first investments by SECO dating back to 1997.¹³ Since its inception, SIFEM has committed USD 1'288 million to 160 projects across Africa, Asia, Eastern Europe and Latin America.

During 2022, capital commitments remained relatively stable with regard to geographic allocation. While investment commitments to Latin America have increased compared to 2021, the relative share of Global projects and projects in CEE & CIS have decreased.

SIFEM PORTFOLIO BY GEOGRAPHY AND INSTRUMENT AS OF 31 DECEMBER 2022¹⁴

GEOGRAPHY

Figure 2



INSTRUMENT

Figure 3



The portfolio consists primarily of private equity funds investing in growth companies and SMEs (60 per cent), infrastructure (3 per cent) and current income funds (15 per cent). Investments in microfinance comprise 8 per cent and other financial intermediaries 14 per cent of the portfolio, which represents a slight increase compared to the previous year.

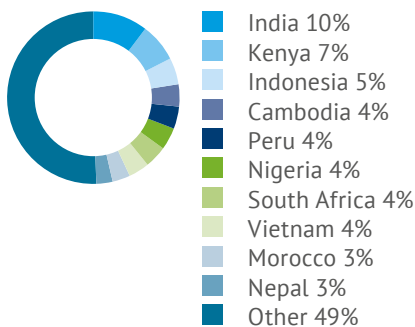
Across these different instruments, 36.1 per cent of the total portfolio consists of current income earning assets, while the remaining 63.9 per cent consists of equity and quasi-equity instruments.

As of 30 June 2022, SIFEM had invested directly and indirectly in over 550 companies in over 75 countries. The ten countries with the largest financial exposures account for 51 per cent of the total invested capital.

SIFEM UNDERLYING PORTFOLIO ALLOCATION AS OF 30 JUNE 2022

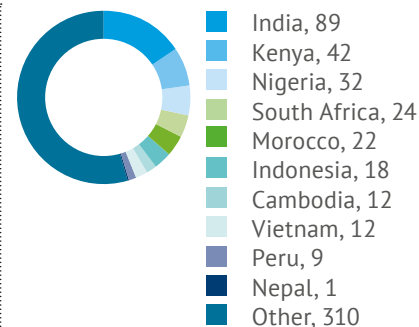
LARGEST COUNTRY EXPOSURES BY INVESTED CAPITAL

Figure 4



LARGEST COUNTRY EXPOSURES BY NUMBER OF COMPANIES

Figure 5

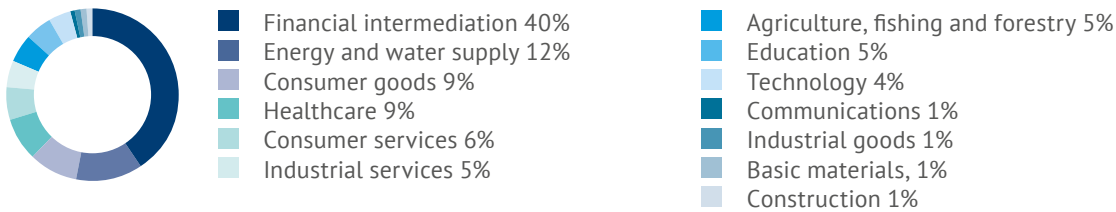


¹³ Investments made between 1997 and 2005 were transferred to SIFEM.

¹⁴ The CEE & CIS region includes Southern & Eastern European countries as well as the Ukraine.

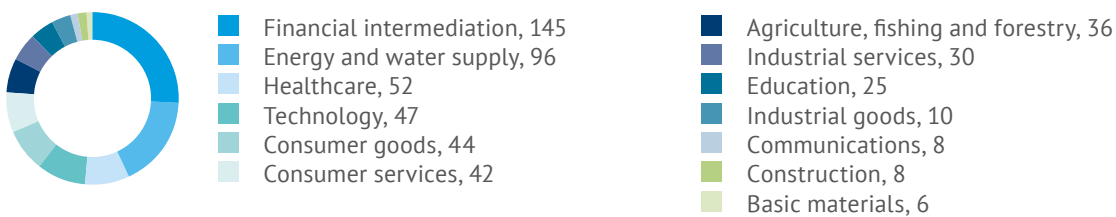
LARGEST INVESTED CAPITAL EXPOSURE PER SECTOR

Figure 6



LARGEST EXPOSURE PER SECTOR BY NUMBER OF COMPANIES

Figure 7



SIFEM had invested directly and indirectly in 145 entities in the financial sector as of 30 June 2022; approximately 80 of these companies are active in the microfinance sector.

3.3 VALUATION

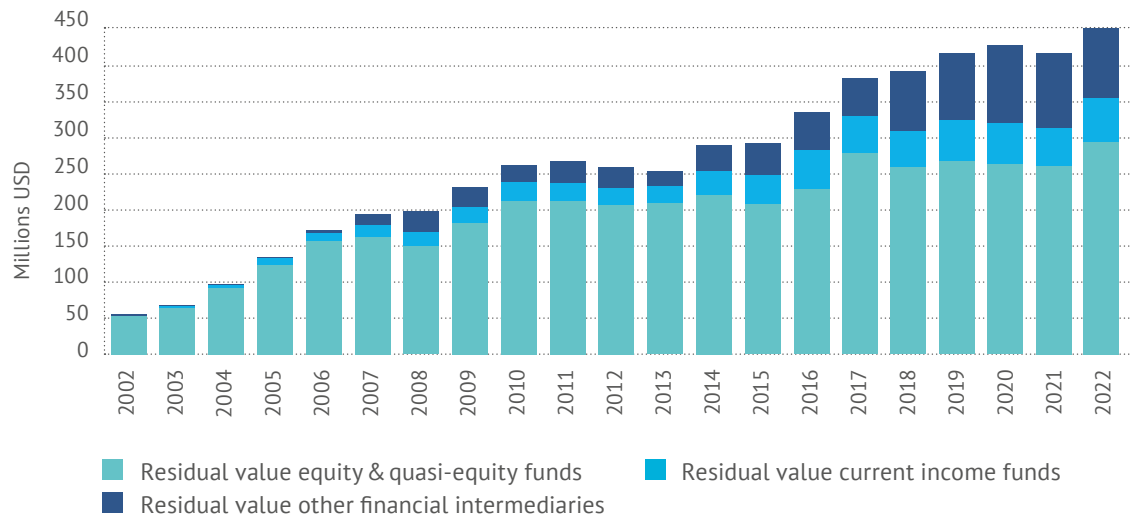
SIFEM's 2022 financial statements were independently audited by early March 2023, in accordance with the requirements of the shareholder, so that they could be consolidated in the Swiss Confederation's accounts. However, this timeline did not allow sufficient time to obtain and integrate the audited accounts of all portfolio companies. Hence, SIFEM has used the latest available valuations (as of September 2022) and rolled them forward to the year-end. This methodology was accepted by the auditors and any differences are not expected to be material.

3.4 EVOLUTION OF KEY PERFORMANCE INDICATORS

As of 31 December 2022, SIFEM's total active commitments amounted to USD 913.8 million (2021: USD 894.5 million). The residual value of SIFEM's investment portfolio amounted to USD 451.2 million, a net increase of USD 19.0 million or 4.4 per cent compared to 31 December 2021. Changes in the portfolio value are driven by (i) fluctuations in the value of the underlying investments, (ii) the inflows and outflows of cash generated by new investments, and (iii) realisations of investments.

FIGURE 8: SIFEM PORTFOLIO RESIDUAL VALUE SINCE INCEPTION¹⁵

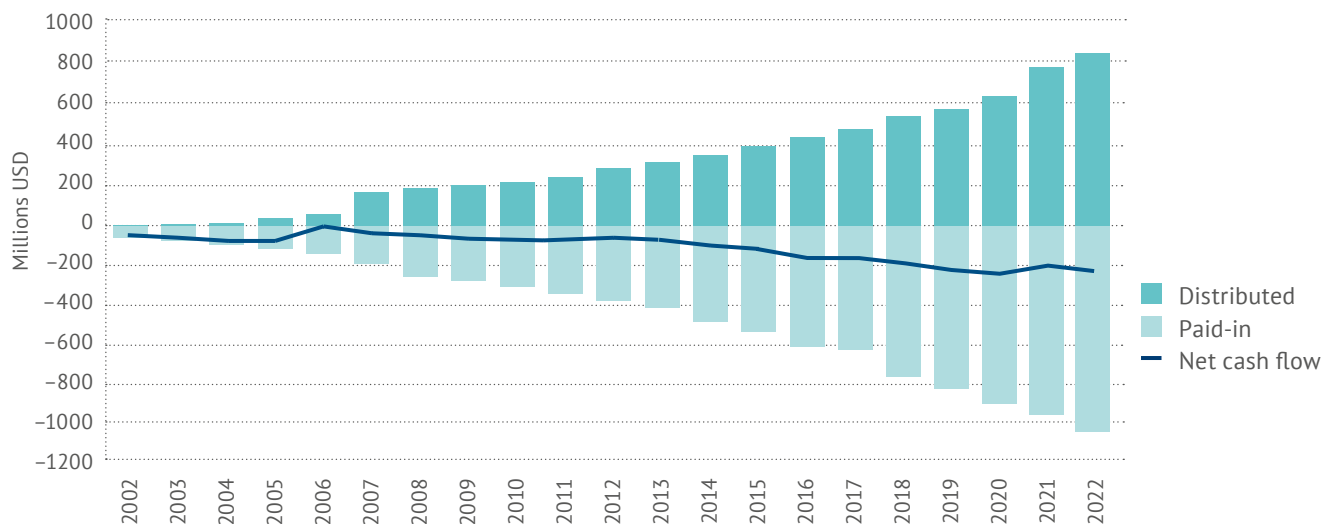
RESIDUAL VALUE



Since inception, USD 1,059.2 million has been paid into the SIFEM investment portfolio, and the portfolio has generated reflows totalling USD 835.3 million. During the same period, the cumulative net cash outflow amounts to USD 223.8 million, which can be explained by a combination of an expanding portfolio, the long-term nature of patient capital investments, and the continued slow exit environment in emerging markets.

FIGURE 9: SIFEM CUMULATIVE CASH FLOWS

CUMULATIVE CASH FLOWS IN USDm

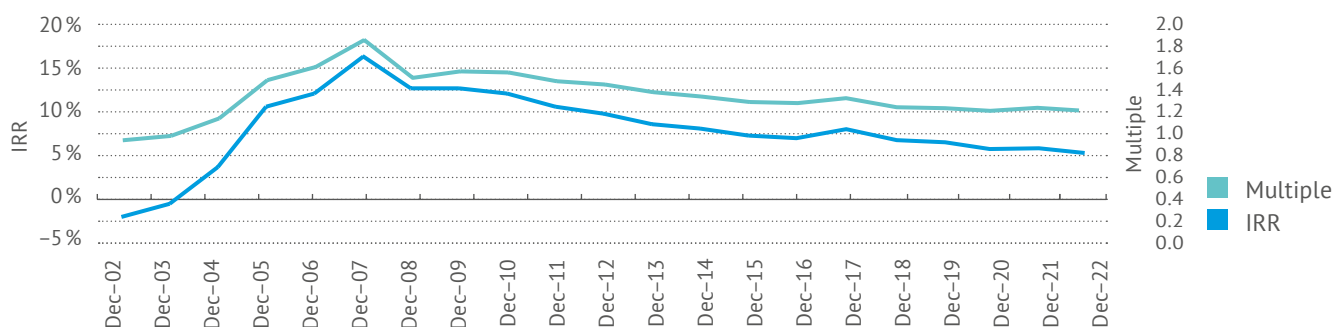


¹⁴ Historical performance values are reported as of the period end date and do not represent a year-over-year view due to the valuation policy.

As of 31 December 2022, the Internal Rate of Return (IRR) of the SIFEM portfolio was 5.31 per cent. The IRR is a measure to show the historical profitability of assets. On the one hand, it refers to the current fair value of the portfolio and, on the other hand, it includes all historical cash flows in its calculation. In a growing portfolio, i.e. where new investments tend to exceed divestments, the so-called “J-curve-effect” plays an important role: typically, the upfront costs incurred with new investments added to the portfolio will only be offset by the growth valuation of these investments after several years. The decrease observed in 2022 compared to 2021, can be largely explained by the slowdown of the global economic environment following the pandemic and the crisis in Ukraine, which impacted the value of the investment portfolio in 2022.

FIGURE 10: SIFEM TOTAL PORTFOLIO IRR & MULTIPLE SINCE INCEPTION

TOTAL PORTFOLIO IRR & MULTIPLE



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 operate in local currency environments that affect their performance, since the funds themselves are mostly denominated in USD and to a certain degree in Euro or South African Rand and second, the non-USD fund denomination currencies – namely Euro and Rand– affect the portfolio performance once they are converted into USD, SIFEM’s operational currency. Exchange rate effects of these fund investments are not reported separately in SIFEM’s financial statements, since they incur directly at the level of the investee funds’ valuations.

In order to reduce this impact, the SIFEM Board decided to optimise currency management by (i) reducing cash holdings in the main fund denomination currencies other than USD (i.e. Euro and Rand), and (ii) hedging SIFEM’s Euro exposure 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).

4. RISK MANAGEMENT

As per December 2022, the breakdown of the SIFEM portfolio in terms of investments per risk category is as follows:

FIGURE 11: NUMBER OF SIFEM INVESTMENTS PER RISK CATEGORY AS OF DECEMBER 2022

Projects per risk category	2022		2021	
	Number	Percentage	Number	Percentage
Very low risk	20	20 %	21	21 %
Low risk	13	13 %	11	11 %
Moderate risk	28	28 %	29	28 %
High risk	14	14 %	17	17 %
Very high risk	24	24 %	24	24 %

Note: The percentages in the table have been rounded and therefore may not add up to 100 per cent.

