SIFEM

Swiss Investment Fund
for Emerging Markets

Business & Financial Report 2023

www.sifem.ch

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2023 Financial Highlights and Key Figures

Operational highlights are presented in USD, the functional (base) currency in which SIFEM's accounts are held. The Financial Statements are translated into the presentation currency CHF for reporting purposes. Annual result and balance sheet figures per IFRS account; investment portfolio valuation based on rolled-forward data as of 30 September 2023.

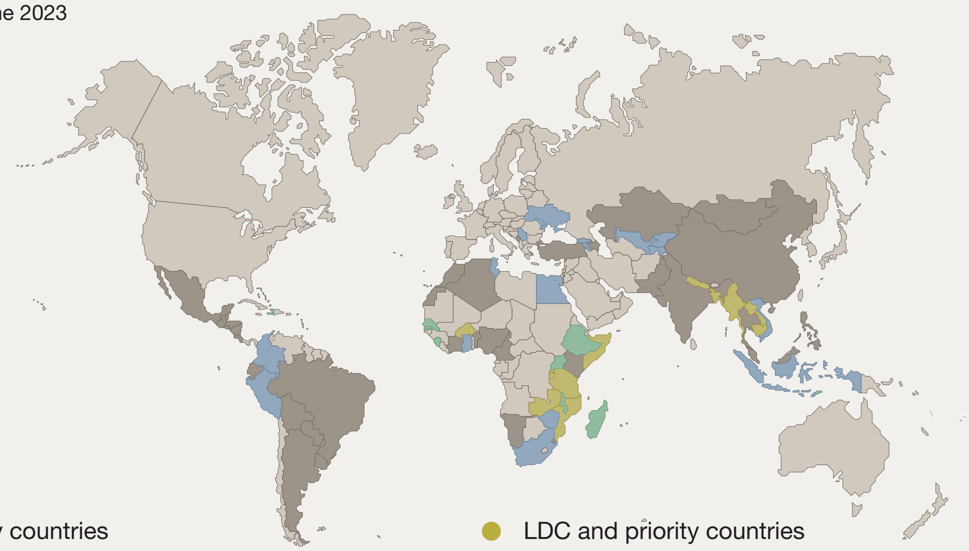
Operational Highlights (in USD millions)	2023	2022
Investment portfolio		
Total commitments made to date	1 437.7	1 286.2
Active commitments	1 002.4	913.8
New investment commitments	143.8	95.0
Uncalled commitments	286.7	242.3
Cash flows		
Cumulative paid-in capital to date	1 138.3	1 059.2
Cumulative reflows received to date	931.9	835.3
Paid-in capital during the period	79.1	87.4
Reflows from investments during the period	96.6	62.6
Net cash-flow during the period	+17.4	-24.8
Investment portfolio valuation		
Residual value	453.5	451.2
Internal Rate of Return (%)	5.23%	5.31%
Total Value over Paid-in (%)	121.7%	121.5%
Financial Statement Highlights (in CHF millions)	**2023**	**2022**
Annual Results		
Investment profit/-loss	23.5	-1.3
Operating result	13.1	-13.1
Balance sheet		
Balance sheet total	682.6	712.8
Cash and cash equivalents	275.1	268.5
Financial assets	391.2	435.2
Shareholder's equity	656.9	688.3
Equity ratio (%)	96.2%	96.5%

2023 at a Glance

Fig. 1

SIFEM portfolio by geography

as of 30 June 2023



- Priority countries
- LDC (least developed countries)
- LDC and priority countries
- Other countries

Fig. 2

Instruments*

by volume of investment commitment

- Private equity funds: **63%**
- Current income funds: **16%**
- Other financial intermediaries: **12%**
- Microfinance investments: **7%**
- Infrastructure funds: **3%**

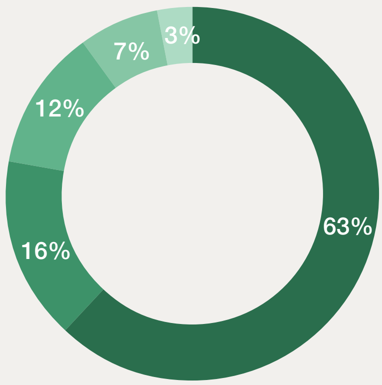
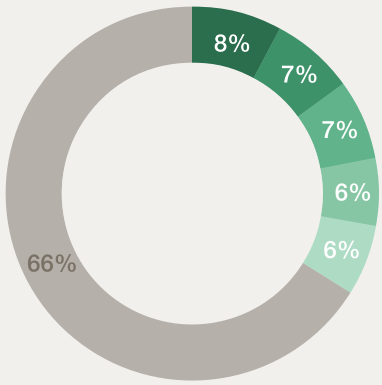


Fig. 3

Top 5 Countries

by invested capital

- India: **8%**
- Kenya: **7%**
- Vietnam: **7%**
- Cambodia: **6%**
- Peru: **6%**
- Other countries: **66%**



* Totals may not add up to 100% due to rounding.

2023 Annual Review

Jörg Frieden
Chairman of the Board
of Directors

Message from the Chairman

The growing geopolitical instability keeps affecting the social and economic development of many low-income countries and frontier markets. This uncertainty not only diminishes the flow of international investments to these regions but also raises concerns about leaving behind the most vulnerable people, particularly in Africa.

The confluence of high interest rates and lucrative investment opportunities in advanced economies has made private investments in emerging economies less attractive. Consequently, the fundraising environment for funds with high development impact has become difficult, underscoring the continued relevance of Development Finance Institutions like ours. Indeed SIFEM, in response to these challenges, actively participated in several first closings of new investment funds and provided steadfast support to long-term and new partners active in emerging markets.

In the organizational domain, SIFEM underwent a successful transition to a new structure, whereby portfolio management and business services management have been entrusted to two different private companies. This change has ensured enhanced effectiveness and better governance. The positive reception of the SIFEM law by the Swiss parliament has validated this new setup and the results achieved so far. The new legislation also creates opportunities for growth, promoting the expansion of SIFEM's activities in the least developed countries with backing from the Swiss Agency for Development and Cooperation. The mobilization of private capital for development remains nevertheless a central and challenging mandate for our organization.

SIFEM will continue to be part of the development strategy of the Swiss Confederation and will contribute to it with its resources and competencies. It will promote synergies between its investments and the deployment of well-established instruments of development cooperation. SIFEM already contributed to the Swiss engagement in Ukraine and is also ready to expand its activities in this country as part of an internationally coordinated reconstruction program.

SIFEM looks forward to continuing its multiple engagements on these solid foundations, grateful for the trust and the support demonstrated by public and private partners.

Message from the Portfolio Manager

The year 2023 was particularly challenging for emerging market growth. Global investors exerted more caution, leading to difficult access to capital, limited liquidity and decreasing private capital flows into the target regions of SIFEM.

SIFEM is implementing the investment strategy defined by the Federal council with a focus on private sector growth in developing and emerging markets, the promotion and retention of decent jobs, and a meaningful contribution to addressing the climate challenge. On an operational level, and in close collaboration with the Board, we completed the most ambitious annual investment program in SIFEM's history with new commitments into eight funds, and two loans to financial institutions of a total of USD 143.8 million. As a result, SIFEM reached a milestone in 2023 with total active capital commitments exceeding USD one billion for the first time.

One of the highlights of this year's program with focus on job creation has been the commitment of USD 10 million to African Rivers Fund IV. This is a fund providing growth capital to small- and medium sized businesses mainly in the form of debt and mezzanine investments in the frontier markets Democratic Republic of Congo, Uganda, Angola and Zambia. Capital is particularly scarce in this region.

A highlight of our climate oriented strategy was the commitment of USD 20 million to the South Asia Growth Fund III. This fund focuses on private equity investments which address the climate mitigation and adaptation challenge through a broad range of business models, including energy efficiency, green value chains, water and the green buildings. The Fund Manager's Mumbai-based team focused on India, but also plans to invest in Indonesia, Vietnam and the Philippines.

SIFEM itself has undergone significant change in the past year, with responsAbility entrusted with the role of portfolio manager from 1 March 2023. We plan to contribute our full range of experience of over 20 years of impact investing in emerging markets to the success of SIFEM.

An intense period of handover and transition activities has taken place. We would like to express our gratitude for the very effective and trustful collaboration to the entire Board of SIFEM, our colleagues at the business services manager Tameo, and the representatives of SIFEM's shareholder at SECO and EFV.

Michael Fiebig
Head of Private Equity & Funds, Member of Executive Management
Mandate Lead Portfolio Management for SIFEM

Ralph Keitel
Head of Fund of Funds Investments, Chief Investment Officer for SIFEM

Severin Fries
Head of Finance and Operations Fund of Funds, Chief Financial Officer for SIFEM

responsAbility Investment AG, acting as Portfolio Manager to SIFEM

Vincent Dufresne
Mandate Lead Business Services Management for SIFEM

Tameo Impact Fund Solutions SA,
acting as Business Services Manager to SIFEM

Message from the business services manager

This year marked Tameo's first full year serving as the Business Services Manager for SIFEM.

Our dedicated team has contributed to advancing SIFEM's organizational structure, governance, and commitment to sustainability. We have diligently worked on revising internal policies and procedures to seamlessly integrate with the new governance framework.

To achieve its strategic objectives of addressing climate change and promoting a just transition, we have actively supported the Board in formulating a comprehensive climate approach for SIFEM. This approach not only reaffirms SIFEM's commitment to the Paris Agreement but also provides a framework for investing in climate solutions. Importantly, this strategy is crafted in full alignment with the priorities set by the Confederation.

Furthermore, our team has been proud to represent SIFEM and play an active role in various working groups of EDFI, the European Association of Development Finance Institutions. As a committed member, SIFEM actively contributes to driving innovation and harmonization in impact industry standards. The collaboration with other Development Finance Institutions (DFIs) underscores SIFEM's shared commitment to advancing the DFIs activities and promoting sustainable development globally.

We extend our sincere thanks to the Board for entrusting Tameo with the responsibility to serve as Business Services Manager and express gratitude to the entire responsAbility team for their dedication and collaborative efforts. Together, we have contributed to SIFEM transforming its organization and achieving unprecedented results, and we eagerly anticipate another year of fruitful collaboration and success.

1 Strategy and Impact

1.1 SIFEM's mission et 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 debt and equity 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, among others, the following strategic objectives for the period 2021-24[1]:

- 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’s investments contribute to the resilience of these countries and strengthens investee 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 investing in strategies that advance the economic empowerment of women.
- SIFEM takes measures to limit the negative impact of the COVID-19 crisis on the financial ratios and impact results and to strive to preserve the value of the portfolio.

In reaching 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 finance that cannot be obtained from private capital markets (local or international) at reasonable terms or quantities and for similar developmental purposes without official support.

1 https://sifem.ch/permalinks/sifem-so-2021-24-en

- **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, 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 such all its 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 regarding environmental, social, and governance (ESG) standards. SIFEM aims at maximizing the development impact of its investments. While all investments must be economically viable and contribute to economic development, within its overall portfolio, 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).

Fig. 4
SIFEM's Theory of Change

SIFEM's Development Outcomes and their links to the SDGs

Long-term development impact
Resilient economies, inclusive & low-carbon growth, poverty reduction & reduction in inequalities

Core Outcomes

1 Economic Viability & Resilience
Financial intermediaries supported by SIFEM's investments are expected to be financially viable, to comply with ESG standards—including compliance with all local laws and regulations—and be "Paris-aligned".

2 Economic Opportunities & Decent Jobs
SMEs and other fast-growing private companies are provided with increased access to long-term capital and financing through the financial intermediaries supported by SIFEM. Increased access to finance unleashes business growth opportunities and supports the maintenance and creation of decent jobs.

Outcomes

3 Social Inclusion
Underserved individuals (especially women), entrepreneurs and businesses are provided with increased access to essential goods & services and to financial services (financial inclusion), including through innovative approaches and business models, thereby contributing to the long-term reduction of inequalities and access gaps.

4 Climate Change Mitigation & Adaption
The provision of long-term capital to businesses contributes to transformative climate outcomes (e.g. acceleration of the energy transition, decarbonisation of production processes, adaptation/resilience projects), in line with the Paris Agreement on climate change.

The result measurement framework used by SIFEM is composed of three different levels: First, an internal rating tool (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.

In 2023, the Board mandated the Portfolio Manager to develop a new Impact Rating Tool (IRT), which will be used to support decision-making in future strategic periods. The tool is currently under development and testing and will replace the GPR from 2025. Among the key changes are the inclusion of climate indicators and a differentiated assessment approach by sectors.