The largest concentration of investments remains in the moderate-risk category. These are mainly investments that perform according to expectations or are too recent to exhibit a significant deviation from their initial risk score (which is typically “moderate risk”).

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, as an inherent result of SIFEM’s development mandate. Investments in the low risk or very low risk categories are primarily projects that exceed their expected performance.

Over the past year, the proportion of the high-risk, moderate-risk and very low-risk projects has slightly decreased. The number of projects with very high risk has remained stable, while the concentration of low-risk projects increased.

A more comprehensive review of SIFEM’s Portfolio Risk can be found in Annex 2 of this report.

5. FINANCIAL RESULTS

5.1 SIFEM RESULT FOR 2022

While markets and asset values recovered quickly from the pandemic in 2021, the world economic outlook deteriorated in 2022, driven by restrictive COVID-19 policies in China and the crisis in Ukraine, which affected emerging markets in particular. In addition, interest rates have risen substantially. This slowdown has also been reflected in the value of the SIFEM portfolio and the financial result as per end of 2022. The fair market value of the outstanding portfolio decreased by CHF 21.3 million. Income from interest and gains from realized investment exits were not enough to compensate for these losses. Overall, SIFEM booked a net loss from investment activities of CHF 1.3 million (see figure 12 below), or a return on outstanding investments of –0.3 per cent for the year 2022. This compares to a profit from investment activities of CHF 51.7 million in the previous year which was particularly positive due to a significant realized capital gain on the exit of a long-held investment in China.

While interest income from SIFEM's debt investments remained approximately at the level of the previous year, the total interest income increased significantly, as a result of lifting the negative interest on cash reserves, from CHF 7.8 million in 2021 to CHF 12.5 million in 2022.

Income from realised equity investments is lower compared to the previous year (down from CHF 27.9 million in 2021 to CHF 11.0 million) due to the considerably more difficult exit environment for private equity investments in SIFEM's target countries.

Total operating costs and other operating expenses¹⁶ amounted to CHF 11.8 million versus CHF 11.4 million in the previous year. This results in a net operating loss of CHF 13.1 million, compared to a net operating profit of CHF 40.3 million in 2021, all translated from SIFEM's functional currency USD to CHF.

The financial income and expenses remain an insignificant part of SIFEM's results since the company has no corporate debt to serve and is not exposed to currency effects on its balance sheet (outside its investment portfolio). Hence, the gain of the year is only marginally different from the operating loss of CHF 13.1 million, once translated from USD to CHF.

When factoring in these translation effects from SIFEM's functional currency USD to the presentation currency CHF (CHF 9.7 million), the total comprehensive loss in 2022 amounts to CHF 3.4 million. It should be noted, however, that this is a pure translation effect, which reflects neither the actual operational nor the actual financial performance of SIFEM.

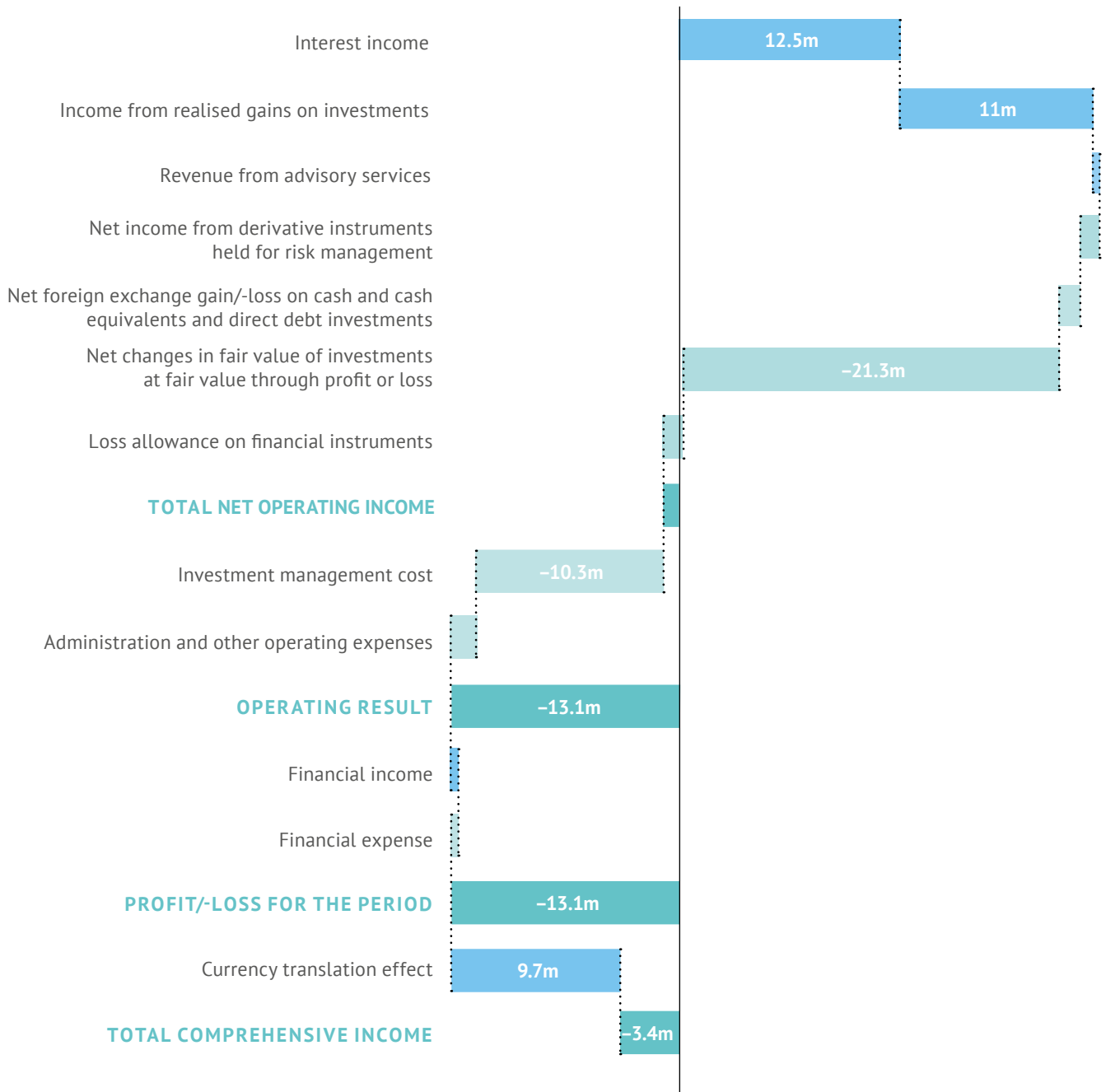
SIFEM still holds substantial amounts of cash for covering its uncalled commitments of CHF 224.1 million. These unfunded commitments do not exceed cash holdings of CHF 268.5 million, however. Hence, SIFEM is not over-committed at year-end (currently, the allowed maximum over-commitment ratio is at 6 per cent.)

5.2 NOTES ON SIFEM RESULTS UNDER IFRS ACCOUNTING

Since more than 85 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 its performance measurement. All CHF figures provided in this report and in the accounts are translated from the underlying US Dollar accounts.

¹⁶ Predominantly composed of fees and interest costs linked to investments (subsequent closings) and stamp duties.

FIGURE 12: BREAKDOWN OF TOTAL COMPREHENSIVE PROFIT AND LOSS 2022



IFRS specifies the use of fair-market valuation of the investment portfolio. Thereby, IFRS mirrors the movements in the unrealised value of SIFEM's portfolio investments more transparently than the reporting under the Swiss Code of Obligations (SCO), and the operating result reflects well the performance of SIFEM's investment activities.

No significant changes in accounting standards occurred since the last reporting period.

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. Indeed, as a public company operating under Swiss private law, SIFEM is required to report under SCO accounting standards. Under SCO accounting rules, SIFEM recorded a net loss before translation of CHF 14.6 million in 2022.

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. Since the appreciation of investments is recognised only at the time of realisation, a temporary understatement of the performance of SIFEM's investment assets typically is reflected in the SCO statements.

5.4 FINAL REMARKS

While economies around the world absorbed some of the consequences of the COVID-19 pandemic, they continue to face much macroeconomic and geopolitical uncertainties. In particular, the conflict in Ukraine, which resulted in an increase in commodity and energy prices, as Russia and Ukraine are major exporters of energy and agricultural commodities, may cause important further setbacks to SIFEM's target markets. As a result, the environment is expected to remain challenging to exit private equities. Moreover, it is expected that the downward correction in valuations may continue and thus negatively impact SIFEM's portfolio valuations in 2023, as many of these valuations are based on market comparisons.

FINANCIAL REPORT

2022

IFRS

FINANCIAL STATEMENTS

AUDITOR'S REPORT

To the Board of Directors of SIFEM AG, Bern

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SIFEM AG (the Company) - which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Audits of Financial Statements (SA-CH). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Swiss law, the requirements of the Swiss audit profession as well as the International Code of Ethics for Professional Accountants (*including International Independence Standards*) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the Financial Statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Standards on Audits of Financial Statements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits>. This description forms part of our auditor's report.

Zurich, March 3, 2023

BDO Ltd



Cataldo Castagna
Licensed Audit Expert
Auditor in Charge



Stefano Fiorentino
Licensed Audit Expert

STATEMENT OF FINANCIAL POSITION

NOTE 31.12.2022 31.12.2021

in '000 CHF

ASSETS

Cash and cash equivalents	6	268,498	272,939
Derivative financial assets held for risk management	7	5,533	12,405
Other receivables, prepayments and accrued income	8	3,515	4,484
Total current assets		277,546	289,828
Equity instruments	9	307,236	289,430
Debt instruments	9	110,202	104,391
Derivative financial assets held for risk management	7	18,085	16,532
Total non-current assets		435,523	410,353
Total assets		713,069	700,181

LIABILITIES AND EQUITY

Derivative financial liabilities held for risk management	7	6,314	12,672
Other liabilities and accrued expenses		2,847	1,324
Total current liabilities		9,161	13,996
Derivative financial liabilities held for risk management	7	15,578	14,251
Total non-current liabilities		15,578	14,251
Total liabilities		24,739	28,247
Share capital		674,444	654,444
Capital reserve (additionally paid in capital)		84,701	84,701
Legal reserve		1,096	1,096
Translation reserve	3	-20,230	-29,942
Retained earnings / accumulated losses		-51,681	-38,365
Total equity	10	688,330	671,934
Total liabilities and equity		713,069	700,181

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2022	2021
in '000 CHF			
Interest income	11	12,457	7,774
Dividend income		0	162
Income from realised gains on investments	19	10,982	27,858
Revenue from advisory services		13	12
Net income from derivative financial instruments held for risk management	14	-1,017	2,342
Net foreign exchange gain/-loss on cash and cash equivalents and direct debt investments	15	-1,070	-664
Net changes in fair value of investments at fair value through profit or loss	16	-21,276	13,695
Loss allowance on financial instruments	18	-1,427	539
Total net operating income/-loss		-1,338	51,718
Management costs	12, 20	-10,264	-9,720
Administration and custodian fees	13	-421	-380
Personnel expenses		-424	-420
Administration expenses		-497	-403
Advertising expenses		-93	-88
Other operating result		-81	-434
Operating result		-13,118	40,273
Financial income	17	3	1
Financial expense	17	-1	-1
Profit/-loss for the period		-13,116	40,273
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Currency translation effect from translation to presentation currency	3	9,712	17,878
Total comprehensive income for the period		-3,404	58,151

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	LEGAL RESERVES	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
in '000 CHF						
Balance at 31 December 2020	624,444	84,701	1,096	-47,820	-78,338	584,083
Total comprehensive income for the period						
Profit for the year					40,273	40,273
Currency translation effect from translation to presentation currency				17,878		17,878
Total comprehensive income for the period	0	0	0	17,878	40,273	58,151
Transactions with owners of the Company, recognised directly in equity						
Issue of ordinary shares	30,000					30,000
Transaction costs in connection with transactions with owners of the Company					-300	-300
Other capital contributions						
Total transactions with owners of the Company	30,000	0	0	0	-300	29,700
Balance at 31 December 2021	654,444	84,701	1,096	-29,942	-38,365	671,934
Total comprehensive income for the period						
Loss for the year					-13,116	-13,116
Currency translation effect from translation to presentation currency				9,712		9,712
Total comprehensive income for the period	0	0	0	9,712	-13,116	-3,404
Transactions with owners of the Company, recognised directly in equity						
Issue of ordinary shares	20,000					20,000
Transaction costs in connection with transactions with owners of the Company					-200	-200
Other capital contributions						
Total transactions with owners of the Company	20,000	0	0	0	-200	19,800
Balance at 31 December 2022	674,444	84,701	1,096	-20,230	-51,681	688,330

STATEMENT OF CASH FLOWS

	NOTE	2022	2021
in '000 CHF			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/-loss for the period		-13,116	40,273
Adjustments for:			
Interest income	11	-12,457	-7,774
Dividend			-162
Income from realised gains on investments		-10,982	-27,858
Net foreign exchange gain/-loss		1,068	664
Net income from derivative financial instruments held for risk management		684	426
Changes in fair value of investments at fair value through profit or loss		22,703	-14,234
Changes in:			
Derivative financial instruments held for risk management		333	-2,768
Other receivables, prepayments and accrued income		1,080	3,764
Other liabilities and accrued expenses		1,562	-1,459
Purchase of investments		-85,934	-70,617
Proceeds from sale of investments		44,159	72,566
Interest received		10,419	4,700
Dividend / other investment income received			162
Income from realised gains on Investments received		10,982	27,858
Proceeds from sale of derivative financial instruments		1,354	1,142
Net cash flow from operating activities		-28,145	26,683
Net cash flow from investing activities		0	0
Proceeds from issue of share capital		19,800	29,700
Net cash from financing activities		19,800	29,700
Net increase /-decrease in cash and cash equivalents		-8,345	56,383
Cash and cash equivalents at 1 January	6	272,939	209,921
Effect of movements in exchange rates on cash and cash equivalents		3,904	6,635
Cash and cash equivalents at 31 December	6	268,498	272,939

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 at c/o Schwarz + Neuenschwander Notariat und Steuerpraxis, Neuengasse 25, 3011 Bern. The Company’s shares are fully owned by the Swiss Government.

SIFEM is the Development Finance Institution (DFI) of Switzerland. It provides financing to small- and medium-sized enterprises (SMEs), primarily through private equity or mezzanine funds, but also direct debt investments in financial intermediaries and loans to pooled investment vehicles, with the objective of generating development impact in line with best practise environmental, social and governance principles.

The investment activities of the Company are delegated to Obviam AG (“Obviam” or the “Portfolio Manager”), a specialised emerging market investment management company incorporated in Switzerland, acting as Portfolio Manager. The daily business administration of the Company, previously conducted by Obviam, has been outsourced by SIFEM on 1 September 2022 to Tameo Impact Fund Solutions SA (“Tameo” or the “Business Services Manager”), a company incorporated in Switzerland.

2 BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared for the year ended 31 December 2022 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).

These financial statements were authorised for issue by the Board of Directors on 3rd of March 2023.

Basis of measurement

These financial statements have been prepared on the basis of historical cost except for financial instruments (equity- and debt instruments as well as derivative financial assets and liabilities held for risk management), which are measured at fair value.

Functional and presentation currency

These financial statements are presented in Swiss Francs (CHF). The functional currency of the Company is US Dollar (USD). All amounts presented in Swiss Francs were rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES

SIFEM has consistently applied the accounting policies as set out below in periods presented in these financial statements.

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 are translated into USD at the exchange rate at the reporting 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 when 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 changes in fair value of investments 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 year 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 respective reporting period. The exchange differences on translating balance sheets and income statements are recognized as a separate line item in the Statement of profit or loss. 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:

	2022		2021	
	Balance sheet rate	Average rate	Balance sheet rate	Average rate
USD/CHF	1.080847	1.039113	1.097514	1.086575
USD/EUR	1.067250		1.137200	
USD/ZAR	0.058772		0.062657	
USD/CNY	0.143850	0.1503808	0.156903	0.154612
CHF/USD	0.925200	0.962359	0.911150	0.920323

Cash and cash equivalents

Cash and cash equivalents comprise non-restricted cash deposits with maturities of three months or less from the acquisition date. Cash and cash equivalents are subject to an insignificant risk of changes in the fair value and are used to cover the Company's short-term commitments.

Derivative financial instruments held for risk management

Derivative financial instruments held for risk management comprise foreign exchange forward contracts and 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 are measured at fair value, with changes in fair value generally recognised in profit or loss.

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

Financial instruments

On initial recognition, a financial asset is classified as measured at either "fair value through profit or loss" (FVTPL), "fair value through other comprehensive income" (FVOCI) or at "amortised cost".

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

The Portfolio Manager 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 FVTPL are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition. The Company meets 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 FVTPL 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.

a) Debt instruments

This position includes loans and debt notes granted to funds and other pooled investment vehicles, banks and other financial intermediaries. Debt instruments are managed within "hold to collect" business model and their contractual cash flows are SPPI. Therefore, the debt instruments are accounted for at amortised cost. For some debt instruments the fair-value-option is exercised and these investments are accounted for at FVTPL. Necessary expected credit loss allowances are accounted for as such through profit or loss.

b) 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 SMEs. These investments refer to indirect exposures to final beneficiaries through such funds, pooled investment vehicles or any other structured financial instruments and are not SPPI. Therefore, they are accounted for as at FVTPL.

c) Subsequent measurement – financial assets 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, adjusted for any expected credit loss allowance.

d) Subsequent measurement – financial assets at FVTPL

Subsequent to initial measurement, all financial assets at FVTPL 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 changes 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 unless there are restrictions.

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 in accordance with International Private Equity Valuation (IPEV) Guidelines. 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 par-

ticipants 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. Refer also to note 9.

e) Fair value hierarchy

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).

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.

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 reliably estimated, 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.

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 realised and unrealised changes of derivative instruments related to foreign exchange differences.

Interest income, dividend income and income from realised 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 debt instruments.

Income from realised gains on investments is the cumulative income resulting mainly from exits in funds at a price higher than the paid in price. Realised 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.

Fees and commission expense

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

Income tax

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 is subject to withholding tax imposed in certain countries of origin. Such income is recognised net of taxes through profit and loss.

New and revised standards and interpretations not adopted

The following new, revised and amended standards and interpretations have been issued before the date of approval of the 2022 financial statements, but are not yet effective or applied in these financial statements. 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 17 Insurance contracts including Amendments to IFRS 17	*	1 January 2023	2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	*	1 January 2023	2023
Definition of Accounting Estimates (Amendments to IAS 8)	*	1 January 2023	2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	*	1 January 2023	2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	*	1 January 2024	2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	*	1 January 2024	2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	*	1 January 2024	2024

* No, or no significant, impact is expected on the financial statements of SIFEM

4 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:

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 9.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which SIFEM operates. When indicators or the primary economic environments 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 SIFEM's 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.

5 RISK MANAGEMENT

Risk management framework

SIFEM risk management framework relies on a comprehensive manual of procedures which describes how the business is conducted, and, in particular, how operational and investment risks are identified, mitigated, monitored and managed. The Board of Directors is responsible for the development, monitoring and enhancement of the entire framework, whereas the Portfolio Manager is in charge of the continuous implementation thereof. The Board of Directors is supported by the Business Services Manager in its supervisory function.

Investment risk management

SIFEM is exposed to various financial risks resulting from the investment activities in emerging countries. Its investment risk management is based on three pillars:

- Portfolio Risk Management
- Environmental, Social and Governance (ESG) Risk Management
- Treasury Risk Management

In addition, SIFEM receives investment management support through financial expertise.

The Portfolio Manager, responsible for the identification, evaluation and selection of investment opportunities, as well as for the monitoring of SIFEM's portfolio asset positions, follows the pre-defined procedures relevant for the investment risk management at each stage of the investment process. The framework also contains an internal risk rating tool which is applied at least once a year to revalue each of the portfolio's investment instruments.

Financial risk management

SIFEM has exposure to the following risks from financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk,
- Operational risk and
- Counterparty risk.

a) Credit risk

All assets of SIFEM entail the risk that a counterparty becomes insolvent (credit risk). This would result in a financial loss for SIFEM. Principally, the credit risk arises from debt securities held, other receivables as well as cash and cash equivalents.

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

	Mandatorily measured at FVTPL	Optionally measured at FVTPL	Amortised cost	Total carrying amount
in '000 CHF				
31 December 2022				
Cash and cash equivalents			268,498	268,498
Derivative financial assets held for risk management	5,533	18,085		23,618
Other receivables, prepayments and accrued income			3,465	3,465
Debt investments				110,202
– Banks and other financial intermediaries		11,495	73,286	
– Funds and other pooled investment vehicles		11,311	14,110	
Equity investments				307,236
– Banks and other financial intermediaries	12,418			
– Funds and other pooled investment vehicles	294,818			
Total	312,769	40,891	359,359	713,019
Derivative financial liabilities held for risk management	-21,892			-21,892
Other liabilities and accrued expenses			-2,831	-2,831
Total	-21,892	0	-2,831	-24,723

31 December 2021

Cash and cash equivalents			272,939	272,939
Derivative financial assets held for risk management	12,405	16,532		28,937
Other receivables, prepayments and accrued income			4,382	4,382
Debt investments				104,391
– Banks and other financial intermediaries		12,515	69,409	
– Funds and other pooled investment vehicles		11,267	11,200	
Equity investments				289,430
– Banks and other financial intermediaries	8,169			
– Funds and other pooled investment vehicles	281,261			
Total	301,835	40,314	357,930	700,079
Derivative financial liabilities held for risk management	-26,923			-26,923
Other liabilities and accrued expenses			-1,307	-1,307
Total	-26,923	0	-1,307	-28,230

The tables above only include financial instruments. Other receivables, prepayments and accrued income do therefore not include tax receivables and prepaid costs TCHF 50 (2021: TCHF 102). The position other liabilities and accrued expenses do not include tax payables and advances received TCHF 16 (2021: TCHF 17).

Management of credit risk

The approach to credit risk management is determined by its annual updated risk rating tool for financial institutions, as well as through the procedure to constitute the expected credit loss allowances for financial instruments carried at amortised cost in accordance to IFRS 9. The Portfolio Manager monitors on a quarterly basis the ability and willingness of an issuer to fulfil its financial obligations in full and on a timely basis. A significant shift in the credit risk will be reported to the Board of Directors. A yearly risk report is issued to the shareholder.

In case of a major event, the risk rating will be adjusted to reflect the current inherent risk of the given investment.

Significant increase in credit risk

In the model, all financial assets in SIFEM's portfolio in scope with the new impairment model are classified as "performing" (stage 1) at initial recognition. If circumstances change and risk increases, an asset eventually moves from stage 1 to stage 2 which indicates "significantly increased risk since initial recognition" (stage 2).

SIFEM's approach for defining the boundaries between stage 1 and 2 is based on four factors (one of them forward-looking) which are considered to be causes for a significant increase in credit risk since initial recognition associated with a financial asset:

- i. Arrears in interest or principle payments larger than 30 days
- ii. Non-material covenant breaches (whereby the materiality is assessed by the Audit Committee)
- iii. Reclassification of the financial instrument's internal risk score to the higher risk categories 1 ("very high risk") or 2 ("high risk") in the Portfolio Manager's proprietary risk scoring system
- iv. Qualitative aspects as assessed by the Audit Committee such as specific knowledge provided by the Portfolio Manager or as acquired by external parties about internal issues at a borrower or progress on plans to solve such issues (e.g. knowledge from co-investing peers of SIFEM or other trustworthy sources about materiality and timing of scheduled capital increases, awareness about lenders' group arrangement for avoiding cross-default, or other factors that support an expert's judgement on the riskiness of a financial asset).

An asset moves from stage 2 back to stage 1 if the reason for its move from stage 1 to 2 ceases to apply.

SIFEM includes a forward-looking element into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of Expected Credit Loss (ECL). The proprietary risk scoring model uses a set of input variables which serves as a proxy for early indication of increased risk such as increased financial and operating risks of the borrower, but also macroeconomic and market infrastructure risks in the country or region concerned. A deterioration in an investee's risk score is likely to signal an increase in the credit risk for that same borrower, hence a decrease in the risk score can be read as an early indication for an increased risk.

For the measurement of an investments total risk score, forward-looking macro-economic indicators, namely the long-term economic risk and long-term political risk, are considered among other factors, whereby the forward-looking indicators are substantially over-weighted in the calculation of an investments total risk score.

Credit impaired financial assets

The threshold at which a financial asset becomes "credit impaired" (i.e. is moved from stage 2 to stage 3) is triggered if any of the following causes is recognized for a financial asset:

- i. Arrears in interest or principle payments larger than 90 days
- ii. Material covenant breaches
- iii. Distressed restructuring with material NPV loss
- iv. Principal or interest write-off realised or imminent
- v. Bankruptcy filed for, or imminent for the borrower
- vi. Qualitative aspects as assessed by the Audit Committee such as specific knowledge about internal issues at a borrower or progress on plans to solve such issues

If one or more of the six factors is triggered, an asset may be considered as defaulted. In this case, the Audit Committee of SIFEM would either decide to move the financial asset under concern to Stage 3 unless there are good reasons that justify the rebuttal of this presumption in accordance with IFRS 9.

An asset is moved back from Stage 3 to Stage 2 if none of the six factors as defined above continues to indicate potential default.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. For financial assets in stage 2 and 3, SIFEM calculates a “Lifetime Expected Credit Loss”, which is based on the PD over the remaining lifetime of each individual financial asset and then discounted at the appropriate discount rate, which is the asset’s original effective interest rate.

Inputs, assumptions and estimation techniques

Since data on Probabilities of Default are difficult to obtain for certain regions of SIFEM’s operations, input information for PDs must be estimated in many cases. For this, the latest available data from Standard & Poor’s (S&P) Annual Global Corporate Default Study is being used as a basis. If a rating for a particular borrower is not available, an alternative rating source such as Moody’s or Fitch are used and then translated in the nearest corresponding S&P rating. In case no rating of a major international rating agency is available for a particular borrower, a rating is estimated by using data from the borrower’s closest peers.

Once a rating has been attributed to a borrower, the corresponding PD will be derived from the latest available S&P Corporate Default Study.

Since there is no indicator for SIFEM that forward-looking Probabilities of Default are significantly different to historic PDs and therefore the ratings from agencies are considered to be reasonable basis to imply PDs for the portfolio of SIFEM. The PDs will be adjusted by an expert judgement however, if activities and forward-looking information according to the stage assessment above will indicate a higher or lower PD.