The main development highlights as well as a specific thematic analysis are published annually in a separate Impact Report, based on data from the previous year. The latest 2023 edition[2] provides an overview of the development impacts, including SIFEM's alignment to the Paris Agreement and contribution to climate change mitigation and adaptation. In this regard, SIFEM defined its Climate Approach in 2023 and seeks to invest and mobilize funds for climate change mitigation and adaptation, but always within its priority to support economic resilience in developing markets, thereby facilitating a 'Just Transition'.

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

2 https://sifem.ch/permalinks/impact-reports

Fig. 5

Development impacts

Employment	**Creating more jobs with decent working conditions** SIFEM promotes economic growth and the creation of formal jobs by providing long-term financing to SMEs and other fast-growing companies. Jobs can boost living standards by reducing food insecurity, improving health and wellbeing, and helping to build social cohesion.
Gender	**Creating economic opportunities for women** SIFEM promotes gender equality and equal opportunities, including through jobs. 42% of investments made in 2021-2023 were in line with the 2X Global Initiative, which promotes gender-smart investing.
Access to Finance & Financial Inclusion	**Providing access to financial services & products** SIFEM facilitates access to finance for SMEs and fosters financial inclusion which allows them to invest in their businesses, manage their income and create a financial safety net.
Climate Change Mitigation & Adaptation	**Accelerating the energy transition** SIFEM fosters access to clean energy and more efficient energy & resources management solutions. It is committed to addressing the urgent need for climate action and supporting inclusive, low-carbon economic growth and sustainable development in emerging markets. Since 2021, and in line with its strategic objectives, SIFEM is allocating at least 25% of new investments to advance climate mitigation and adaptation, and aligning all new investments with the objectives of the Paris Agreement.
Domestic Revenue & Private Investment Mobilisation	**Broadening the local tax base** SIFEM's investees and their underlying investees comply with tax regulations and pay taxes where they conduct business. **Reducing the financing gap** SIFEM leverages further private investment for Development

"SIFEM's impact objectives are in line with Switzerland's International Cooperation Strategy 2021-24. SIFEM supports the private sector in developing countries, promoting economic growth and sustainable development.

In 2023, SIFEM demonstrated its strong commitment as a climate investor through four investments in funds that aim to address climate change, both in terms of mitigation and adaptation.

SIFEM's investment team also provides extensive support to our investees on ESG issues. This includes involvement in the ESG sub-committees and various contributions through Environmental and Social Action Plans (ESAPs). These ESAPs are explicitly designed to improve the ESG performance of the investments.

Since SIFEM joined the 2X Challenge in October 2019, all investments have been assessed against these 2X criteria. Following this routine, responsAbility engaged with each of the potential fund managers and financial institutions and provided the SIFEM Investment Committee with an assessment of the status of eligibility/qualification for the 2X Challenge, in addition to the ESG review."

Angela de Wolff, Chairwoman of the Performance & Impact Committee

1.3 Performance against operationalized 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 year 2023 marks the third year of implementation of the 2021-24 strategic objectives assigned to SIFEM by the Federal Council. SIFEM appears to be "on track" to deliver on this 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 be the end of the strategic period, while it is still too early to tell on the status of the other targets.

The performance results against the operationalized objectives for the 2021-24 period after three years are presented in Annex 1 of this report.

1.4 SIFEM's Engagement in Industry Initiatives

SIFEM engages actively with other DFIs and international financial institutions (IFIs) and contributes to strengthening cooperation and synergies amongst these institutions. The main channel through which SIFEM collaborates with DFIs is the Association of European Development Finance Institutions (EDFI), an association of fifteen European bilateral institutions operating in emerging markets and developing economies. EDFI strives to strengthen the exchange of information and cooperation among its members and other bilateral, multilateral, and regional DFIs. As a member of EDFI, SIFEM is actively participating in many of its initiatives. In 2023, SIFEM participated in various EDFI meetings and working groups on topics related to development effectiveness, environmental and social risks, and alignment to the Paris Agreement, among others.

SIFEM also aligns its practices with industry initiatives to work towards greater harmonization and transparency in the impact investing industry. The main standards to which SIFEM aligns are the Harmonized Indicators for Private Sector Operations (HIPSO), the IRIS Catalogue of Metrics (IRIS) developed by the Global Impact Investing Network (GIIN), and the Joint Impact Indicators (JII). Finally, in 2019, SIFEM joined 2X Global, an initiative to mobilize capital to further gender equality worldwide. SIFEM actively seeks investment opportunities that strengthen the role of women and participates to 2X Global meetings.

For more information on these initiatives, please refer to the SIFEM Impact Report 2023[3].

3 https://sifem.ch/permalinks/impact-report-2023

2 Corporate Governance

2.1 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 a limited company (Aktiengesellschaft, AG) formed under the Swiss Code of Obligations (SCO), SIFEM is subject to Swiss commercial law. It is 100% owned by the Swiss Confederation and shareholder rights are exercised by the Federal council. Acting on behalf of the shareholder, the State Secretariat for Economic Affairs (SECO) together with the Federal Finance Administration (FFA) assume supervisory and controlling functions ensuring that investments are fully in line with their remit and that federal funds are used purposefully.

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. As such, it cannot pay dividends to its shareholder. However, since 1 July 2012 SIFEM is subject to stamp duties despite its developmental mandate.

Following a decision by the Federal Council in 2021, the existence of SIFEM, as an autonomous entity of the decentralized administration of the Confederation must be based on a dedicated "SIFEM law". As with other federal entities which have become autonomous, the bill creates a legal basis in the form of a specific organizational law. It 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 in continuity from the previous provisions.

On 4 December 2023, the National Council approved the SIFEM bill with 191 yes votes and nil opposition. The Council of States will deliberate again on the original bill in its 2024 spring session and if the bill is passed, it is expected that the law will enter into force in 2025.

2.2 Corporate structure

The Board of SIFEM is responsible for the executive management, including, in particular, the investment decision making. In accordance with its Organisational Regulations, the Board structure includes three committees: the Investment Committee, the Audit Committee and the Performance and Impact Committee.

Investment and divestment decisions are delegated to the Investment Committee. The Audit Committee validates the valuations of SIFEM portfolio investments, reviews SIFEM's financial statements and related matters, liaises with the auditor and proposes annual financial statements for approval. The Performance and Impact Committee is empowered with the monitoring of the strategic and annual objectives, the ESG and Impact methodologies, the compliance and the promotion of standards and good governance practices. SIFEM has no operative employees, except for a part-time Board Secretary, and the Board delegates part of its operational functions to third-party service providers, such as the Portfolio Manager, the Business Services Manager, the Administration and Custodian bank and the Financial accountant.

The year 2023 was marked by a successful transition. As a reminder, in 2021, SIFEM had decided to revise and strengthen its corporate structure, namely by separating the investment portfolio management and operations from the business services management and to delegate these activities to two separate third-party service providers under two separate management agreements. These two roles are performed by the Portfolio Manager and Business Services Manager respectively, with clear and separated responsibilities.

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 Portfolio Manager sources, identifies, advises and recommends on investment opportunities, conducts the investment cycle management, monitoring and reporting, performs the business and strategic planning, financial, transaction, liquidity, development impact and ESG, and risk management, as well as other day-to-day operations.
- The Business Services Manager performs policy-related activities in support of the Board. It is responsible for representative functions, administrative functions, the financial management of the Board's administrative expenses, external reporting, compliance with Swiss laws, communication functions and support the Board in its strategic, planning and oversight roles.

The Board of Directors is supported by the Business Services Manager in its supervisory function.

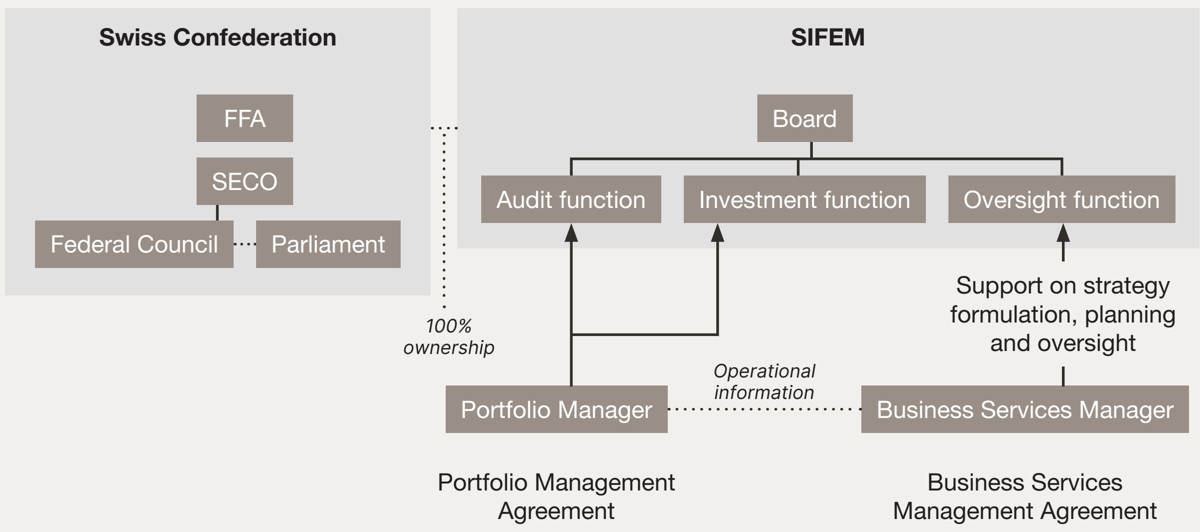
To implement this new organization, SIFEM launched two separate procurement tenders for each of the services in the second half of 2021. It awarded the investment portfolio management mandate to responsAbility Investments AG (responsAbility), a Zurich-based investment management company specialized in emerging markets, in the first quarter of 2022. This decision was appealed under public law by two unsuccessful applicants. Since the court decision whether the appeal had a suspensive effect was outstanding, the situation made it necessary to enter into an interim portfolio management agreement with the then portfolio manager, Obviam AG, effective from 1 September 2022 to 28 February 2023 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 Portfolio Manager. The latter took over its duties on 1 March 2023.

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 invited selected consultants to participate in a direct award procedure in accordance with the applicable Swiss public procurement legislation. 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.

The corporate structure of SIFEM is consistent with the latest principles of the corporate governance report of the Federal Administration.

Fig. 6

SIFEM Corporate Structure and Governance



2.3 Governance and policy actions

2.3.1 The Board of Directors

During 2023, and particularly in the first quarter, the Board of Directors focused on the transition of the portfolio management from Obviam to responsAbility. It worked closely with the new Portfolio Manager to ensure an efficient integration and a resumption of investments as soon as possible. This successful process resulted in the new investment team proposing its first investment to the Investment Committee on 25 April 2023 and signing its first commitment on 30 June 2023.

In May 2023, two esteemed members of its Board, Susanne Grossmann and Julia Balandina Jaquier, concluded their maximum term of service after 12 years. Since SIFEM's inception, both have made invaluable contributions to SIFEM's establishment, playing a key role in the development of its strategy and the deployment of an investment portfolio of almost one billion USD. Their vast experience and expertise have been essential in positioning SIFEM as a reliable and committed partner in the DFI world, and in fulfilling SIFEM's mission to foster sustainable economic development and create positive change in society and the environment. They were followed by the new Board members Laurie J. Spengler and Pascal Pierra, two highly accomplished professionals with remarkable track records in impact and development finance. At the same time, Kathryn Imboden was appointed Vice-Chairwoman of the Board of Directors.

"Looking ahead, at the upcoming General Assembly, Geoff Burns will step down from the Board of Directors after 11 years of dedicated work for SIFEM. He has been member of the Investment Committee and the Chairperson of SIFEM's Audit Committee. Geoff brought his large experience and invaluable expertise to SIFEM, combining a deep technical knowledge of the investment activities and the concern for their impact. The Board of Directors thanks Geoff for his sustained dedication to SIFEM that contributed to a successful series of investments in emerging economies."

Jörg Frieden, Chairman of the Board of Directors

From left to right, front row: Kathryn Imboden, Geoff Burns, Angela de Wolff, Pascal Pierra. From left to right, back row: Dominique Biedermann, Jörg Frieden, Laurie J. Spengler.

2.3.2 Short Biographies of Board Members

Dr Jörg Frieden

Chairman of the Board of Directors 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 country director in Mozambique, senior advisor for the Swiss Executive Director at World Bank in Washington, and as Head of the Eastern and Southern Africa Division 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, and closely followed the activities of the International Finance Corporation (IFC). He was then Swiss Ambassador to Nepal until 2018. Jörg Frieden is presently a board member and international delegate of Helvetas, an NGO working in the field of development cooperation and active in different foundations oriented towards development.