For financial assets in Stage 1, a 12-months PD is estimated using the above database. The same procedure applies to financial assets in stage 2. However, the PD in those cases is an estimate for the remaining lifetime of the financial asset. Finally, the PD for financial assets in Stage 3 is assumed to be 100%.

Similar to the procedure for estimating the Probabilities of Default, the Loss Given Default is derived from historic data, whereby in this case most appropriate data-points from the latest available information as provided by Moody’s Recovery Database is used.

SIFEM’s maximum credit exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets and amounts to TCHF 405,833 as of 31 December 2022 (31 December 2021: TCHF 410,751).

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when SIFEM determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Financial assets that are written off could still be subject to enforcement activities in order to comply with SIFEM’s procedures for recovery of amounts due.

Credit quality analysis

i Cash and cash equivalents

Cash Holdings at Credit Suisse and the Swiss National Bank have S&P (long-term) ratings of A and AAA, respectively, and hence are considered to be stage 1 assets with no material ECL.

ii Debt instruments – loss allowance

	Stage 1	Stage 2	Stage 3	2022 Total	2021 Total
in '000 CHF					
Balance at 1 January	73,972	0	7,447	81,419	79,551
Transfer to Stage 1					
Transfer to Stage 2					
Transfer to Stage 3					
Net remeasurement of loss allowance	63	0	-1,435	-1,372	534
New financial assets recognised (acquired)	28,681	0	0	28,681	16,970
Financial assets derecognised	-19,311	0	-2,454	-21,765	-18,895
Write-offs					
Effects of movements in exchange rates	393	0	40	433	3,259
Balance at 31 December	83,798	0	3,598	87,396	81,419

iii. Other Receivables – loss allowance

Other Receivables are considered to be stage 1 assets with no material ECL.

iv. Significant changes in gross carrying amounts

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

IMPACT INCREASE / DECREASE	Stage 1	Stage 2	Stage 3	2022 Total	2021 Total
in '000 CHF					
Cash and cash equivalents					0
Debt Instruments	9,370	0	-2,454	6,916	-1,925
Other receivables					0
Increase / (-) decrease in loss allowance	39	0	770	809	-179

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 provided a collateral in the form of cash in respect of derivative transactions.

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

i. Financial assets	Related amounts not offset in the statement of financial position					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Collateral pledged used for netting	Net amount

in '000 CHF

31 December 2022

Derivative financial assets held for risk management (current)	5,533	0	5,533	5,533	4,635	4,635
Derivative financial assets held for risk management (non-current)	18,085	0	18,085	18,085	-1,813	-1,813
Total	23,618	0	23,618	23,618	2,822	2,822

31 December 2021

Derivative financial assets held for risk management (current)	12,405	0	12,405	12,405	4,565	4,565
Derivative financial assets held for risk management (non-current)	16,532	0	16,532	16,532	-2,278	-2,278
Total	28,937	0	28,937	28,937	2,287	2,287

ii. 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 instruments (including non-cash collateral)	Collateral pledged used for netting	Net amount

in '000 CHF

31 December 2022

Derivative financial liabilities held for risk management (current)	-6,314	0	-6,314	-5,533	0	-781
Derivative financial liabilities held for risk management (non-current)	-15,578	0	-15,578	-18,085	0	2,507
Total	-21,892	0	-21,892	-23,618	0	1,726

31 December 2021

Derivative financial liabilities held for risk management (current)	-12,672	0	-12,672	-12,405	0	-267
Derivative financial liabilities held for risk management (non-current)	-14,251	0	-14,251	-16,532	0	2,281
Total	-26,923	0	-26,923	-28,937	0	2,014

Concentration of credit risk

The Portfolio Manager 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 2022.

DEBT INSTRUMENTS	2022	2021
in '000 CHF		
CARRYING AMOUNT		
Concentration by sector		
Banks and other financial intermediaries	84,782	81,924
Mezzanine funds	3,144	3,552
Debt funds	22,276	18,915
Total	110,202	104,391
Concentration by location		
Latin America	19,527	28,379
Asia	49,532	38,851
Central Eastern Europe (CEE) / Commonwealth of Independent States (CIS)	20,675	17,618
Africa	3,674	6,025
Global / supranational	16,794	13,518
Total	110,202	104,391

b) Liquidity risk

Liquidity risk is the risk that SIFEM will fail to meet its financial obligations. The most important factors for determining the necessary liquidity are the expected settlement dates for the investment commitments of SIFEM, as well as the maturity dates of the loans in compliance with the loan conditions and the expected due dates for further contractual obligations.

Management of liquidity risk

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

The funds in which SIFEM invests do not typically call the total amount of committed capital in once and in particular not all funds are likely to call the maximum of committed capital at the same time. The business plan for new investments is based on the capital contributions 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. To maintain enough uncommitted capital in form of cash and cash equivalents, to meet the business plan targets, is a key aspect of the Cash Management policy.

The investment policy of SIFEM allows over-commitments only with a formal approval of the Board of Directors. The Board of Directors approved an over-commitment ratio of up to 6% of total active commitments. As of 31 December 2022, SIFEM reached an over-commitment ratio of -5.24% (31 December 2021: -4.60%).

The Cash Management result is reviewed by the SIFEM Audit Committee on a regular basis.

Maturity analysis for financial liabilities

	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 year	1 to 5 years	later
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in '000 CHF

31 December 2022

Derivative financial liabilities held for risk management	21,892	-21,892	6,314	15,578	0
Other liabilities and accrued expenses	2,831	-2,831	2,831	0	0
Total	24,723	-24,723	9,145	15,578	0

31 December 2021

Derivative financial liabilities held for risk management	26,923	-26,923	12,672	14,251	0
Other liabilities and accrued expenses	1,307	-1,307	-1,307	0	0
Total	28,230	-28,230	11,365	14,251	0

This table outlines 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.

c) 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 market risk management strategy is being driven by the investment objectives of promoting sustainable growth in the private sector of developing and emerging countries.

In order to manage the market risk the Portfolio Manager 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.

All investment positions are monitored quarterly by the Portfolio Manager, based on the financial reporting provided by the underlying investments. As part of the market risk management approach a yearly risk assessment is performed using the risk rating tool. In case of a major event, the risk rating will be adjusted to reflect the current inherent risk of the given investment.

A performance report is sent to the Board of Directors on a quarterly basis and a yearly risk report is issued to the shareholders.

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.

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

	31.12.2022	31.12.2021
in '000 CHF		
Debt instruments	56,863	42,643
Derivative financial assets held for risk management	5,287	9,112
Fixed-rate instruments (assets)	62,150	51,755
Cash and cash equivalents	268,498	272,939
Debt instruments	53,339	61,748
Derivative financial assets held for risk management	12,398	7,289
Variable rate instruments (assets)	334,235	341,976
Derivative financial liabilities held for risk management	-15,578	-14,251
Fixed-rate instruments (liabilities)	-15,578	-14,251

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by TCHF 3,342 (31 December 2021: TCHF 3,420). 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 functional 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 the Portfolio Manager'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:

	31.12.2022	31.12.2021
in '000 CHF		
EUR	5,079	-670
CHF	-166	-592
CNY	0	17,188
Total net exposure	4,913	15,926

The following sensitivity analysis shows the impact on the income statement should the CHF/USD, the EUR/USD, or the CNY/USD exchange rates change by 5% in the applicable exchange rate at 31 December 2022 and 31 December 2021, with all other variables held constant:

INCOME IMPACT ON BALANCE SHEET ITEMS	31.12.2022	31.12.2021
in '000 CHF		
EUR (sensitivity to USD changes)	+/- 254	+/- 34
CHF (sensitivity to USD changes)	+/- 8	+/- 30
CNY (sensitivity to USD changes)	+/- 0	+/- 859

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

In addition, the portfolio is subject to the risk from currency effects resulting from the local currencies of markets in which direct or indirect beneficiaries of SIFEM investments are operationally active. However, in contrast to transactions denominated in the above-mentioned currencies, such currency effects manifest themselves in the market price of the underlying assets.

Other market price risk

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

	31.12.2022	31.12.2021
in '000 CHF		
Equity instruments to banks and other financial intermediaries	12,418	8,169
Equity instruments to funds and other pooled investments	294,818	281,261
Total exposure in Equity Instruments	307,236	289,430

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 Portfolio Manager by diversifying the portfolio considering geography, type of investment instruments, currency, etc.

d) Operational risk

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 and thereto linked the reputational risks which are typically high in those markets.

e) Counterparty risk

The counterparty risk is the risk that a counterparty to a financial transaction or contract of the Company is unable or unwilling to fulfil its contractual obligations. In particular, SIFEM is exposed to counterparty risk on investments, credit transactions and contracts for derivative financial instruments held for risk management.

6 CASH AND CASH EQUIVALENTS

	31.12.2022	31.12.2021
in '000 CHF		
Cash at Bank	268,498	272,939
Total cash and cash equivalent	268,498	272,939

Cash and cash equivalents are denominated in CHF (0.9%), in USD (99.0%), in EUR (0.1%), and in CNY (0.0%) as of 31 December 2022. (31 December 2021: CHF (0.2%), in USD (93.2%), in EUR (0.3%), and in CNY (6.3%)). TCHF 228,445 (31 December 2021: TCHF 191,175) of Cash at bank is placed at the Swiss National Bank.

Given the nature of SIFEM's business model the cash balance available is reserved to cover undrawn commitments.

7 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

31.12.2022

31.12.2021

in '000 CHF				
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts	5,533	-6,314	12,405	-12,672
Cross-currency interest rate swap	17,685	-15,578	16,401	-14,251
Guarantee by SDC	400	0	131	0
Total derivative financial instruments	23,618	-21,892	28,937	-26,923

SIFEM uses forward foreign exchange contracts to hedge the foreign currency risk on future foreign exchange currency cash flows. In addition, as part of the cooperation between SIFEM and the Federal Department of Foreign Affairs (FDFA), represented by the Swiss Agency for Development and Cooperation (SDC), a framework agreement has been in place since August 2021, under which SIFEM is guaranteed against the risk of default of investments made by SIFEM, upon joint agreement with SDC, up to a defined coverage ratio. This guarantee covers the first loss.

8 OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

At 31 December 2022, other receivables, prepayments and accrued income mainly include collaterals (TCHF 2,822) and accrued interest receivables (TCHF 644). At 31 December 2021, other receivables, prepayments and accrued income mainly included collaterals (TCHF 2,287), management costs reimbursement (TCHF 77), proceeds from investment sales (TCHF 1,491) and accrued interest receivables (TCHF 604).

9 FINANCIAL INVESTMENTS

31.12.2022

31.12.2021

in '000 CHF		
Equity instruments to banks and other financial intermediaries	12,418	8,169
Equity instruments to funds and other pooled investment vehicles	294,818	281,261
Total Equity investments	307,236	289,430
Debt instruments to banks and other financial intermediaries	84,781	81,924
Debt instruments to funds and other pooled investment vehicles	25,421	22,467
Total Debt investments	110,202	104,391
Total Financial investments	417,438	393,821

Valuation of financial instruments

SIFEM's accounting policy on fair value measurement is disclosed in the accounting policies (note 3).

SIFEM measures fair value using a fair value hierarchy as described in note 3(d).

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 table below analyses financial instruments 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 '000 CHF				
31 December 2022				
Derivative financial assets for risk management		23,618		23,618
Derivative financial liabilities for risk management		-21,892		-21,892
Debt instruments to banks & other financial intermediaries		11,495		11,495
Debt instruments to funds & other pooled investment vehicles		11,311		11,311
Equity instruments to banks & other financial intermediaries			12,418	12,418
Equity instruments to funds & other pooled investment vehicles			294,818	294,818
Total	0	24,532	307,236	331,768
31 December 2021				
Derivative financial assets for risk management		28,937		28,937
Derivative financial liabilities for risk management		-26,923		-26,923
Debt instruments to banks & other financial intermediaries		12,515		12,515
Debt instruments to funds & other pooled investment vehicles		11,267		11,267
Equity instruments to banks & other financial intermediaries			8,169	8,169
Equity instruments to funds & other pooled investment vehicles			281,261	281,261
Total	0	25,796	289,430	315,226

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy, which is applied for equity investments only:

	Equity investments to Banks and other financial intermediaries	Equity investments to funds and other pooled investment vehicles	Total
in '000 CHF			
Balance as at 1 January 2022	8,169	281,261	289,430
Total gains/losses recognised in profit or loss	-236	-15,550	-15,786
Purchases	4,386	41,609	45,995
Sales	-27	-16,839	-16,866
Foreign currency exchange differences	126	4,337	4,463
Balance as at 31 December 2022	12,418	294,818	307,236
Total gains or losses for the year included in profit or loss relating to assets and liabilities held at the end of the reporting period	-236	-15,550	-15,786
Balance as at 1 January 2021	6,429	233,317	239,746
Total gains/losses recognised in profit or loss	-185	24,010	23,825
Purchases	3,720	44,773	48,493
Sales	-1,993	-28,018	-30,011
Foreign currency exchange differences	198	7,179	7,377
Balance as at 31 December 2021	8,169	281,261	289,430
Total gains or losses for the year included in profit or loss relating to assets and liabilities held at the end of the reporting period	-185	24,010	23,825

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 5 – Risk management, where we performed a quantitative sensitivity analysis.

Valuation technique used to Level 2 and 3 fair values for equity investments

The Portfolio Manager undertakes a detailed process of multiple reviews before any fund value is accepted by the Board of Directors.