Kathryn Imboden

Vice-Chairwoman of the Board of Directors since 2023, Member of the Investment Committee since 2014

Kathryn Imboden is the Vice-Chairwoman of SIFEM. Alongside her active involvement in the SIFEM Board, she served for 15 years as a Senior Financial Sector Specialist at 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 focused on the engagement of global standard-setting bodies in financial inclusion. In earlier years, she spent 20 years with the Swiss Agency for Development and Cooperation (SDC), where she led SDC's macroeconomic and financial sector work. Between the time at SDC and at the World Bank, she held financial sector policy related positions at Women's World Banking, United Nations Capital Development Fund, and the Aga Khan Foundation.

Geoff Burns

Member of the Investment Committee since 2014, Member of the Audit Committee since 2014, Chairman of the Audit Committee since 2022.

Geoff Burns has over 40 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).

Angela de Wolff

Member of the Investment Committee from 2017 to 2022, Chairwoman 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

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.

Laurie J. Spengler

Member of the Investment Committee since 2023

Laurie J. Spengler is an impact investment banker, board member and active contributor to the impact investing industry. Among current board engagements, Laurie serves as a non-executive director of British International Investment, Lendable, and BRAC Uganda Bank Limited. She is an Impact Advisor to the Future Fund of private equity firm EQT and a founding partner of Mondiale Impact which puts impact at the heart of 21st century governance. Laurie serves as Global Ambassador to the Global Steering Group on Impact Investing and is a member of the Advisory Council of the UK Impact Investing. She is also CEO of Courageous Capital Advisors, LLC, an impact investing advisory firm dedicated to generating outsized positive impact by providing targeted strategy, transaction and governance services. Laurie has a JD from Harvard University and an undergraduate degree from Stanford University.

Pascal Pierra

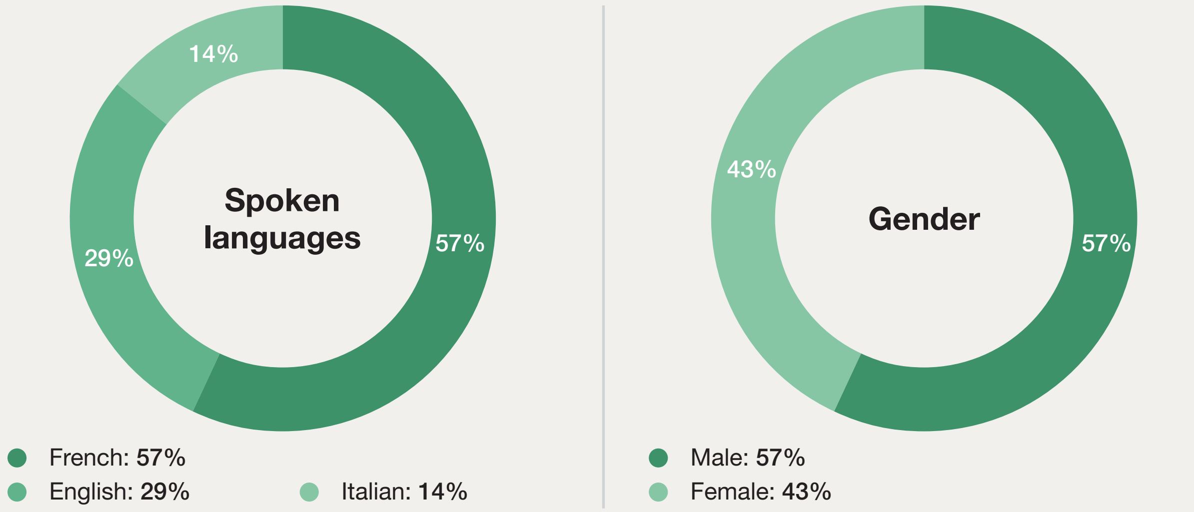
Member of the Investment Committee and the Audit Committee since 2023

Pascal Pierra has been making and advising on impact, innovative and emerging markets investments for over 30 years with a particular focus on funds of funds and venture capital vehicles. He worked for and advised a variety of public and private institutions such as Fidelity Investments, Banque Paribas, Seventure Partners and several DFIs and launched various projects (Averroes Finance, Proparco’s private equity department). He also supported the launch and development of numerous investment managers on the ground. He sits on several Investment Committees and Boards with the aim to create synergies and build global value.

Fig. 7

Board composition with regards to language and gender

as of 31 December 2023



2.3.3 The Board Committees

Board members are assigned to the following committees:

Tab. 1

	Investment Committee	Audit Committee	Performance & Impact Committee
Jörg Frieden	Chair		Member
Kathryn Imboden	Member		
Geoff Burns	Member	Chair	
Angela de Wolff			Chair
Dominique Biedermann			Member
Laurie J. Spengler	Member		
Pascal Pierra	Member	Member	

Investment Committee

In 2023, SIFEM's Investment Committee held ten formal meetings to review investment proposals presented by the Portfolio Managers Obviam and responsAbility. Concept approval was granted for ten new proposals, allowing the Portfolio Manager to conduct complete due diligence on these deals and to submit most of them to the Investment Committee for final approval. One new proposal was not granted concept approval. Ten proposals were submitted following due diligence and all of them received final approval from the Investment Committee. Nine of the ten approvals were executed by the investment team before year end, while one investment was executed based on an approval during the previous year. For further details on the transactions closed during the year, see Section 3.1. The remaining approved deal is planned for signing in 2024.

Audit Committee

The Audit Committee (AC) held five meetings in 2023 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 shall approve SIFEM's 2023 financial statements, after a thorough review process to assess the fair market value valuation of the investment portfolio, taking into account the latest development in the different markets and in the general macroeconomic and political environment.

In addition, the AC lead an open tender procedure for the renewal of SIFEM external auditor's mandate according to the law on public procurement. Evaluation of the bids received will take place in January 2024, and the award decision will be made by the Board in the first quarter of 2024.

Performance and Impact Committee

The Performance and Impact Committee (PIC) was created in 2022 and held three meetings in 2023. Main working areas were the preparation and coordination of the revised Impact Rating Tool to assess ex-ante and ex-post the impact of SIFEM investments. The committee also reviewed the SIFEM's annual Impact Report and recommend it for approval by the Board. Furthermore, the PIC prepared various recommendations to the Board of directors with regards to the assessment of the annual objectives of the Portfolio Manager and the Business Services Manager and to the deployment of the Climate strategy of SIFEM. Lastly, the committee started working on objective suggestions for the next strategic period (2025-28).

2.3.4 Management of conflicts of interest

SIFEM has a comprehensive conflict of interest policy in place, which sets out how actual, potential or perceived conflicts of interest are to be identified, investigated, addressed and managed.

The members of the Board are subject to procedures to avoid any action, position or interest that conflicts with an interest of SIFEM or gives the appearance of a conflict. Each member must disclose immediately any conflict of interest relating to a matter to be discussed at a Board level or in one of its committees, or as a representative of SIFEM. The conflicted member must refrain from participating in the discussion and decision-making involving the interest at stake and such announcement is recorded in the minutes.

In addition, SIFEM maintains a register of conflicts of interest that documents how these were investigated and addressed to prevent any negative incidence on the operations or decisions of SIFEM.

In accordance with the Ordinance on the Organization of the Government and the Administration (RVOV), the members of the Board also make an annual declaration of interests directly to the shareholder via SECO. The declared interests are made public on a dedicated page of the Federal Council (available at https://www.admin.ch/ch/d/cf/ko/Gremien_interessenbindung_10240.html) The same process applies before the nomination of new Board members.

SIFEM has also drafted a policy on gifts and courtesies, which is in the process of being approved.

In addition to the Board members, the Board secretary, the Portfolio Manager and the Business Services Manager are also subject to the conflict of interest policy and the policy on gifts and courtesies.

2.4 Compensation Report

2.4.1 Compensation of the Board of Directors

In 2023, the annual gross compensation for the entire Board amounted to CHF 353 411 (2022: CHF 331 014), excluding social security contributions.

The Chairman of the Board received a total gross compensation of CHF 80 000 in 2023 (2022: CHF 54 000). This consists of a base compensation of CHF 56 000 for his role as Chairman of the Board and CHF 24 000 for his role as Chairman of the Investment Committee. This increase in the compensation is explained by an increased time dedicated to this mandate.

Excluding the Chairman, the other six Board Members received on average CHF 45 568 gross compensation (2022: CHF 46 169), including compensation for work in Board sub-committees.

2.4.2 Compensation of the Managers

Management fees are paid to the Portfolio Manager and to the Business Services Manager for the services they rendered according to their respective SLAs.

Compensation of the Portfolio Manager

For the period from 1 January to 28 February 2023, the compensation of the exiting Portfolio Manager, Obviam, was determined by an Interim Portfolio Management Agreement dated 1 July 2022. It was based on a fixed monthly fee agreed upon for the services to be provided. The 2023 compensation of Obviam under this agreement amounted to CHF 1.34 million (including VAT).

For the period from 1 March to 31 December 2023, the compensation of the new Portfolio Manager, responsAbility, was determined by the Portfolio Management Agreement dated 4 November 2022. It comprises a management fee corresponding to 0.65% of the active commitments. In 2023, the management fee of responsAbility amounted to CHF 6.21 million (including VAT).

In addition, the Portfolio Manager is entitled to a Performance Bonus corresponding to 6% of the management fee. One third of the performance bonus (the “Immediate Bonus”) is paid annually to the Portfolio Manager in its totality or partially, depending on the results achieved in the previous year in pursuing the annual objectives set by the Board and at the Board’s full discretion. Two thirds of the Performance Bonus (the “Retained Bonus”) are transferred to a blocked account. At the end of a strategic period, the Board will transfer, at its full discretion, all or part of the amount to the Portfolio Manager, depending on the performance of the Portfolio Manager in achieving the multi-year strategic objectives set by the Federal Council. In 2023, the accruals for the Immediate Bonus amounted to CHF 0.12 million and the accrual for the Retained Bonus amounted to CHF 0.25 million (both including VAT).

Compensation of the Business Services Manager

Under the terms of the Business Services Management Agreement dated 18 August 2022, Tameo is compensated for the actual costs incurred, within a budget which is annually approved in advance by the Board. The business services management costs (including VAT and representation expenses) paid for the financial year 2023 amounted to CHF 0.94 million (2022, from September: CHF 0.26 million).

2.4.3 Net operating expenses and cost efficiency

Net operating expenses comprises operating costs less transaction related expenses[6], namely the compensation of the Board, the compensation of the Portfolio Manager(s), the compensation of the Business Services Manager, the compensation of the administration and custodian agent, the compensation of the accounting firm, VAT and other administrative expenses.

In 2023, the net operating expenses amounted to CHF 10.3 million (2022: 11.7 million). This corresponds to 1.22% (2022: 1.38%) of the total active commitments as of December 2023, below the ceiling of 1.5% defined by the Federal council.

6 As stated in the financial statements, an item “other operating result” is part of the operating costs. It 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 booked as other operating expenses.

"Over the last year the organization continued to lay the groundwork to support SIFEM's ambitions and to be able to deliver success in the future. Indeed, SIFEM's corporate governance has been further strengthened in 2023. Since the successful onboarding of Tameo as the new Business Services Manager in September 2022 and responsAbility as the new Portfolio Manager in March 2023, SIFEM operates in a new set-up: the portfolio management function is separated from the business service management function, which supports the Board in its oversight role. This set-up ensures good governance, efficient and effective operations, and leverages existing expertise, experiences and track records. The Board looks forward to working with the new partners over the coming years."

Dominique Biedermann, Member of the Performance & Impact committee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3 Investment Portfolio[7]

3.1 2023 Investments

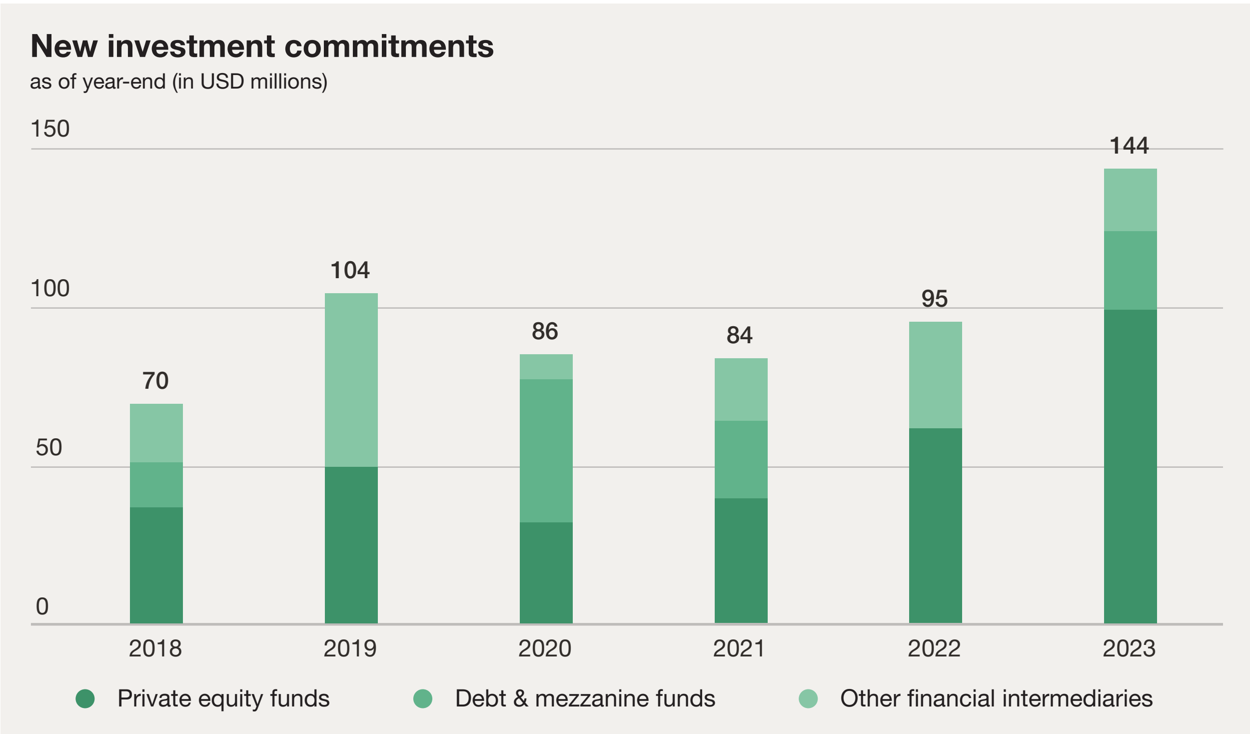
This year was marked by the continuation of the rise in interest rates in the United States and Europe which had begun in 2022, and a further reduction of capital flows to emerging markets. As a result, SIFEM's target fund managers faced increasing difficulties to raise funds or to successfully close their capital raisings.

In this challenging environment, SIFEM's investment activities were successful in 2023, as SIFEM entered into new commitments with 10 investees and clients for a total of USD 143.8 million, an unprecedented volume since inception, which illustrates the counter-cyclical investor role of SIFEM in line with its financial additionality objective. This is noteworthy as 2023 was a year of transition, with the new Portfolio Manager only taking up its responsibilities on 1 March 2023 and therefore delivering this investment program in only ten months of being operationally in charge.

The new Portfolio Manager has demonstrated the ability of sourcing high quality transactions in the quantity and scale requires by drawing on its extensive networks in target markets.

In 2023, 70% of the commitments were made with private equity funds (six funds), 17% to debt or mezzanine funds (two funds) and 13% as loans to two financial institutions. Most of the commitments were made to Africa (52%). The priority countries of the Swiss International Cooperation were targeted for 86% of the commitments, while 28% reach LDCs and 49% of SIFEM's committed investments are targeting climate mitigation and adaptation.

Fig. 8



The annual average new commitments since 2018 have increased from USD 88 million to USD 97 million thanks to the very successful year 2023. The higher investment volume in 2023 was enabled by relatively high reflows from particularly successful investment realisations in 2021 and a reduced pace of investment activity in 2022, as well as the overall increasing level of inflows, signalling further recovering since COVID-19.

7 Note: All numbers related to the investment portfolio are presented in SIFEM's functional currency USD.

3.1.1 New portfolio positions 2023

The new 2023 portfolio commitments are detailed hereafter.

ACBA Bank, EUR 8 million
Financial Institutions, Armenia, Debt

Investment Rationale
ACBA Bank is the fourth largest commercial bank in Armenia. Through its deep rural roots and its long history of providing financial services to farmers and agri-business, it reaches financially excluded populations.

Development Rationale
The investment is complementary to the Swiss Cooperation program in the country. Almost 70% of Armenia's employment is related to SMEs. Filling their financing gap especially in rural, financially underserved regions, helps SMEs to grow and create more jobs.

Darby Latin America Fund IV, USD 15 million
Funds, Eastern Europe & CIS, Private Equity Fund

Investment Rationale
The climate focused, current income fund provides long-term senior secured loans to mid- cap companies primarily in Colombia, Peru, Ecuador, and Brazil. The fund contributes to job creation and climate mitigation in some of SIFEM's priority countries. As a first close investor, SIFEM is a catalytic investor for the fund to reach its target size and directly mobilizes additional private and public capital. Furthermore, it provides continued support to an existing partner with a solid track-record.

Development Rationale
As mid-cap enterprises in Latin America continue to have great difficulty accessing credit, the fund helps to close a financing gap and contributes to economic growth and resilience. The fund's primary impact focus is on climate: it contributes to the availability of affordable and reliable energy services and increased capacity of grid-installed renewable energy.

African River Fund, USD 10 million
Funds, Sub-Saharan Africa, Private Equity Fund

Investment Rationale
The fund addresses a funding gap for SMEs and provides business advisory and technical assistance thereby contributing to economic growth and resilience, the creation of decent jobs, inclusion of women and capital market development. As a first-close investor, SIFEM helps to mobilize capital in an underserved region for several priority countries and LDCs.

Development Rationale
While frontier markets in Sub-Saharan Africa are growing rapidly, SMEs have no or very limited access to private capital and face a significant funding gap. Still they contribute to 70% of permanent employment. The fund not only provides growth capital but also business expertise across ESG, HR, financial operations and upskilling.

Adenia Capital V, USD 15 million
Funds, Pan-Africa, Private Equity Fund

Investment Rationale
The pan-African private equity fund focuses on investing in mid-sized companies, aiming to enhance job quality, foster gender diversity, and adhere to ESG standards and climate goals. The fund's theory of change tackles the creation and preservation of quality jobs and the adoption of rigorous ESG criteria by the businesses to ensure climate friendly production. Therewith it will contribute to SIFEM's main objectives. The fund manager has proven in the past to deliver on those goals. With this commitment, SIFEM supports a long-term partner with an excellent track record alongside other DFIs such as IFC, Proparco, FMO, DEG, EIB, Norfund, DFC, Findev Canada as well as some private investors.

Development Rationale
Characterized by a young population and a low productivity level, for most African markets creation of quality jobs and improving efficiencies is essential to strengthen the local economies and help low income people improve their living situation. That's exactly the focus area of the fund's theory of change. At the same time, the fund contributes to climate targets, as the African private sector needs to rapidly adopt the best practices in sustainability and embrace opportunities to build business that leapfrog carbon intensive production methods.

Alcazar Energy Partners II, USD 15 million
Funds, Middle East & North Africa, Central Asia, Balkans, Private Equity Fund

Investment Rationale
The Alcazar Energy Partners II focuses on investing in utility-scale renewable energy infrastructure projects across North Africa, Levant, Turkey, CIS countries, and the West Balkans. The fund primarily invests in Solar PV and onshore Wind Farms, constituting at least 75% of its invested capital. It targets projects ranging from 50MW up to 500MW, with deal sizes between USD 20-75 million. The fund primarily supports the contribution of essential goods (access to reliable & clean energy) and contributes to climate mitigation but also to job creation in priority countries of the Swiss international cooperation. SIFEM invests alongside other DFIs/MDBs such as EIB, EBRD, IFC, DFC, AIIB, FMO, Proparco, KfW, and private sector investors such as EMCAF (sponsored by EIB and Allianz), a Swiss Insurer.

Development Rationale
The target region's energy mix is still mainly driven by fossil fuels by over three quarters in 2021. Providing financing to RE projects will decrease the countries' reliance on imported fossil fuels and reduce GHG emissions. RE construction will play an important role in job creation, especially for lower-skilled segments. Furthermore, increased electricity supply is known to have "enabling effects" for job creation throughout the economy, allowing entrepreneurs and enterprises to start and grow businesses more easily.

Metier Capital Growth Fund III, USD 15 million
Fund, Sub-Saharan Africa, Private Equity Fund

Investment Rationale
The Metier Capital Growth Fund III (MCGF III) is a pan-African private equity fund with a target size of USD 200 million. The fund focuses on investing in local and regional mid-market companies in Sub-Saharan Africa (SSA), particularly in countries such as South Africa, Kenya, Mozambique, Uganda, Nigeria, and Ghana. The fund invests with a generalist approach, spanning various sectors such as healthcare, education, agriculture, and technology. MCGF III will contribute to SIFEM Outcomes 1 and 2 by investing growth capital in support of entrepreneurial teams and platform build-ups that create businesses of scale, define new markets, support local job creation, and elevate sustainability standards. With this investment, SIFEM supports an existing partner with a strong track record alongside other DFIs (IFC, FMO, Proparco, DEG, BIO, OeEB, Finnfund) and some private investors.

Development Rationale
The impact thesis for MCGF III focuses on improving access to finance for businesses and capital markets, mobilizing private finance for development that has measurable impact on economic growth and job creation in SSA, and supporting the institutionalization of local and regional businesses.

Evolution III, USD 20 million
Fund, South Africa, Private Equity Fund

Investment Rationale
The fund invests in renewable energy infrastructure and in growth-companies in the fields of energy efficiency, water treatment, agricultural value chain or other environmental projects. The fund directly addresses solutions to climate change mitigation and adaptation in Subsaharan Africa, a region where the energy gap is still huge and private capital scarce. The manager has a proven track record and is a long-term partner to SIFEM. SIFEM invests alongside other DFIs/MDBs (FMO, Finnfund, Swedfund, ADB, EIB).

Development Rationale
The fund addresses the growing need for more clean energy on the contintent: still over 40% of the population has no access to electricity, and urbanisation and growing economies require more reliable energy. The fund also tackles adaptation measures to climate change and is expected to create new jobs directly and indirectly. The fund manager applies a gender lens.

Global IME Bank, USD 10 million
Financial Institutions, Nepal, Senior Loan

Investment Rationale
The bank provides financial services to farmers and agri-businesses. It operates in a priority and LDC country (Nepal) and reaches underserved communities. The investment can potentially support projects of the Swiss Cooperation program in the country.

Development Rationale
MSMEs and the agriculture sector count for a majority of jobs in Nepal. Providing them with suitable financial services helps them to grow, develop their businesses and create jobs. The bank offers tailored products for women.

SPE PEF III, USD 15 million
Fund, North Africa, Private Equity Fund

Investment Rationale
The fund provides growth capital to SMEs and fast-growing companies with a solid historical operating and financial performance. Through the provision of long-term capital to SMEs the fund helps to fill a severe financing gap. It is dedicated to creating more quality jobs in a region where over one third of the younger population is unemployed. The fund manager has proven in the past to deliver on this goal. With this commitment, SIFEM supports a long-term partner with an excellent track record alongside other DFIs/MDBs (IFC, BII, EBRD, EIB, FMO, Proparco, DEG, ISDB).

Development Rationale
It is estimated that of Africa's youth aged 15-35, one-third are unemployed and discouraged, and another third are vulnerably employed. As millions of young people join the labour market, the pressure to provide decent jobs will intensify. The fund supports the creation of better jobs and management positions for young employees. Through its hands-on approach, the fund manager is expected to help mobilize additional financing for growth companies. A significant amount of the fund's investment is expected to be allocated to education and healthcare.

South Asia Growth Fund III, USD 20 million
Fund, India, Private Equity Fund

Investment Rationale
The India-focused Private Equity Fund invests in companies that address climate mitigation and climate adaptation through proven business models and recurring revenue profiles. The Fund Manager is an existing client of SIFEM and a model investment partner. Addressing climate impact through private investment in companies brings diversification to SIFEM's other climate investment funds that are focused on asset-based renewable energy projects. The focus on middle-market growth companies also provides better risk-adjusted returns through proven business models and recurring revenues than early-stage energy generation projects. SAGF III supports SIFEM's investment criteria due to its Top-tier Fund Manager, its climate focus and its hands-on strategy and ESG additionality.

Development Rationale
For over a decade, the Fund Manager has been supporting green energy production, energy efficiency businesses, and water/waste management. Throughout its years of activity, the Fund Manager has improved its social contribution to investees, nurturing them for better diversity and equality and promoting best ESG practices.

Kathryn Imboden,
Vice-Chairwoman of the Board of Directors

"2023 was an extraordinary year for SIFEM with continued efforts to reduce poverty and foster sustainable, inclusive, and resilient economies through impactful investments.

In 2023, SIFEM proudly committed USD 144 million to support small- and medium-sized enterprises in developing countries, working through local financial intermediaries.