All investments held by SIFEM's underlying funds report fair value using guidelines in compliance with IPEV Guidelines, which provide the underlying fund managers a framework upon which they exercise judgment in selecting and applying 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. Discounts may be applied in case of enforceable restrictions attributable to the security that would impact the price a market participant would pay at the time of measurement.
- 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 of a fund is generally based on the latest available net asset value (NAV) reported by the corresponding fund manager, provided that the NAV has been determined by using fair value principles in accordance with IFRS 13. The funds advisory boards which is comprised of investor representatives, including the Portfolio Manager acting as SIFEM's investment adviser, reviews and approves the NAV provided by the fund manager.

Valuations are included into the fund accounts and presented to the fund's auditors for audit, once they are approved by the advisory board.

In general, the NAV reported to SIFEM 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. Other reasons could also lead to adjustments to the NAV of a fund (special features of an investment agreement; subsequent events; changing economic or market conditions; NAV not determined in accordance with IFRS 13; etc.).

Further, SIFEM has various control procedures in place to ensure that the NAV of the underlying fund investments is calculated in a manner consistent with IFRS 13 (thorough due diligence and ongoing monitoring procedures; backtesting; qualifications in the fund auditor's report; etc.).

Before any of the valuations are entered into SIFEM's accounts, the CFO of the Portfolio Manager reviews and approves the fund's adjusted NAV. These are then submitted to the SIFEM Audit Committee, which is comprised of experienced investment professionals who review and challenge the Portfolio Manager on the valuations. This includes a review of the valuation material and methodology, as well as discussions with the Portfolio Manager, where needed. Based on this review, the adjusted NAV could be revised if needed. Once approved by the Audit Committee, the valuations are presented to the SIFEM Board of Directors for final confirmation and 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.

10 EQUITY

Share capital

On 31 December 2022, the number of outstanding shares amounted to 67,444,401 with a nominal value of CHF 10 each (31 December 2021: 65,444,401 with a nominal value of CHF 10 each). As per 31 December 2022 SIFEM did not hold any treasury shares (31 December 2021: 0). All shares issued by the Company were fully paid in.

During 2022 SIFEM has again received capital contributions from its shareholder, as it has frequently in the past few financial years. In 2021, the share capital has been raised by TCHF 30,000 in May bringing the total share capital to TCHF 654,444. During the year 2022, the share capital has been raised by TCHF 20,000 in May to a total share capital of TCHF 674,444.

Dividends

The amount available for dividend distribution is based on the available distributable retained earnings of SIFEM, determined in accordance with the legal provisions of the Swiss Code of Obligations (CO). The Company did not distribute a dividend in 2022 neither in 2021 and it is not expected that SIFEM will do so in the near future.

Capital reserve

The capital reserve mainly 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.

Retained Earnings

1% emission tax in the amount of CHF 200,000 (2021: 300,000) in connection with the increase in share capital was deducted as transaction costs from retained earnings according to IAS 32.39.

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).

11 INTEREST INCOME

	2022	2021
in '000 CHF		
Interest income from cash and cash equivalents	4,000	40
Interest income from investments	8,457	7,734
Total interest income	12,457	7,774

At 31 December 2022, an amount of TCHF 644 (2021: TCHF 604) has not been received yet in cash and is included in other receivables, prepayments and accrued income. The amounts reported have been calculated using the effective interest method.

12 MANAGEMENT COSTS

The management costs contain

- The investment management fees invoiced by Obviam for portfolio management, bonus accruals and VAT on those charges.
- The business services management fees and representation expenses invoiced by Tameo for Business services management and VAT on these costs.

13 ADMINISTRATION AND CUSTODIAN FEES

Administration and custodian fees mainly consist of expenses paid for administration and custodian services to the custodian bank. The administration fee for the financial year 2022 amounted to TCHF 240 (2021: TCHF 238) and the custodian fee for the financial year 2022 amounted to TCHF 181 (2021: TCHF 142).

14 NET INCOME FROM DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

	2022	2021
in '000 CHF		
Net interest income from derivative financial instruments	-2,038	-1,568
Realized gain from derivative financial instruments	1,897	1,179
Realized loss from derivative financial instruments	-543	-37
Increase/-decrease in fair value from derivative financial instruments	-333	2,768
Net income from derivative financial instruments	-1,017	2,342

15 NET FOREIGN EXCHANGE GAINS / LOSSES

	2022	2021
in '000 CHF		
Net foreign exchange gain/-loss from cash and cash equivalents	-246	136
Net foreign exchange gain/-loss from debt instruments	-824	-800
Total net foreign exchange gains/-losses	-1,070	-664

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

	2022	2021
in '000 CHF		
Increase in fair value of equity instruments	2,431	29,881
Increase in fair value of debt instruments	2,190	1,082
Decrease in fair value of equity instruments	-18,851	-14,101
Decrease in fair value of debt instruments	-7,046	-3,167
Net changes in fair value of financial assets at fair value through profit or loss	-21,276	13,695

Note: The effect of the Covid-19 crisis has been considered accordingly which is reflected in the net change in fair value of equity and debt instruments in 2021 and 2022.

17 FINANCIAL INCOME / EXPENSE

	2022	2021
in '000 CHF		
Foreign exchange gain	3	1
Financial income	3	1
Foreign exchange loss	-1	-1
Financial expense	-1	-1

Foreign exchange gain and losses in 2022 and 2021 arises from exchange differences applying the exchange rate as of the balance sheet date.

18 LOSS ALLOWANCE ON FINANCIAL INSTRUMENTS

The loss allowance on financial instruments measures the net effect on profit and loss of the provisioning taken on debt investments and the release of such provisioning. In 2022 the provision increased by TCHF 1,427 whereas in 2021 there was a decrease of TCHF 539.

19 INCOME FROM REALISED GAINS ON INVESTMENTS

	2022	2021
in '000 CHF		
Income from realised gains on equity instruments	10,795	27,690
Income from realised gains on debt instruments	187	168
Total income from realised gains on investments	10,982	27,858

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 Swiss Confederation.

SIFEM holds a deposit account with the Swiss National Bank (refer to note 6). The interest rate is at arm's length.

As part of the cooperation between SIFEM and the Federal Department of Foreign Affairs (FDFA), represented by the Swiss Agency for Development and Cooperation (SDC), a framework agreement has been in place since August 2021, under which SIFEM is guaranteed against the risk of default of investments made by SIFEM (refer to note 7).

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 Manager and Business Services Manager

SIFEM appointed Obviam through a Management Agreement as its portfolio and business manager as result of a public tender. The contract expired in on 31 August 2022 and an Interim Management Agreement was signed with Obviam for six months, from 1 September 2022 until 28 February 2023.

Under the Management Agreement (for the period between 1 January 2022 and 31 August 2022) Obviam is compensated for the actual costs incurred, within a budget which is annually approved in advance by the Board of Directors. The remuneration under the Interim Management Agreement (for the period between 1 September 2022 and 31 December 2022) is based on a fixed monthly fee for the services provided.

SIFEM appointed Tameo as its Business Services Manager starting on 1 September 2022. Tameo is compensated for the actual costs incurred, within a budget which is approved annually in advance by the Board of Directors. The portfolio and business services management fees (excl. VAT, excl. bonuses and accruals) paid for the financial year 2022 amounted to TCHF 8,751 (2021: TCHF 8,306). This corresponds to 1.07% of total active commitments (2021: 1.02%). The portfolio management costs (incl. VAT, bonuses and accruals) paid for the financial year 2022 amounted to TCHF 10,264 (2021: TCHF 9,720).

Total administrative expenses (portfolio management costs, business services management costs, administration and custodian fees, personnel expenses, administration expenses and advertising expenses) in 2022 amounts to 1.44% (2021: 1.35%) of SIFEM's total active commitments as of 31 December. The threshold for total administrative expenses set by the Federal Council is 1.5% of SIFEM's total active commitments.

Key management personnel compensation

The Chairman of the Board received total compensation of CHF 54,000 in 2022 (2021: CHF 54,000). This consists of a base compensation of CHF 30,000 (2021: 30,000) for his role as Chairman of the Board and CHF 24,000 (2021: 24,000) for his role as Chairman of the Investment Committee.

The Vice-Chairman and Board members received a base compensation of CHF 22,100 (2021: CHF 22,100). Members of the Investment Committee received an additional compensation of CHF 20,400 (2021: CHF 20,400) and Members of the Audit Committee received an additional compensation of CHF 13,600 (2021: CHF 13,600).

20 CAPITAL COMMITMENTS

As of 31 December 2022, the Company had capital commitments with debt- and equity instruments which were not yet called by the relevant fund managers for TCHF 224,105 (31 December 2021: TCHF 235,477).

21 SUBSEQUENT EVENTS

No events occurred between 31 December 2022 and 3 March 2023 that would require adjustments to the amounts recognised in these financial statements.

As per 28 February 2023 the Interim Management Agreement between Obviam and SIFEM expired. The portfolio management and the associated tasks were transferred to responsAbility Investments AG, a specialised emerging market investment management company incorporated in Switzerland, as of 1 March 2023 and result of a public tender.

2022
SWISS CODE OF OBLIGATIONS
FINANCIAL STATEMENTS

STATUTORY AUDITOR'S REPORT

To the general meeting of SIFEM AG, Bern

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SIFEM AG (the Company) - which comprise the balance sheet as at December 31, 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements comply with Swiss law and the articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Audits of Financial Statements (SA-CH). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Swiss law, the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the Financial Statements

The board of directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with Swiss law and Swiss Standards on Audits of Financial Statements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 recommend that the financial statements submitted to you be approved.

Zurich, March 3, 2023

BDO Ltd



Cataldo Castagna
Licensed Audit Expert
Auditor in Charge



Stefano Fiorentino
Licensed Audit Expert

BALANCE SHEET

	NOTE	31.12.2022		31.12.2021	
in CHF					
ASSETS					
Current assets					
Cash and cash equivalents	1	268,498,332	42.4 %	272,938,551	44.2 %
Other current receivables	2	2,846,265	0.4 %	3,779,189	0.6 %
Accrued income and prepaid expenses	3	668,439	0.1 %	704,698	0.1 %
Total current assets		272,013,036	42.9 %	277,422,438	44.9 %
Non-current assets					
Financial assets	4	359,203,019	56.6 %	332,327,011	53.8 %
Shareholdings	5	3,151,461	0.5 %	7,540,905	1.2 %
Total non-current assets		362,354,480	57.1 %	339,867,916	55.1 %
TOTAL ASSETS		634,367,516	100.0 %	617,290,354	100.0 %
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term liabilities					
Other current liabilities	6	820,630	0.1 %	521,893	0.1 %
Deferred income and accrued expenses	7	1,555,929	0.2 %	633,196	0.1 %
Total short-term liabilities		2,376,559	0.3 %	1,155,089	0.2 %
Long-term liabilities					
Provisions and similar items required by law	8	2,262,271	0.4 %	660,778	0.1 %
Total long-term liabilities		2,262,271	0.4 %	660,778	0.1 %
Total Liabilities		4,638,830	0.7 %	1,815,867	0.3 %
Shareholders' Equity					
Share capital	9	674,444,010	106.3 %	654,444,010	106.0 %
General legal retained earnings		1,096,430	0.2 %	1,096,430	0.2 %
Voluntary retained earnings' – Results carried forward		-40,065,953	-6.3 %	-81 350 667	-13.2 %
Gain / Loss for the year		-5,745,801	-0.9 %	41 284 714	6.7 %
Total shareholders' equity		629,728,686	99.3 %	615,474,487	99.7 %
Total liabilities and Shareholders' Equity		634,367,516	100.0 %	617,290,354	100.0 %

INCOME STATEMENT

	NOTE	2022	2021
in CHF			
Net proceeds from sales of services	10	12,528	11,946
Costs for third party services		-10,264,373	-9,720,106
Staff costs	11	-424,158	-420,101
Other operational costs	12	-855,071	-851,535
Earnings before interests and taxes		-11,531,074	-10,979,796
Financial result general	13	3,325,720	-211,238
Financial result from financial assets and shareholdings	14	-4,160,016	35,585,749
Financial result from derivative financial instruments	15	-2,266,948	90,980
Earnings before currency translation and taxes		-14,632,318	24,485,695
Result from currency translation from functional currency (USD) to reporting currency		8,886,517	16,799,019
Gain / Loss for the year		-5,745,801	41,284,714

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). 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

	31.12.2022	31.12.2021
in CHF		
1 – Cash and cash equivalents		
Cash at banks	268,498,332	272,938,551
Total	268,498,332	272,938,551
2 – Other current receivables		
Receivables from investment transactions	–	1,491,047
Collaterals	2,821,530	2,286,661
Withholding tax receivables	24,470	1,327
Other current receivables	265	154
Total	2,846,265	3,779,189
3 – Accrued income and prepaid expenses		
Prepaid expenses	24,796	100,353
Accrued income	643,643	604,345
Total	668,439	704,698
4 – Financial assets		
Equity instruments	251,938,183	229,217,965
Debt instruments	107,264,836	103,109,047
Total	359,203,019	332,327,011

As of balance sheet date equity instruments considering a foreign exchange gain of CHF 0 (2021: CHF 156,142; see note 6 other current liabilities).