Despite challenging economic and macropolitical conditions, SIFEM maintained a steadfast focus on key development objectives, including:

- Creating and securing more and better jobs.
- Expanding opportunities for underserved communities.
- Advancing 'just transition' projects for low-carbon economic growth.

SIFEM can be particularly proud of the facts that 86% of the commitments target the priority countries of the Swiss International Cooperation, while 28% reach out to LDCs and 49% of SIFEM's committed investments are targeting climate mitigation and adaptation.

This progress reflects the unwavering support of our valued investees and partners we cooperate with on the ground. We extend our deepest gratitude for being an integral part of SIFEM's journey.

Looking ahead to 2024, SIFEM remains resolutely committed to generating positive economic, social, and environmental impacts. Together, let's strive for another year of unprecedented achievements and collaborative success."

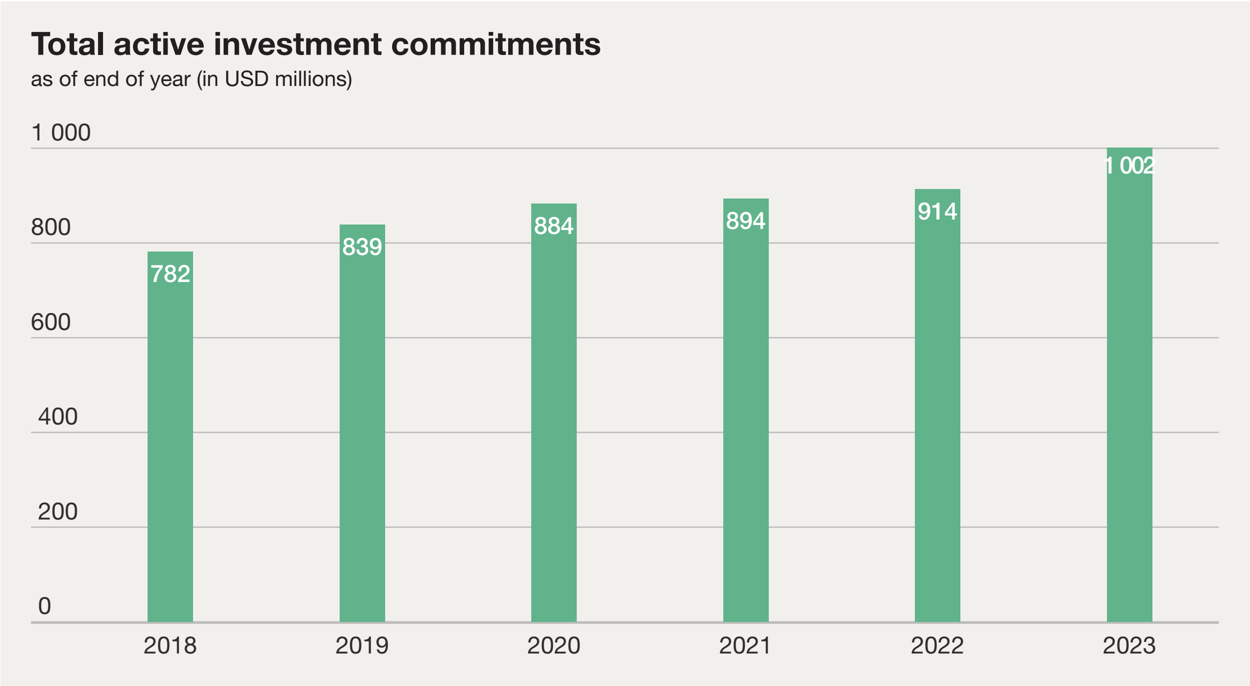
3.2 Evolution of Key Performance Indicators

3.2.1 Active Investment Commitments

SIFEM's portfolio has developed over a period of two decades, with the first investments by SECO dating back to 1997.[8] Since its inception, SIFEM has committed USD 1 437.7 million to 170 projects. The above-average investment year 2023 is also reflected in the growth of the overall investment portfolio. As of 31 December 2023, the total active commitments amounted to USD 1 002.4 million (31 December 2022: USD 913.8 million), exceeding one billion for the first time since inception, and a portfolio of 103 projects.

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

Fig. 9



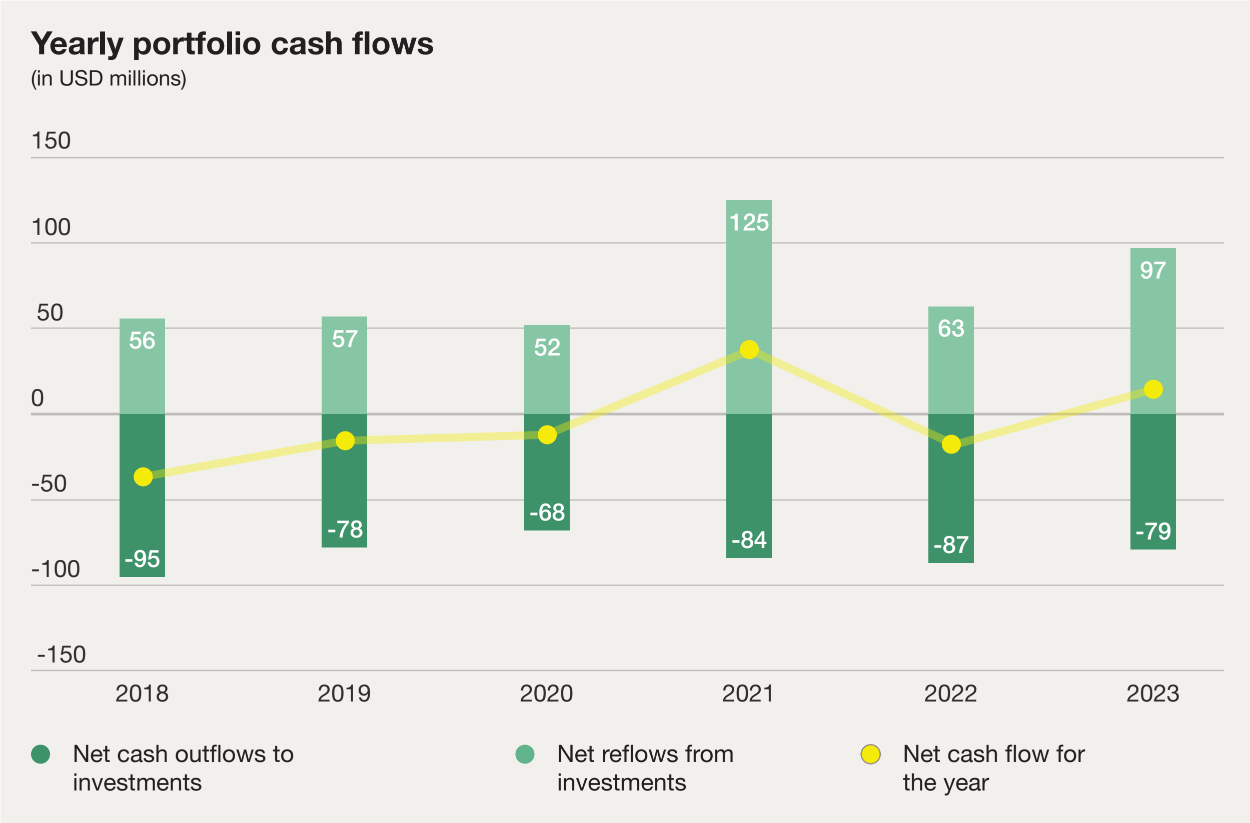
3.2.2 Portfolio Cash-Flows

Since inception, USD 1 138.3 million have flown into the investment portfolio, and the portfolio has generated reflows totalling USD 931.9 million. During the same period, the cumulative net cash outflow amounts to USD 206.4 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.

Over 2023, a total of USD 79.1 million have been drawn down from SIFEM by existing and new investments, which is in line with previous years' level but represents a slight decline compared to the previous year (2022: USD 87.4 million). Reflows from investments amounted to USD 96.6 million during the year, a positive outcome and above expectations at the beginning of the year, which in recent past years had been adjusted downwards due to the COVID-19 pandemic. Among others, this result is partly driven by the early repayment of a direct loan by a Mongolian bank originally due in 2024.

This resulted in a net cash inflow of USD 17.4 million, not an ordinary result in a growing portfolio where returns are reinvested.

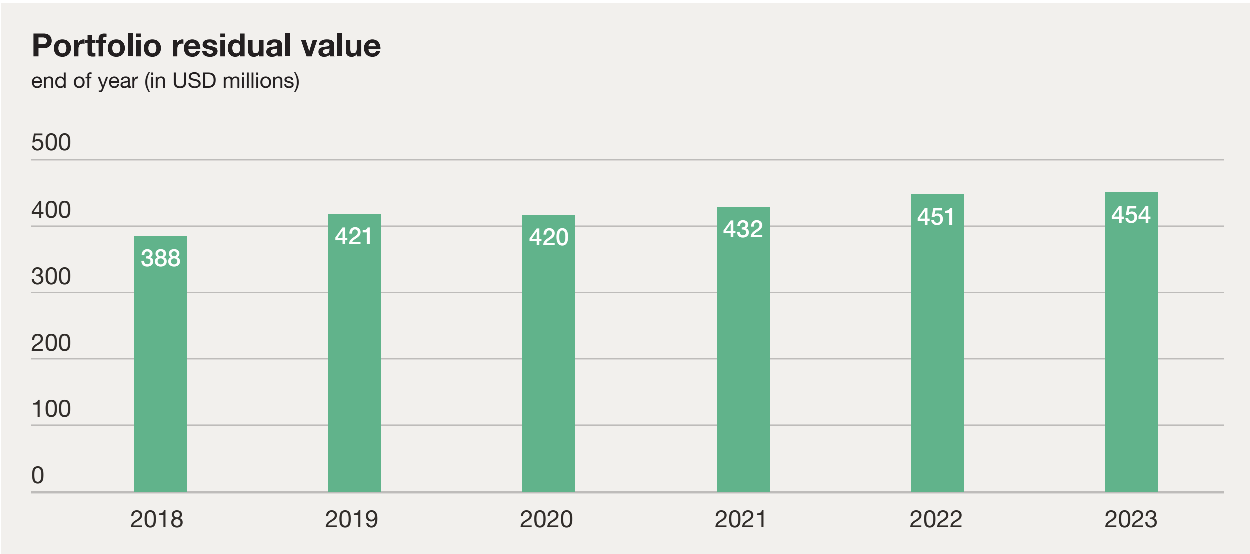
Fig. 10



3.2.3 Portfolio Residual Value[9]

The end of year residual value of the investment portfolio amounted to USD 453.5 million, a net increase of USD 2.4 million or 0.5% compared to previous year. Changes in the portfolio value are driven by (i) fluctuations in the fair market value of the underlying investments, (ii) the inflows and outflows of cash generated by new investments, and (iii) realisations of investments.

Fig. 11



9 2023 financial statements were independently audited by early March 2024, 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, where SIFEM has not received the necessary financial information as of 31 December 2023, the latest available valuations (as of September 2023) were used and rolled forward to the year-end. This methodology was accepted by the auditors and differences are not expected to be material, if any.

Even though the Residual Value remained almost unchanged, it can be noted that the Total Value (i.e. the Residual Value plus any historical reflows) increased slightly year-over-year by the net difference between the above-mentioned reflows and new capital contributions.