5 – Shareholdings

	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	
Company	Share capital in local currency		Holding of capital and votings in %		Book value in CHF		
SEAF CEE Growth Fund	USD	-	USD	2,653,951	0.0%	20.81%	-
SEAF South Balkan Fund	EUR	6,211,135	EUR	6,211,135	30.52%	30.52%	1,284,874
Colony Latin America Fund	USD	37,327,095	USD	37,327,095	28.29%	28.29%	147,203
Altra Private Equity Fund I	USD	1,000	USD	1,000	43.11%	43.11%	39,886
SEAF LATAM Growth Fund	USD	10,698,086	USD	10,712,523	41.18%	41.18%	-
Kaizen Private Equity	USD	22,978,820	USD	19,678,273	22.81%	22.81%	1,679,498
Central American Small Enterprise Inv. Fund IV	USD	12,996,403	USD	1,445,833	11.58%	20.73%	113,315
TOTAL							3,151,461
							7,540,905

Due to the dilution in the holding of capital and votings to under 20% of Central American Small Enterprise Inv. Fund IV in 2022 this investment has been reclassified and are now shown as financial assets. The investment SEAF South Balkan Fund considers a foreign exchange gain of CHF 0 (2021: CHF 69,130; s. note 6 other current liabilities).

31.12.2022 | 31.12.2021

in CHF

6 – Other current liabilities

Other current liabilities	30,789	17,694
Social insurances liabilities	686	5,369
Liabilities due to pension scheme	2,092	997
Liabilities due to authorities	6,323	6,323
Provision for foreign exchange forward contracts	780,740	266,238
Provision for unrealised foreign exchange gain	–	225,272
Total	820,630	521,893

7 – Deferred income and accrued expenses

Accrued expenses	1,555,929	633,196
Total	1,555,929	633,196

8 – Provisions and similar items required by law

Provision for foreign exchange forward contracts	1,011,288	–
Other provision	1,250,983	660,778
Total	2,262,271	660,778

9 – Share capital

The share capital consists of 67,444,401 shares with a nominal value of CHF 10 each (31.12.2021 65,444,401 shares with a nominal value of CHF 10 each).

2022 | 2021

in CHF

10 – Net proceeds from sales services

Income from fund retrocessions	12,528	11,946
Total	12,528	11,946

11 – Staff costs

Salaries and wages	–35,453	–43,904
Board compensation	–329,155	–329,632
Social security and pension costs	–35,379	–37,649
Other personnel costs	–24,171	–8,916
Total	–424,158	–420,101

2022

2021

in CHF

12 – Other operational costs

Insurance premiums	-21,180	-18,392
Accounting and payroll expenses	-172,073	-177,106
Audit expenses	-60,349	-58,503
Other administration expenses	-437,085	-444,133
Stamp duty	-72,176	-64,949
Sponsorship and membership contributions	-92,208	-88,452
Total	-855,071	-851,535

Other administration expenses include the emission duty of CHF 200,000 on the capital increase of 4 May 2022 (2021: CHF 300,000).

13 – Financial result general

Interest income	4,050,204	55,131
Interest expenses	-50,417	-15,392
Bank charges	-429,908	-387,694
Foreign exchange gains	198,902	339,596
Foreign exchange losses	-443,061	-202,879
Total	3,325,720	-211,238

14 – Financial result from financial assets and shareholdings

Interest income from financial assets	8,457,009	7,734,239
Distributions and dividends	10,982,008	28,020,457
Expenses	-37	-360,643
Capital gains	786,686	7,130,242
Capital losses	-21,225,296	-4,101,977
Foreign exchange gains	2,747	428,114
Foreign exchange losses	-3,163,133	-3,264,683
Total	-4,160,016	35,585,749

15 – Financial result from derivative financial instruments

Interest income	22,934	-
Interest expenses	-2,061,029	-1,567,693
Capital gains	1,897,436	1,695,601
Capital losses	-2,126,289	-36,928
Total	-2,266,948	90,980

FURTHER INFORMATION

16 – Fulltime employees

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

17 – Disclosure of derivative financial instruments

	2022	2021
in CHF		
Foreign exchange forward contracts (long)	5,533,179	12,405,491
Foreign exchange forward contracts (short)	-6,313,919	-12,671,729
Cross-currency interest rate SWAPS (long)	17,684,543	16,400,702
Cross-currency interest rate SWAPS (short)	-18,695,831	-16,400,702
Total (included in other current liabilities – s. Note 6 & provision and similar items – s. Note 8)	-1,792,028	-266,238

18 – Collateral

CS, Margin Account Derivative Instruments	4,634,923	4,564,537
TCX, Margin Account Derivative Instruments	-1,813,393	-2,277,876
Total assets pledged to secure own losses on derivative financial instruments	2,821,530	2,286,661

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

	31.12.2022	31.12.2021
Debt investments		
Amret / Loan	USD –	USD 1
Cooperativa De Ahorro Y Credito Pacifico (Loan)	USD 10,000,000	USD –
European Financing Partners / Loan (EFP II)		
European Financing Partners / Loan (EFP III)	EUR –	EUR -2,095,808
European Financing Partners / Loan (EFP IV)		
European Financing Partners SA Phase VI	EUR 5,227,904	EUR 7,997,246
IMON International – Senior Unsecured Loan	USD –	USD 7,000,000
Interact Climate Change Facility / Loan	EUR 19,306,396	EUR 20,009,753
Lendable Fintech Credit Fund I (Loan)	USD –	USD 6,000,000
Social Investment Fund 6.0	USD –	USD 2,500,000
Equity investments		
7L Capital Partners Emerging Europe	EUR –	EUR 25,059
Aavishkaar India Fund (Mauritius) VI	USD 8,516,893	USD 15,000,000
Abraaj Global Credit Fund	USD 1,938,858	USD 7,755,433
Abraaj North Africa II	USD 21,769	USD 158,254
Adenia Capital IV	EUR 799,365	EUR 2,317,345
Africa Forestry Fund II	USD 4,178,374	USD 5,308,502
African Development Partners III Mauritius L.P.	USD 8,334,253	USD 10,801,405
AfricInvest Fund II	EUR 194,000	EUR 194,000
AfricInvest Fund III	EUR 561,722	EUR 646.875

Equity investments continued

Agrif Feeder B.V. / Shares	USD	41,126	USD	262,517
Amethis Maghreb Fund I	EUR	364,047	EUR	1,337,619
Apis Growth Fund I	USD	4,883,634	USD	3,163,223
Armstrong South East Asia Clean Energy Fund	USD	266,736	USD	266,736
Ashmore Andean Fund II	USD	536,198	USD	536,198
Ashmore Avenida EEAHF III	USD	15,000,000	USD	-
Aureos East Africa Fund	USD	62,751	USD	62,751
BioVeda China Fund III	USD	148,704	USD	148,704
BioVeda Realization Fund	USD	375,017	USD	375,017
BTS India Private Equity Fund	USD	1,881,635	USD	1,881,635
BPI East Africa	USD	-	USD	822,516
Cambodia-Laos Development Fund	USD	73,837	USD	73,837
Cambodia-Laos-Myanmar Development Fund II	USD	286,122	USD	578,114
CAMIF II / Equity	USD	492	USD	492
Capital North Africa Venture Fund	EUR	767,545	EUR	767,545
Capsquare Asia Partners Fund II	USD	825,912	USD	2,008,946
Catalyst Fund I	USD	83	USD	83
Catalyst Fund II	USD	746,130	USD	3,644,717
Cathay Africinvest Innovation Fund LLC	EUR	3,338,043	EUR	3,554,864
Central American Small Enterprise Investment Fund II	USD	529,495	USD	529,495
Central American Small Enterprise Investment Fund III	USD	465,196	USD	465,196
Central American Small Enterprise Investment Fund IV	USD	6,431,299	USD	-
Convergence Partners Digital Infrastructure Fund L.P.	USD	12,967,835	USD	-
CoreCo Central America Fund I	USD	232,658	USD	254,269
Darby Latin American Private Debt Fund III	USD	4,421,346	USD	4,668,431
Ethos Mezzanine Partners 3	USD	5,265,222	USD	5,405,139
Europe Virgin Fund	USD	-	USD	897,086
EV Amadeus Asian Clean Energy Fund	USD	5,375,914	USD	5,387,798
Evolution II	USD	2,127,449	USD	3,360,697
Evolution One	USD	68,539	USD	71,024
Excelsior Capital Vietnam Partners L.P.	USD	6,116,486	USD	8,591,223
Falcon House Partners Indonesia Fund I	USD	1	USD	1
Fidelity Equity Fund II	USD	883,820	USD	883,820
Frontier Energy II Alpha K/S	USD	2,471,523	USD	3,856,827
GEF Africa Sustainable Forestry Fund	USD	197,285	USD	150,650
Growth Capital Partners (Lok III)	USD	274,203	USD	420,774
Growth Catalyst Partners (class B)	USD	51,319	USD	1,488,559
Horizon Capital Growth Fund IV	USD	15,000,000	USD	-
IFHA-II CO PERATIEF U.A	USD	1,801,717	USD	2,508,251
JS Private Equity Fund I	USD	-	USD	5,306,641
Kaizen Private Equity Fund II	USD	1,605,643	USD	2,099,104
Latin Renewables Infrastructure Fund	USD	448,956	USD	581,083
Lendable Fintech Credit Fund I (Equity)	USD	-	USD	4,000,000
Maghreb Private Equity Fund II	EUR	9,238	EUR	15,709
Maghreb Private Equity Fund III	EUR	437,739	EUR	437,739
Maghreb Private Equity Fund IV	EUR	1,784,507	EUR	3,908,968
Medu III Interenational Partnership L.P.	USD	712,124	USD	658,256
Metier Sustainable Capital Fund II	USD	6,496,483	USD	7,820,805

31.12.2022 | 31.12.2021

Equity investments continued

Navegar II L.P.	USD	8,400,510	USD	10,952,199
Navis CLMV Co-Investment Fund, L.P.	USD	7,290,000	USD	11,055,000
Novastar Ventrures Africa Fund II LP	USD	2,284,681	USD	3,871,994
Omnivore Fund II	USD	1,515,360	USD	2,608,039
Omnivore Fund III	USD	15,000,000	USD	–
Progression Eastern African Microfinance Equity Fund	USD	980,069	USD	996,590
rABOP	USD	510,917	USD	510,917
Renewable Energy Asia Fund II	USD	17,684	USD	17,684
South Asia Growth Fund II	USD	591,201	USD	3,409,752
SPE AIF I, LP	USD	3,357,785	USD	7,485,203
Synergy Private Equity Fund	USD	107,694	USD	205,04
Synergy Private Equity Fund II	USD	7,165,927	USD	7,219,018
Uhuru Growth Fund I-A, SCSp	USD	8,167,663	USD	7,886,574
Vantage IV Pan African Fund	USD	9,998,125	USD	10,383,882
Vantage IV Southern African Fund	ZAR	60,728,835	ZAR	65,209,943
Vantage Mezzanine Fund III (Pan African Sub-Fund)	USD	554,312	USD	459,988
Vantage Mezzanine Fund III (Southern African Sub-Fund)	ZAR	40,070,914	ZAR	42,094,646
VenturEast Proactive Fund	USD	–7,309	USD	–7,309
VenturEast Proactive Fund II	USD	1,444,541	USD	2,829,297
VI (Vietnam Investments) Fund I	USD	1	USD	1
VI (Vietnam Investments) Fund II	USD	257,355	USD	257,355

Shareholdings

Altra Private Equity Fund I	USD	1	USD	1
Central American Small Enterprise Investment Fund IV	USD	–	USD	7,700,216
Colony Latin America Fund	USD	9,500	USD	9,500
SEAF LATAM Growth Fund	USD	1,081,421	USD	1,081,421
SEAF South Balkan Fund	EUR	480,111	EUR	480,111

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

2022 | 2021

in CHF			
Retained earnings / -loss brought forward		–40,065,953	–81,350,667
Net gain/-loss for the year		–5,745,801	41,284,714
Accumulated losses		–45,811,754	–40,065,953
The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:			
To be carried forward		–45,811,754	–40,065,953
Total		–45,811,754	–40,065,953

ANNEX

ANNEX 1: PERFORMANCE RESULTS AGAINST THE OPERATIONALISED OBJECTIVES FOR THE 2021–2024 STRATEGIC PERIOD

PART 1: PROGRAMMATIC PRIORITIES

TARGET FIELD	OBJECTIVE	PERFORMANCE
SUSTAINABILITY	<ul style="list-style-type: none"> • SIFEM commits all financial intermediaries to observe its Responsible Investment Policy and requires those intermediaries to ensure compliance with that policy at the level of their respective investees and clients. • Portfolio companies adhere to national regulations and work towards the adoption of the relevant international standards defined in the Responsible Investment Policy. • All investments must be in line with the Paris Climate Agreement on climate protection. 	<p>On track:</p> <ul style="list-style-type: none"> • All investments made in 2022 have complied with this formal requirement. • All new SIFEM transactions made in 2022 were assessed as aligned with the objectives of the Paris Agreement and are not in contradiction with the National Climate Goals (NDCs) of the countries concerned.
FINANCIAL ADDITIONALITY	At least 50% of the number of fund investment of SIFEM serve to reach the 1 st closing of the target funds.	On track: 56% of SIFEM's fund investments closed in 2021 and 2022 served to reach the first closing of the target funds.
VALUE ADDITIONALITY	SIFEM is an active fund investor and, whenever possible, takes a seat on the funds' supervisory bodies.	Descriptive reporting (no target level): SIFEM has secured a seat on the supervisory bodies of all the funds in which it invested in 2022.
	<p>SIFEM provides guidance to financial intermediaries and facilitates access to technical assistance for financial intermediaries and portfolio companies on a case by case basis with a view to:</p> <ul style="list-style-type: none"> • Promote responsible management of the economic and social impact of the COVID-19 crisis and resilience measures. • Improve strategic and management capacities at the level of financial intermediaries in areas such as environmental and social standards and good governance (ESG), gender equality and working conditions. 	<p>Descriptive reporting (no target level): Alternatives to cost reduction measures have been presented to different Fund Managers and Financial Institutions in 2022 to increase their resilience towards negative effects resulting from COVID-19.</p> <p>Direct support has been provided to several Fund Managers and Financial Institutions on environmental and social management matters, in particular by deploying Environmental and Social Action Plans (ESAP) in 2022.</p>

	<ul style="list-style-type: none"> Improvement of the management of the portfolio companies, especially with regard to ESG, climate protection, gender equality, and the digitisation of business processes. 	Descriptive reporting (no target level) 20 technical assistance interventions were approved in 2021, financed by the Technical Assistance Facility of SIFEM and facilitated by the Fund Manager of SIFEM. In 2022 nine new technical assistance interventions were approved and started.
LEVERAGE / MOBILISATION	SIFEM directly leverages at least CHF 60 million from private and/or institutional investors.	Too early to tell: SIFEM's Fund Manager has not yet mobilised direct private capital from private or institutional investors during the period 2021-22, but some potential investors have already expressed their interest. The new Portfolio Manager, who will take over responsibilities on 1 March 2023, will resume conversations with interested private investors, thus working on this objective during the period 2023-24.
GEOGRAPHIC CONCENTRATION	At least 60% of SIFEM's investments are made in priority countries or regions for Swiss development cooperation.	On track: 86% of SIFEM's investments closed in 2021 and 2022 were made in priority countries of SIFEM.