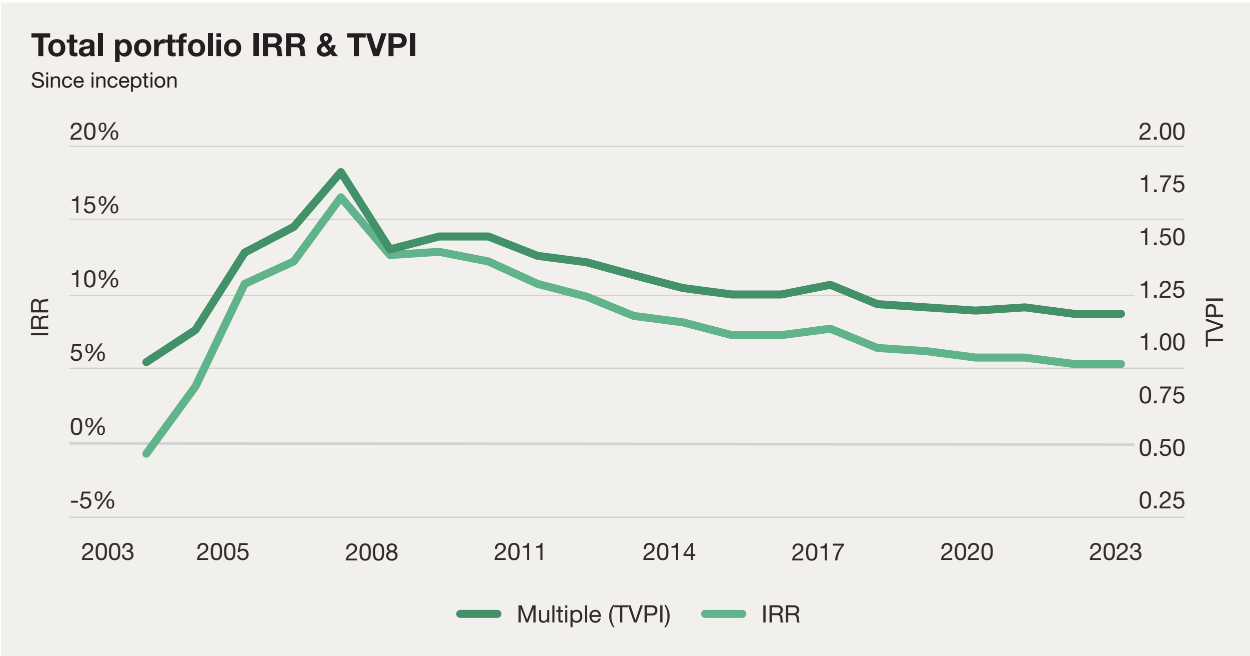
3.2.4 Portfolio Performance

The IRR is a measure to show the historical profitability of investment 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, 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.

As of 31 December 2023, the IRR of the portfolio was 5.23%, a slight decline compared to the previous year (2022: 5.31%). The year-on-year decline observed in 2023 can broadly be explained by the difficult environment in SIFEM's target markets and industries. In addition, in some regions a high degree of illiquidity exists in the private equity market and thus associated time lags in divestments and devaluations.

The TVPI multiple measures performance by relating the total value of a fund, i.e. the residual value plus all historical investment returns, to the total amount paid into the fund to date. As of 31 December 2023, the TVPI was 121.7% and slightly above 2022 levels (121.5%), due to the slight increase of the total value. The reason for the opposite sign (i.e. an increase, rather than decrease in the metric) compared to the IRR is the associated time factor, which influences the calculation of the IRR.

Fig. 12



3.3 Portfolio Construction

Together with the investments added in the course of 2023, the following geographical allocation emerges based on the active commitments as at the end of 2023: Africa 38% (+3%) compared to end of 2022), Asia 33%, Latin America 14% (-4%), CEE & CIS 6% and Global projects account for 9% (+1%).

The portfolio consists primarily of private equity funds investing in growth companies and SMEs 63% (+3% compared to end of 2022), current income funds 16% (+1%), other financial intermediaries such as banks 12% (-2%), microfinance investments 7% (-1%) and infrastructure 3%.

Tab. 2

Portfolio by geography and instrument*

as of end of year (by volume of investment commitment†)

By region	2023	2022
Africa	38%	35%
Asia	33%	33%
Latin America	14%	18%
CEE & CIS	6%	6%
Global	9%	8%
	100%	100%

Instrument	2023	2022
Private equity funds	63%	60%
Current income funds	16%	15%
Other financial instruments	12%	14%
Microfinance investments	7%	8%
Infrastructure funds	3%	3%
	100%	100%

* The CEE & CIS region includes Southern & Eastern European countries as well as the Ukraine.
† Totals may not add up to 100% due to rounding.

Across these different instruments, 21% (-15% compared to end of 2022) of the total portfolio consists of debt instruments held, while the remaining 79% (+15%) consists of equity and quasi-equity instrument holdings in the investee.

The largest country exposure in terms of capital invested was India with 8% (-2% compared to 2022), before Vietnam with 7% (+3%) and Kenya with 7%.

Fig. 13

Largest country exposures by invested capital

as of 30 June 2023 and 2022

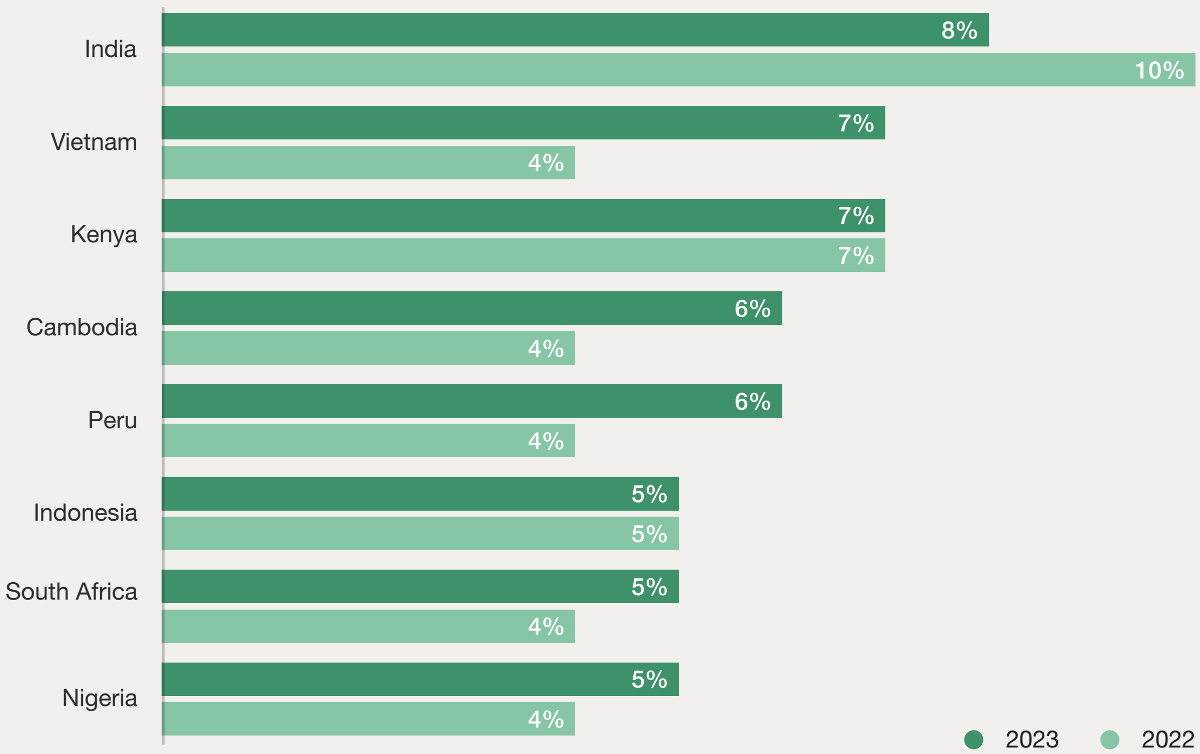
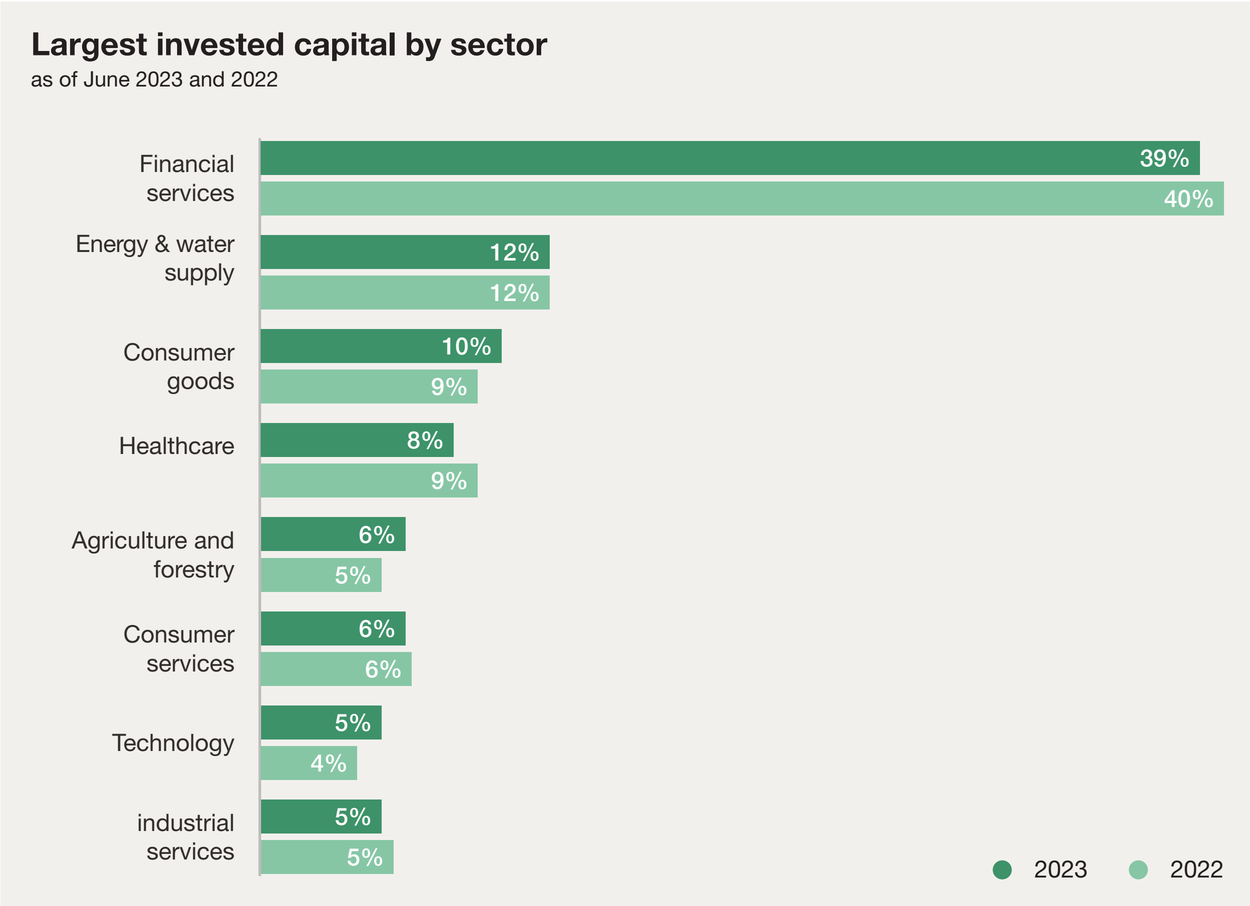


Fig. 14



The eight sectors with the largest investment exposure account for around 90% of the funds invested. Thereof, around 39% (-1% compared to 2022) went to the financial sector and over 170 financial service providers in SIFEM's target markets. A significant proportion of the capital invested is directed to microfinance (i.e. one third of the investment exposure to the financial sector or 13% of the capital invested).

As of 30 June 2023, SIFEM had directly and via funds indirectly invested in around 600 companies in over 75 countries. The eight countries with the largest financial exposures account for 50% of the total capital invested in companies, an increase of 6% compared to 2022.

Refer to annex 7.3 for more information about the investment value chain.

Laurie J. Spengler, Member of the Investment Committee

"SIFEM has built a diverse portfolio and through its fund investments is currently invested in around 600 companies in over 75 countries. The largest exposure is in Africa which increased by 3% in comparison to last year. At the end of the year, SIFEM's total active commitments exceeded USD one billion for the first time since inception. While we are proud of these achievements, we remain very alert to the difficult operating and investment environment in SIFEM's target markets and industries, difficulties that we anticipate will continue during 2024. SIFEM is keen to bring its long-term finance and its development commitment that is so needed in emerging markets during challenging times."

4 Risk Management

4.1 Risk management framework

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.

The Board of Directors is responsible for the risk management of SIFEM. The Company has delegated specific tasks of the day-to-day operations, including the operational risk management, to the Portfolio Manager, responsAbility Investment AG, a FINMA regulated asset manager, in accordance with its Organisational Regulations. Thereby 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 the Portfolio Manager implements the Portfolio Management Agreement, and in particular how risks are identified, mitigated, monitored, and managed. In the context of the changes to the governance structure and the takeover of the mandate in March 2023, the Portfolio Manager was tasked with comprehensively revising the Manual of Procedures, including implementation of a new risk framework.

The potential risks for SIFEM can be divided in two main areas: operational risk and investment or portfolio risk. The monitoring of risk at each level follows specific procedures and processes, as outlined in the Manual of Procedures, applied throughout SIFEM's operations, which ensure that risk is identified and mitigated to the maximum extent possible and that the regulatory requirements are fulfilled.

The delegated Risk Management function of the Portfolio Manager is responsible for performing risk management tasks and reporting to responsAbility's corporate Risk Management as well as to the SIFEM Board on a regular basis. The Portfolio Manager thereby ensures the proper application of the risk management framework, the necessary internal controls outlined by the framework for the collaboration between third parties (service providers to SIFEM) and the involved business services of the Portfolio Manager, as well as within the investment portfolio and business administration management tasks of SIFEM provided by the Portfolio Manager.

4.2 Risk governance

Shareholder/ General Assembly	• Appoints the SIFEM Board • Defines strategic objectives of SIFEM
Board of Directors	• Sets out corporate strategy and implements SIFEM's strategic objectives set by the shareholder • Implements and supervises risk management and Internal Control System (ICS) of SIFEM • Defines the organization of the company, the accounting standards, the financial controlling and the financial planning of the Company • Oversees the activities of the Portfolio Manager, the Business Services Manager as well as other service providers • For certain tasks, the Board of Directors is supported by the Business Services Manager in its supervisory function
Audit Committee	• Makes recommendations to the SIFEM Board • Reviews financial statements, valuations, cash management, internal controls, risk management and budget • Reviews and makes recommendations on audit plans; reviews audit findings and monitors Auditor recommendations • Recommends annual financial statement for approval to the SIFEM Board
Investment Committee	• Takes investment decisions and implements investment strategy in accordance with the strategic objectives set by the shareholder, including management of the investment risk profile, based on origination, assessment and recommendations of the Portfolio Manager
Portfolio Manager	• Develops and, after SIFEM Board approval, implements and maintains risk and operational compliance management and ICS, including Manual of Procedures for all operational activities • Reports regularly and if required to the SIFEM Audit Committee, Board and Auditor on operational and investment risks of SIFEM and the control activities carried out, including specifically all activities relating to the origination, assessment, recommendations and monitoring of individual investments made, as well as the overall SIFEM portfolio and operations management tasks

The three lines of defence for managing the operational and investment risks are as follows:

First line	• The first line of defence consists of the Portfolio Manager's investment team, the Portfolio Manager's impact and ESG team, the Portfolio Manager's transaction management teams, as well as other service providers involved, and mitigates the risks in their areas of responsibility within the scope of the risk framework approved by the Board of Directors.
Second line	• The second line of defence consists of the responsible Risk Management function of the Portfolio Manager, which supports and oversees SIFEM's risk management activities and reports to the executive management of the business line as well as to the corporate risk management function of the Portfolio Manager.
Third line	• The third line of defence consists of the governing bodies of SIFEM, specifically the SIFEM Audit Committee, as well as the respective corporate body of the Portfolio Manager.

A fourth line of defence consists of external audits performed in accordance with regulatory requirements or other requirements arising from the nature of SIFEM's business.

4.3 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 ICS. The Board of Directors and the management, in the case of SIFEM represented by the Portfolio Manager, in a company are required to pay due attention to the quality and documentation of their ICS. The Manual of Procedures and the respective guidelines of the risk framework provide the basis for the ICS of SIFEM. It covers all of the operational processes and controls in depth.

The Portfolio Manager ensures the day-to-day implementation of the ICS, conducts regular controls and analyses risks, and reports the results and mitigation proposals to the SIFEM Board.

4.3.1 Investment Risk Management

The Portfolio Manager's operative tasks include identifying investment opportunities, managing the investment cycle, monitoring and reporting on the investment portfolio, among others. SIFEM's portfolio reflects the Company's developmental mandate, as it consists primarily of investments in countries and projects with a structurally high risk which is why it is essential to have an adequate risk management system to safeguard SIFEM's ability to maintain and expand its investment capabilities. The cornerstones of these efforts, in addition to the management of an inclusive, comprehensive ICS, are proper portfolio, ESG and impact risk management and currency, reserves and liquidity risk management.

4.3.2 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.

SIFEM's performance is measured in USD based on the performance of its investment portfolio. Currency fluctuations affect the performance of the SIFEM portfolio in two ways: firstly, the investee companies of the private equity funds operate in a local currency environment which impacts their performance as the funds themselves are largely denominated in USD and to a certain extent in Euro or South African Rand, and secondly, the non-USD denominated fund currencies - namely Euro and Rand - impact the portfolio performance once they are converted into USD, SIFEM's operating currency. The exchange rate effects of these fund investments are not recognised separately in the annual financial statements, as they are recognised directly at the level of the valuations of the invested funds.

The euro portfolio represents the second largest currency position on the balance sheet. To counteract the effects of currency fluctuations between the US Dollar and the Euro, the Board of Directors decided to hedge SIFEM's Euro risk by concluding FX forward contracts equal to SIFEM's total euro exposure (consisting of euro-denominated debt securities, cash holdings in the treasury and estimated cash holdings in the underlying euro private equity funds). Besides of this, no currency reserves are held in South African Rand.

4.3.3 Portfolio Risk Management

The investment cycle management by the Portfolio Manager includes the identification, evaluation, selection and recommendation of investment opportunities for SIFEM, as well as the monitoring of SIFEM's investments. At each of these stages, the Portfolio Manager applies specific tools and follows pre-defined procedures and in compliance with the various applicable policies and guidelines. Violations of applicable policies or guidelines are reported to the SIFEM Board, together with proposed actions to rectify the situation.

Alongside a multi-stage investment process, during which the key risk indicators for an investment are identified and systematically addressed by the SIFEM Investment Committee, the Portfolio Manager conducts a thorough due diligence process - whenever possible on site - which includes screening of fund or client management, governance, infrastructure, deal flow, market conditions, investment specific risks, business plan, among others.

4.3.4 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.

ESG risk is addressed and ratings are assigned to all prospective investments prior to investment decisions. Assessment of the quality of ESG management in SIFEM investments is also made. 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 systematically. Watch lists are periodically generated to track and monitor risks. The ESG risk profile of SIFEM's entire portfolio is generated annually.

4.4 Portfolio risk monitoring system

Furthermore, as part of the risk framework, the Portfolio Manager employs an internal portfolio risk monitoring system to assess each investment at least annually which allows to compare and consolidate the risk score of a portfolio encompassing multiple asset classes and investment instruments, namely: equity and debt investments to private equity and private debt funds, direct loans to financial intermediaries, and others. The risk monitoring system was developed and implemented by the Portfolio Manager in due course of 2023 and is under continuous refinement and subject to regular review by the Board.

The risk scoring system is based on the assessment of qualitative and quantitative indicators. The risk score of an investment or counterparty results from the sum product of the weighted, aggregated sub-factors (i.e. funds or other structured products, 11 qualitative and quantitative indicators), for other financial intermediaries (FI, e.g. bank, MFI, etc., 8 qualitative and quantitative indicators). To account for the investment instrument specific risks or the performance adjustment factors are or may be applied on the calculated risk score, namely for,

- Private equity funds: performance risk indicators of investments (already executed)
- Debt or mezzanine funds: investment instrument risk and seniority of the underlying portfolio
- Other financial intermediaries or direct investments: investment instrument seniority risk, currency and/or interest rate risks

Tab. 3

Overview of risk indicators

<table>
<tr><th>Risk score of PE fund investments</th><th>Risk score debt fund investments</th><th colspan="2">Risk score FI Investments</th></tr>
<tr><td rowspan="6">PE fund performance adjustment</td><td rowspan="3">Debt funds investment instrument adjustment</td><td colspan="2" rowspan="2">FI investment instrument adjustment</td></tr>
<tr></tr>
<tr><td colspan="2" rowspan="2">FI currency risk adjustment</td></tr>
<tr><td rowspan="3">Debt funds underlying instrument adjustment</td></tr>
<tr><td colspan="2" rowspan="2">FI interest rate risk adjustment</td></tr>
<tr></tr>
<tr><td>Basic risk score fund investments</td><td>100.0%</td><td>Basic risk score FI investments</td><td>100.0%</td></tr>
<tr><td>Fund operation risk</td><td>30.0%</td><td>FI operational risk</td><td>32.5%</td></tr>
<tr><td>Fund specific risk</td><td>25.0%</td><td>FI financial risk</td><td>32.5%</td></tr>
<tr><td>Market & infrastructure risk</td><td>32.5%</td><td>Market & infrastructure risk</td><td>30.0%</td></tr>
<tr><td>E&S risk</td><td>12.5%</td><td>E&S risk</td><td>5.0%</td></tr>
</table>

4.4.1 Portfolio risk profile 31 December 2023

The Portfolio Manager conducted a first time analysis of SIFEM's portfolio in the second half of 2023 and evaluated the results. The risk monitoring system and the results of this first analysis were presented to the SIFEM Board of Directors and approved. The data set was reprocessed in December 2023 - completed with the year-end results.

As of December 2023, the risk distribution of the SIFEM portfolio in terms of investments, as determined by the new Portfolio Manager's risk monitoring system, is as follows for each risk category. Exposures are reported according to active commitments (COMM), net outstanding cost (COST) and fair market value (FMV).

Tab. 4

SIFEM portfolio risk profile

as of December 2023

	Number of SIFEM investments by risk category					
SIFEM portfolio	No.	COMM	COST	FMV	TVPI	DPI
Very low risk	7	5%	5%	7%	1.56	1.06
Low risk	24	29%	25%	29%	1.27	0.56
Moderate risk	43	43%	36%	40%	1.15	0.52
High risk	20	17%	27%	22%	0.89	0.38
Very high risk	10	6%	8%	2%	0.59	0.45

The most significant concentration of investments is generally classified as "moderate risk" (i.e. 40% of the SIFEM portfolio). Most of the investments in this category are performing as expected or are simply too early to show a significant deviation from their initial risk assessment (which is usually "moderate risk").

The vast majority (by number) of projects in the higher risk categories are either not performing as expected or have a risk score affected by higher macroeconomic and market risk arising from SIFEM's development mandate. This is reflected also in the TVPI, illustrating very clearly a deterioration of the underlying market value of such investments. Investments in the low or very low risk categories are mainly projects that exceed the expected performance.

The overall picture does not change if the investments are weighted by their net asset value. However, it becomes apparent that the weighted risk for investments that fall short of expectations is relatively lower. This is not surprising, as high-risk projects are generally discounted more heavily or have lost value in the past compared to the original investment costs.

Differentiating among the asset classes in which SIFEM invests, reveals how the importance of the continuous asset class balancing between debt and equity instruments, as part of the overall portfolio risk reduction. As illustrated in Tab. 5 below, debt fund investments offer a significant lower risk profile, which suggests that the higher risk of equity investments can be partially mitigated.

The application of the different weighting approaches (net cost vs. fair market value), differentiated by type of investment instrument, provides an in-depth look at the risk allocation within the portfolio. Fund investments overall exhibit an increased concentration in the medium risk categories. However, the assessed risk of debt and mezzanine funds is significantly lower than that of private equity funds, where a trend towards "higher risk" is recognisable.

Tab. 5

Portfolio risk profile by investment instrument

as of December 2023

Private equity funds

	No.	COMM	COST	FMV	PF FMV	TVPI	DPI
Very low risk	6	6%	7%	10%	7%	1.62	1.00
Low risk	17	28%	25%	29%	20%	1.32	0.55
Moderate risk	29	43%	36%	40%	28%	1.14	0.48
High risk	15	18%	26%	19%	13%	0.74	0.20
Very high risk	7	4%	7%	2%	2%	0.44	0.19

Debt funds

	No.	COMM	COST	FMV	PF FMV	TVPI	DPI
Very low risk	1	8%	0%	0%	0%	1.34	1.32
Low risk	7	60%	69%	69%	9%	1.17	0.56
Moderate risk	6	32%	32%	31%	4%	1.06	0.38
High risk	0	0%	0%	0%	0%	-	-
Very high risk	0	0%	0%	0%	0%	-	-

FI Investments

	No.	COMM	COST	FMV	PF FMV	TVPI	DPI
Very low risk	0	0%	0%	0%	0%	-	-
Low risk	0	0%	0%	0%	0%	-	-
Moderate risk	8	50%	39%	50%	9%	1.20	0.67
High risk	5	32%	46%	48%	8%	1.10	0.63
Very high risk	3	18%	15%	2%	0%	0.73	0.68

The picture is very different for debt instruments such as debt funds and other pooled debt instruments: the risk concentration here tends to lower risk. Such vehicles provide a lower level of underlying investment risk, as the exposure consists of debt or subordinated debt instruments that are senior to equity investments. Furthermore, pooled vehicles offer a degree of diversification, which generally makes them less risky than direct debt transactions.

The portfolio risk score shows a high correlation with the credit risk of a direct debt investment. Moreover, an increase in credit risk usually also results in a downgrading of the security and an increase in impairment according to accounting standards. This emphasises the forward-looking nature of the FMV approach: a risky investment resulted in a loss for SIFEM, but as its value has fallen, there is also less value at risk for future losses in relation to this particular investment.