PART 2: TASKS AND COMPANY-RELATED OBJECTIVES

TARGET FIELD	OBJECTIVE	PERFORMANCE
COPING WITH THE COVID-19 CRISIS	At the portfolio level, the total net number of jobs at the companies that survive the crisis remains at least the same as in the previous year.	Achieved despite the severity of the economic crisis triggered by lockdowns and the disruption of supply chains in several regions in 2020 (e.g. Latin America, South Asia), the aggregated number of jobs in the SIFEM portfolio reported in 2021 has remained stable compared to the data reported in 2020. This will have to be confirmed by the job data to be reported in 2022 before being able to make a final assessment of the situation.
DEVELOPMENT EFFECTS	Impact on employment More jobs <ul style="list-style-type: none"> SIFEM creates or maintains at least 10,000 jobs on average during the 2022-24 period (pro rata) The number of jobs in the SIFEM portfolio companies increases by at least 6% on average during the 2022-24 period. 	On track: The number of jobs created and maintained by SIFEM during the financial year 2022 was 14,537 (calculated pro-rata). On track: The number of jobs in the portfolio companies has increased by 12,6% from 2021 to 2022.

<p>Better jobs</p> <ul style="list-style-type: none"> • All portfolio companies take the necessary steps to comply with labour regulations in line with the ILO core labour standards and the environmental, health and safety principles. • Portfolio companies document their progress in achieving work safety targets beyond and above minimum legal requirements and in ensuring working conditions that allow women and men to live and develop with dignity. 	<p>On track: All portfolio funds added in 2022 and companies having received investments from SIFEM during that period have committed to comply with SIFEM's Approach to Responsible Investment (which refers to the ILO core labour standards and to other applicable E&S standards including occupational health & safety) and ensure in turn that their respective investees and clients comply with that policy.</p> <p>On track: The SIFEM Manager has required from the new Fund Managers with whom it started working in 2021 and 2022 to submit action plans with respect to compliance with international standards related to IFC Performance Standard 2 – Labour & Working Conditions. This standard covers human resources policy, working conditions & terms of employment, labour protection (including occupational health & safety), organisation rights, non-discrimination and equality of opportunities, retrenchment rules, and grievance mechanisms.</p>
<p>Climate: mitigation and adaptation</p> <p>SIFEM actively contributes to the implementation of the goals of the Paris Climate Convention. All investments are compatible with these goals as well as the national climate goals of the countries.</p> <ul style="list-style-type: none"> • At least 25% of new investments are fully dedicated to climate protection. 	<p>On track:</p> <ul style="list-style-type: none"> • All new SIFEM transactions in 2022 have been assessed as being aligned with the objectives of the Paris Agreement and are not in contradiction with the National Climate Goals (NDCs) of the countries concerned. • In 2022 SIFEM closed three new climate investments: two in funds active in Latin America and Asia and granted one credit line in Asia. • 25.3% of the volume of new investments by SIFEM in 2021 and 2022 contribute actively to climate protection.
<p>Basic goods & services, innovation</p> <p>At least 30 % of the investment commitments target the subsidiary provision and closing of gaps in the area of essential goods (health, education, supply infrastructure) as well as financial inclusion and innovative business models (e.g. Fintech).</p>	<p>On track: More than 35% of SIFEM's investments made in 2021 and 2022 contributed to the provision of essential goods and services or to financial inclusion for underserved population segments.</p>

	<p>Gender equality At least 20% of the investment commitments qualify for the “2x Challenge” initiative to strengthen the role of women in the establishment and management of companies and as employees or consumers of products and services that improve their economic participation.</p>	<p>On track: 57% of SIFEM’s investments closed in 2021 and 2022 were qualified with respect to the “2X Challenge” initiative, therefore contributing to enhancing the role and participation of women in the targeted markets.</p>
INVESTMENT SCOPE	<p>Least Developed Countries (LDCs) The LDC exposure in the SIFEM portfolio should be at least 12%.</p>	<p>On track: The average LDC exposure over 2021 and 2022 was 11.7%. It was 11.0% at the end of 2022.</p>
OVERALL IMPACT ON DEVELOPMENT	<p>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.</p>	<p>On track: 80% of investments in SIFEM’s total portfolio have received an ex-post development effects score of “good” or “very good” as per latest assessment during 2022.</p>
MESSAGE ON DEVELOPMENT COOPERATION 2021–24	<p>Reporting requirements SIFEM’s contribution to the following goals and objectives of the Message:</p> <p>A. Economic development Subgoal 1: Local tax revenue in US Dollars Subgoal 2: Number of jobs created or maintained; Mobilised private funds in US Dollars according to OECD DAC reporting requirements.</p> <p>B. Environment Subgoal 3: Saved or avoided CO₂ emissions; Additional KWh from renewable energy.</p> <p>C. Gender equality Subgoal 9: % of female employees in the SIFEM portfolio companies.</p>	<p>Key figures (no target level):</p> <ul style="list-style-type: none"> • USD 1’636M • Total number of jobs created or maintained in the active portfolio at the end of the reporting year: 436’791 • Capital mobilised at the level of portfolio funds: USD 77.1M • 7.5M tCO₂e • 6,003 GWh • 34%
	<p>Synergies with the economic and private sector activities of SECO and SDC in their priority countries, which increase the impact of SIFEM investments</p>	<p>Descriptive reporting (no target level): Regular interactions have taken place with SECO and local field offices in the context of due diligence and monitoring missions. In particular, close cooperation has been developed with SECO’s office in Bogotá and resulted in a new investment in 2022, which builds on SECO’s regulatory technical assistance programs in the field of “green building” technical standards.</p> <p>Close cooperation was also developed with the Swiss embassy in Ukraine in the context of a new investment with focus on reconstruction of the country.</p>

SPECIFIC SDGs

Reporting requirements to the SDGs

SDG 5: Gender equality

- %-Number of female employees in the SIFEM portfolio company.

SDG 7: Affordable and clean energy

- Saved or avoided CO₂ emissions
- Additional KWh from renewable energy

SDG 8: Decent jobs & economic growth

- Number of jobs created or maintained
- Local tax revenue in US Dollars

SDG 13: Measures for climate protection

- Private climate investments in USD mobilised by SIFEM for climate protection in accordance with the reporting requirements of the OECD DAC

SDG 17: Partnerships

- Ratio of SIFEM investments to mobilised private co-investments at the target fund level

Key figures (no target level):

- 34%
- 7.5M tCO₂e
- 6,003 GWh
- Total number of jobs created or maintained in the active portfolio at the end of the reporting year: 436,791
- USD 1'634M
- Zero in 2022
- 4.5x

GENERAL OBJECTIVE

- SIFEM conducts systematic risk management that is appropriate as regards the type of business and the size of the company (balance sheet total, personnel). The system contributes to sustainable business s and supports the management bodies in achieving the strategic goals.
- SIFEM is based on ISO 31000:2018 and ISO 19600
- The risk and compliance management guidelines apply to SIFEM and its manager.

Too early to tell: SIFEM is currently adapting its risk and compliance management to its new organisation.

RISK TOLERANCE

- The proportion of the investments which are classified as high and very high risk projects is
- less than 45% for funds
 - less than 20% for debt instruments

On track:

- Funds : 43.1%
- Debt instruments: 2%

PART 3: FINANCIAL OBJECTIVES

TARGET FIELD	OBJECTIVE	PERFORMANCE
OPERATING EFFICIENCY	Operating cost ceiling of 1.5% of active commitments.	On track: Total operating costs reached 1.44% in 2022 i.e., below the ceiling of 1.5%.
FINANCING	<ul style="list-style-type: none"> The operating costs of SIFEM and the new commitments can be met in full over the target period out of reflows from successfully concluded investments, uncommitted cash reserves and by way of over-commitment (according to the terms defined by the Federal Council on 14 May 2014) 	On track: The sum of operating costs (USD 12.2M) and new commitments made during the year 2022 (USD 95M) was less than the reflows received in 2022 (USD 62.6M) plus non-committed cash (USD 46.4M) plus the overcommitment headroom (USD 54.9M).
	<ul style="list-style-type: none"> The average annual reflows recorded after 2021 increase by at least 10% compared the average annual reflows between 2018-2020 	On track: Investment reflows reached USD 93.7M on average in 2021-22, which is above expectations. This is 171% more than the average reflows of the preceding strategic period (USD 54.9M).
FINANCIAL RESULT	Positive operating result in accordance with IFRS (accumulated over the period 2022–2024).	Too early to tell: The operating result was CHF –13.1 millions in 2022.
INVESTMENTS	<ul style="list-style-type: none"> Internal Rate of Return exceeding 3% Value multiplier (Total Value over Paid-in) exceeding 1,15 	On track: <ul style="list-style-type: none"> IRR : 5.31% TVPI : 1.21
NETWORKS	SIFEM actively participates in sector organisations (in particular EDFI and its working groups) with a view to contribute to increase harmonisation of and progress in impact measurement and reporting and key indicators related to the Decent Work Agenda.	On track: SIFEM actively participated in different working groups in 2022, in particular the “Harmonization” working group.
	SIFEM shares the experience gained from operational cooperation with multilateral actors – in particular the International Finance Corporation (IFC) – with the Swiss Government.	On track: The President of the Board of Directors has continued his engagement in the initiative “DFIs in fragile states”, in particular assuring coordination of DFI activities in Nepal, a pilot country. He also participated with CEOs of other DFIs in the dialogue of the International Finance Corporation (IFC), especially during the Annual General Assembly of the World Bank Group (https://ieg.worldbank-group.org/evaluations/2022-external-review-independent-evaluation-group)

ANNEX 2: RISK MANAGEMENT

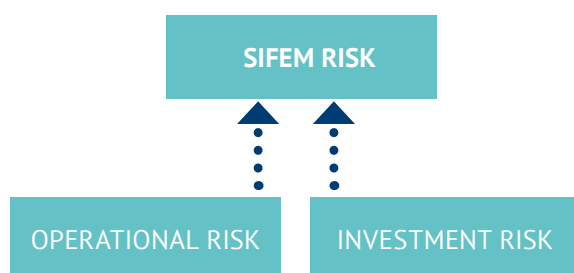
1. SIFEM RISK MANAGEMENT PRINCIPLES

Identifying, mitigating, monitoring, and managing operational and investment 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. Reputational risk is of particular importance to 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 held to the highest standards; and (b) SIFEM operates in an emerging market and developing economy environment, where corporate governance tends to be weak and the risk of adverse events is comparatively high.

SIFEM relies on a comprehensive Board-approved Manual of Procedures, which contains all the relevant policies, procedures, and guidelines for operations. The Manual details the ways in which Obviam implements the Management Agreement as the Portfolio Manager, 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 for SIFEM can be divided in two main areas: operational risk and investment or portfolio risk.

FIGURE A: SIFEM MAIN RISK COMPONENTS



The monitoring of risk at each level follows specific procedures and processes applied throughout SIFEM's operations, which ensure that risk is mitigated to the highest 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.

2. OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

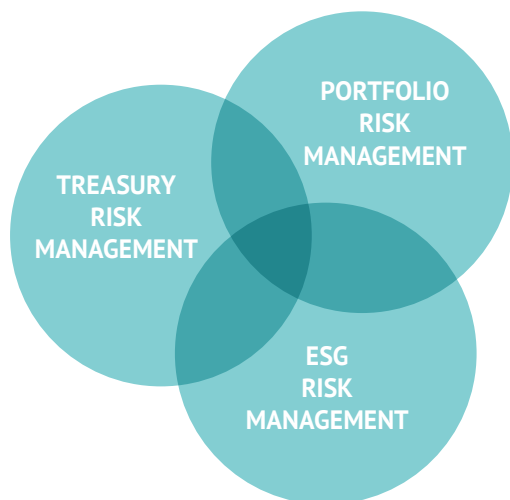
SIFEM is subject to a full audit conducted annually in accordance with the Swiss Code of Obligations. Since the 2008 revision of the Swiss Code of Obligations, companies undergoing a full audit are required to demonstrate the existence and quality of an Internal Control System (ICS). The Board of Directors and the executive management in a company are required to pay due attention to the quality and documentation of their ICS.

The Procedure Manual provides the basis for 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 book-keeping agent.

3. INVESTMENT RISK MANAGEMENT

SIFEM's portfolio clearly reflects the institution's developmental mandate, as it consists primarily 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-management 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.

FIGURE B: INVESTMENT RISK MANAGEMENT BASED ON THREE ELEMENTS



Portfolio Risk Management

Obviam as the Portfolio Manager 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, the Portfolio Manager applies specific tools and follows pre-defined procedures.

The Portfolio manager 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.

The Portfolio manager uses its in-house risk rating tool, which has been validated by SIFEM's auditor at implementation in 2012. Each investment is rated on an annual basis. Comprehensive descriptions of the tool and of portfolio risk analysis are provided in Section 4.4 and Section 4.5 respectively.

Treasury and Currency Risk Management

The Portfolio Manager 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 the Portfolio Manager. Periodic cash flow forecasts are prepared to ensure liquidity. Cash reserves not needed in the short term for investment operations are held with the Federal Finance Administration and the Swiss National Bank, providing an important layer of security. Unfunded commitments are backed by cash reserves in the same currency in order to mitigate currency risk.

ESG Risk Management

As a responsible investor, SIFEM is committed to investing in accordance with international best-practice ESG standards, in order to minimise ESG-related and reputational risks, and to contribute to sustainable development in its target markets.

SIFEM benefits from Obviam's Approach to Responsible Investment. This comprehensive policy document articulates clearly the Portfolio Manager's commitments to responsible investing and the ESG requirements that it places on its investments. The document also describes Obviam's ESG management throughout the investment lifecycle.

ESG risk ratings are assigned to all prospective investments prior to investment decisions. Assessment are also made of the quality of ESG management in SIFEM investments. All investments are subject to annual ESG reviews, including reviews of ESG risk ratings. Investments that are not in compliance and those that have had serious incidents (e.g., financial crime, loss of life, material environmental damage, etc.) are subject to more frequent review. In these cases, the Portfolio Manager, often in collaboration with other DFI investors, drafts Environmental and Social Action Plans (ESAPs) and Corporate Governance Action Plans (CGAPs). These plans govern the remediation of non-compliance within acceptable timeframes. Investees can seek technical assistance from SECO to support remedial efforts and improvements above and beyond compliance and the Portfolio Manager can also provide direct assistance, if needed.

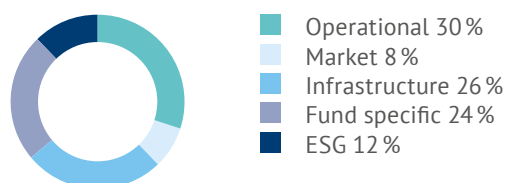
ESG risk ratings and other key information (including compliance status and serious incidents) are maintained in a Management Information System. Watch lists are periodically generated to track and monitor risks. The ESG risk profile of SIFEM's entire portfolio is generated annually.

4. PORTFOLIO RISK RATING TOOL

In 2012 Obviam developed and implemented a comprehensive in-house risk rating system for the SIFEM portfolio, which was validated by SIFEM's auditor at implementation. The system includes different rating metrics for private equity funds, financial institutions (FIs), and debt funds in microfinance or other asset classes. It measures financial risk primarily, but it also considers other dimensions such as environmental, social and reputational 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 C



These indicators are weighted and then aggregated to constitute 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 take into consideration the different risk profiles of SIFEM's investment instruments. To determine the risk score of direct investments in FIs, an alternative set of qualitative criteria is applied, which gives more weight to endogenous factors.

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

Figure D



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

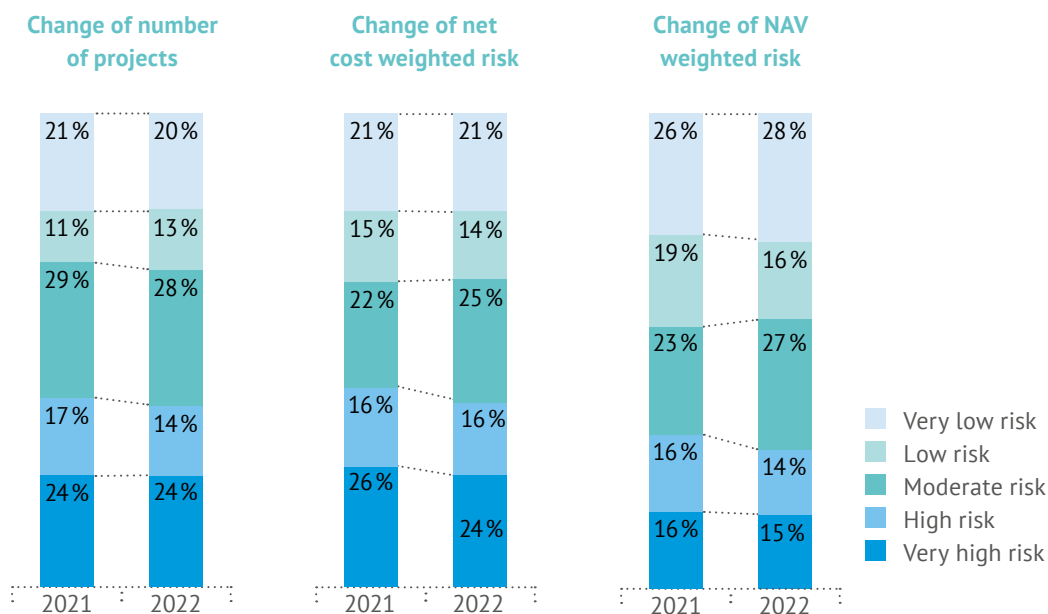
The individual rating of each investment is rescaled into a risk score ranging from 1 (very high risk) to 5 (very low risk). Risk scores of 4 or 5 classify an investment as low risk or even very low risk, respectively, while a risk score of 3 indicates a moderate risk. A risk score of 2, puts an investment on the watch list; this 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 up and implemented.

5. SIFEM PORTFOLIO RISK RATINGS OVERVIEW 2022

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). While measuring risk exposure weighted by cost of investment represents a historic perspective, the assessment of risk exposure using the residual value is a more forward-looking approach, since it determines the amount of remaining value that is at risk of being lost in the future.

When measuring the exposure to each risk category by weighting each investment by its NAV, the largest concentration falls within 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 the original cost of investment, thereby losing relative weight in the total residual value of the SIFEM portfolio. Consequently, in 2022, the risk of the NAV weighted portfolio has slightly decreased. The risk profile, meanwhile, has not changed noticeably and remains largely balanced.

FIGURE E: CHANGE IN NUMBER OF PROJECTS, CHANGE OF NET COST WEIGHTED RISK, AND CHANGE OF NAV WEIGHTED RISK OF SIFEM PORTFOLIO PER RISK CATEGORY AS OF DECEMBER 2022



When differentiating between the asset classes in which SIFEM invests, it becomes clear that the ongoing balancing of the portfolio between debt and equity instruments contributes to a reduction of total portfolio risk. As shown in Figure F, debt instruments have a lower risk profile, which partially offsets the higher risk born by equity investments.

FIGURE F: NUMBER OF SIFEM INVESTMENTS PER RISK CATEGORY AND INSTRUMENT AS OF DECEMBER 2022

Projects per risk category	Private Equity Funds		Debt Instruments		Direct Debt Investments	
Very low risk	13	19%	7	50%		
Low risk	5	7%	2	14%	6	38%
Moderate risk	16	23%	5	36%	7	44%
High risk	12	17%			2	13%
Very high risk	23	33%			1	6%

Note: The percentages in the table have been rounded and therefore may not add up to 100 per cent.

An even more granular view on the risk allocation within the portfolio can be attained by again applying the different weighting approaches (cost vs. NAV), differentiating by type of financing instrument. Figure G below shows that the private equity funds exhibit a concentration in the very high risk category when measured by investment cost. However, when measured by residual value, the largest share of SIFEM's private equity portfolio falls into the high-risk and moderate-risk categories.

The debt instruments such as debt funds and other pooled debt vehicles show a very different picture: here, most investments can be considered to be 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 a degree of diversification, which typically makes them less risky than direct debt transactions.

Only if a debt instrument is provisioned, e.g. is moved to stage 2 or 3 under the IFRS 9 accounting standard, a change in risk category allocation occurs and a significant change in the NAV weighted risk could be observed. 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 substantially lowered, there is also less value at risk for future losses with respect to that particular investment.

FIGURE G: PROJECTS, NET COST AND NAV OF THE SIFEM PORTFOLIO AS A PERCENTAGE PER RISK CATEGORY AS OF DECEMBER 2022

Private Equity Funds	PROJECTS	COST	NAV
Very low risk	19%	21%	30%
Low risk	7%	8%	9%
Moderate risk	23%	16%	18%
High risk	17%	20%	20%
Very high risk	33%	35%	23%
Debt instruments			
Very low risk	50%	58%	60%
Low risk	14%	14%	14%
Moderate risk	36%	28%	26%
High risk			
Very high risk			
Direct Debt			
Very low risk			
Low risk	38%	32%	39%
Moderate risk	44%	52%	58%
High risk	13%	13%	3%
Very high risk	6%	3%	0%

Note: The percentages in the table have been rounded and therefore may not add up to 100 per cent.

Not surprisingly, the average risk rating of SIFEM's direct debt transactions lies between the risk rating of the private equity funds and that of pooled debt instruments with a concentration in the moderate risk category. Overall, the lower risk of debt instruments contributes to a decrease in SIFEM's average portfolio risk, regardless of the weighting approach applied.

Typically, the movements between risk categories is not significant, as most investments move by only one or two categories up or down at a time. As shown in the risk matrix below (Figure H), there were 22 projects that changed their risk category during the year 2022, out of which 9 suffered a deterioration and 13 an improvement.

During the year, four projects moved from the high-risk to the very high risk category, while three projects that were previously classified as moderate risk are now in the high risk. One project moved from low risk to the moderate risk category and one from the very low risk to the low risk category.

On the other side, one project moved from very high risk to the high risk category, two projects previously rated at high risk were moving to the moderate risk category. One project from the very high risk and two from the moderate risk category to the low risk category. One project previously staged at low is now considered as very low risk.

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

		2021					Total	Total %	
		1 Very high risk	2 High risk	3 Moderate risk	4 Low risk	5 Very low risk			
2022	Number of Projects	New Projects							
		1 Very high risk	0	20	4	0	0	0	24
	2 High risk	0	1	10	3	0	0	14	14%
	3 Moderate risk	4	0	2	21	1	0	28	28%
	4 Low risk	1	1	0	2	8	1	13	13%
	5 Very low risk	0	0	0	0	1	19	20	20%

GLOSSARY

Custodian

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

Private Equity Fund

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

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 of developing countries.

Reflows

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

European Development Finance Institutions (EDFI)

The association of 15 European based, bilateral Development Finance Institutions whereby SIFEM is a member.

Legacy Position

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

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.

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.

International Financial Reporting Standards (IFRS)

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

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.

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.

Net income

In SIFEM's IFRS financial statements, 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.

Obviam

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

Operating Result

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

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.

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.

Current income investments

Investments which regularly pay out fixed or variable amounts of interest or dividends.

LIST OF ABBREVIATIONS

AG	Swiss public limited company (Aktiengesellschaft)	No.	Number
Art.	Article	NPV	Net present value
CDC	British DFI	OCI	Other comprehensive income
CEE	Central and Eastern Europe	OECD	Organisation for Economic Co-operation and Development
CGDF	Corporate Governance Development Framework	PD	Probability of default
CHF	Swiss Franc	PE	Private equity
CNY	Chinese Yuan Renminbi	PEF	Private equity fund
CIS	Commonwealth of Independent States	SCO	Swiss Code of Obligations
DE	Development Effectiveness/Effects	SDC	Swiss Agency for Development and Cooperation
DEG	German DFI	SDGs	Sustainable Development Goals
DFI	Development Finance Institution	SECO	Swiss State Secretariat for Economic Affairs
EAD	Exposure at default	SIFEM	Swiss Investment Fund for Emerging Markets
EC	European Commission	SME	Small and medium-sized enterprise
ECL	Expected credit loss	SNB	Swiss National Bank
EDFI	European Development Finance Institutions	SR	Classified Compilation of Swiss Federal Legislation
E&S	Environmental and Social	SSA	Sub-Saharan Africa
ESG	Environmental, social and governance	SSPI	Solely payment of principal and interest
EU	European Union	TA	Technical assistance
EUR	Euro	TVPI	Total value over paid-in capital
FDFA	Federal Department of Foreign Affairs	UN	United Nations
FI	Financial institution	USD	United States Dollar
FMO	Dutch DFI	WTO	World Trade Organisation
FVOCI	Fair value through other comprehensive income	ZAR	South African Rand
FVTPL	Fair value through profit or loss		
GDP	Gross domestic product		
GPR	Corporate policy project rating tool (developed by DEG)		
IATI	International Aid Transparency Initiative		
ICS	Internal Control System		
ICT	Information and communication technology		
IFC	International Finance Corporation		
IFI	International Financial Institution		
IFRS	International Financial Reporting Standards		
ILO	International Labour Organisation		
IPEV	International Private Equity Valuation Guidelines		
IRR	Internal Rate of Return		
m	Million		
LATAM	Latin America		
LDC	Least developed countries		
LGD	Loss given default		
LIC	Lower income countries		
MENA	Middle East and North Africa		
MFI	Microfinance institution		
MSME	Micro small and medium-sized enterprise		
NAV	Net asset value		



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