The risk rating of SIFEM's direct debt transactions typically lies between the risk rating of the private equity funds and that of pooled debt instruments with a concentration in the moderate risk category. The increased risk for debt instruments is mainly due to one singe debt investment, where the economic outlook had deteriorated towards year end 2023. However, no default had been recorded (a repayment was received in December) and no event had been registered to downgrade the instrument, and consequently no impairment had been applied. The fair market value-weighted risk is considered accordingly and caused a material shift from moderate to high risk in the direct debt portfolio, provided the relatively small sample. This result demonstrates the sensitivity of the portfolio risk scoring system with regards to forward-looking market and financial risk indicators. Nevertheless, overall, the lower risk of debt instruments contributes to a decrease in SIFEM's average portfolio risk, regardless of the weighting approach applied.

Pascal Pierra, Member of the Audit Committee

> "In 2023, with the strong implication and contribution of all parties involved, SIFEM has capitalized on the transition to build a new and stable architecture regarding its Risk Management. The new Portfolio Manager has comprehensively revised risk procedures and implemented a new risk framework with clear guidelines on how risks are identified, mitigated, monitored and managed. A thorough analysis has also been performed on the different asset classes of the portfolio and target allocations and guidelines are being implemented to ensure the best possible mix of risk, returns and impacts. The Board is confident that the new Risk Governance in place is capable of managing traditional financial risks and, particularly important for SIFEM, also ESG and reputational risks and is grateful for the various valuable contributions."

5 Financial Results

5.1 Comments on 2023 results

Although portfolio performance and the financial accounts are measured and recorded in USD for the reasons mentioned above, the financial statements are translated and disclosed in CHF for presentation purposes.

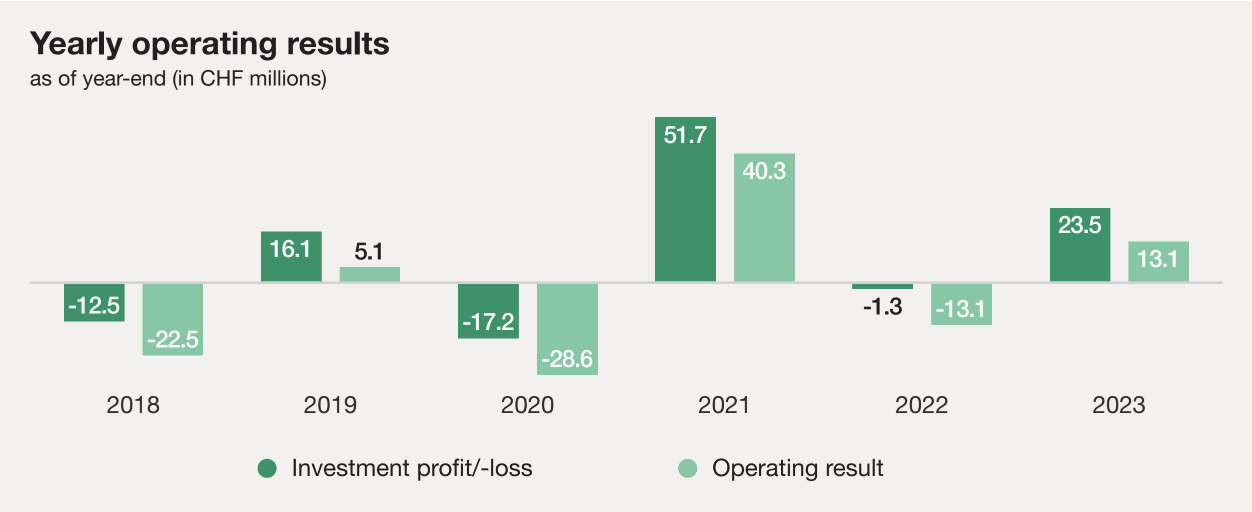
Uncertainty in the global macroeconomic and geopolitical situation has a continued impact on investment portfolio development and the financial result by end of 2023. In addition, interest rates have continued to rise in the first half of the year. The continued economic slowdown has also been reflected in the value of the SIFEM portfolio and the financial result as per end of 2023. The fair market value of the outstanding portfolio decreased by CHF 10.2 million. However, SIFEM was able to achieve successful divestments. Profits realised from exits of equity investments amounted to CHF 16.9 million for the year.

In addition, interest income on loans totalled CHF 9.5 million and nearly offset the devaluation of the portfolio's residual value. The total interest income amounted to CHF 22.6 million, including interest payments of over CHF 13.1 million on the reserves for new investments, most of which are held in a deposit at the Swiss National Bank.

Thus, SIFEM booked a net gain from investment activities of CHF 23.5 million, or a return on total assets of 6% for the year 2023. This compares to a net loss from investment activities of CHF 1.3 million in the previous year (or -0.3% return on assets).

Total operating costs and other operating expenses[10] amounted to CHF 10.4 million versus CHF 11.8 million in the previous year. This results in a net operating gain of CHF 13.1 million compared to a net operating loss of CHF 13.1 million in 2022. 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 total profit of the year is only marginally different from the operating gain at CHF 13.1 million.

Fig. 15



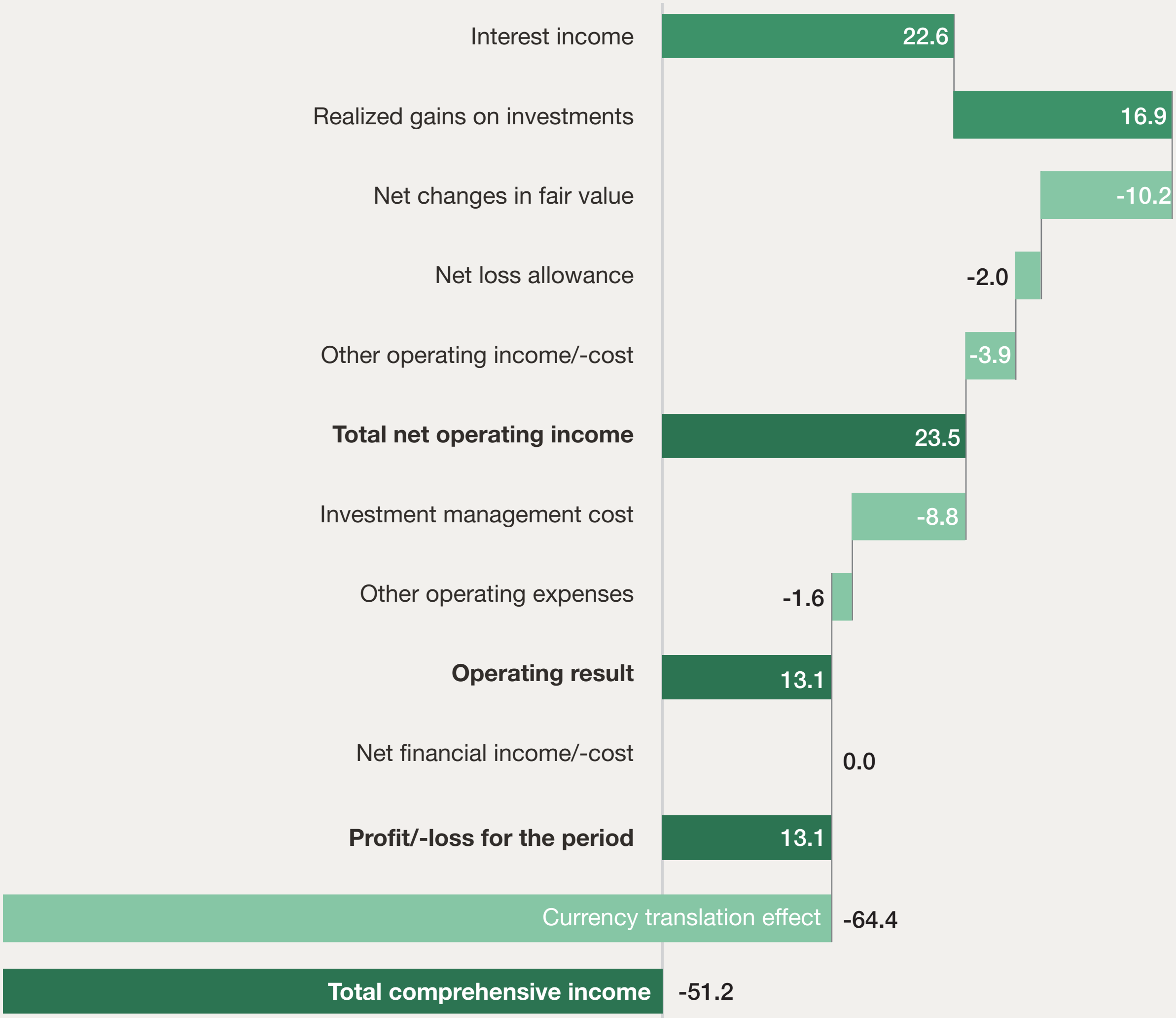
Taking into account the translation effects from the conversion of SIFEM's functional currency USD to the presentation currency CHF (amounting to CHF 64.4 million), a total comprehensive loss in of CHF 51.2 million is resulting. The reason for the high conversion effect lies in the significant appreciation of the Swiss Franc against the US Dollar over the course of the year. It should be noted, however, that this is a pure translation effect, which does neither reflect the actual operational nor the actual financial performance of SIFEM.

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

SIFEM holds substantial amounts of cash for covering its unfunded commitments totalling CHF 241.3 million at the end of 2023. These unfunded commitments do not exceed cash holdings of CHF 275.1 million and remained 4.0% below reserves (2022: 5.2% under cash holdings)[11]. Hence, SIFEM is not over-committed at year-end.

Fig. 16

Breakdown of total comprehensive profit and loss 2023
(in CHF millions)



5.2 Notes on results under IFRS accounting

Since more than 87% 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.

11 For the purpose of countercyclical deployment, the Federal Council has authorised SIFEM to enter into investment commitments not covered by cash reserves up to a maximum of 15% of the total active investment commitments. By end of 2023, the ceiling set by the Board for overcommitment was 6%.

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 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 profit of CHF 7.7 million in 2023, before translation from SIFEM's operating currency USD to CHF.

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.

"SIFEM continues to face macroeconomic and geopolitical uncertainties. The ongoing conflict in Ukraine, as well as other political tensions, harbour risks in SIFEM's target markets. When this is combined with the high interest rates and inflation in developing countries, the trading and funding of companies in the developing world is dramatically affected. This feeds into volatile and depressed valuations of SIFEM's investee companies and institutions. It also affects the environment for exiting companies funded by private equity, whereby cash is returned to SIFEM. Given the pandemic and the subsequent extreme macroeconomic disruption, the SIFEM portfolio has been remarkably resilient, but significant progress and improved valuations are unlikely until global growth and stability returns."

Geoff Burns,
Chairman of the Audit Committee

6 2023 Audited Financial Statements: IFRS Financial Statements

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STATUTORY AUDITOR'S REPORT

To the Board of Directors of SIFEM AG, Berne

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 31 December 2023, 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 material accounting policy information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Auditing (SA-CH). Our responsibilities under those provisions and 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, together with the requirements of the Swiss audit profession, as well as those of 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, which give a true and fair view in accordance with IFRS Accounting Standards 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.

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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 SA-CH 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.

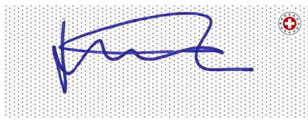
A further description of the auditor’s responsibilities for the audit of the financial statements is located at EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits. This description forms part of our auditor’s report.

Zurich, 6 March 2024

BDO Ltd

Tobias Schüle

Licensed Audit Expert



ppa. Jelena Miljkovic

Auditor in Charge
Licensed Audit Expert

Enclosures:
Financial statements

Statement of financial position

in 000 CHF	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	6	275 056	268 498
Derivative financial assets held for risk management	7	11 837	5 533
Other receivables, prepayments and accrued income	8	4 480	3 515
Total current assets		**291 373**	**277 546**
Equity instruments	9	297 072	307 236
Debt instruments	9	84 638	110 202
Derivative financial assets held for risk management	7	9 483	18 085
Total non-current assets		**391 193**	**435 523**
Total assets		**682 566**	**713 069**
Liabilities and equity			
Derivative financial liabilities held for risk management	7	14 372	6 314
Other liabilities and accrued expenses		3 071	2 847
Total current liabilities		**17 443**	**9 161**
Derivative financial liabilities held for risk management	7	8 198	15 578
Total non-current liabilities		**8 198**	**15 578**
Total liabilities		**25 641**	**24 739**
Share capital		694 444	674 444
Capital reserve (additionally paid in capital)		84 701	84 701
Legal reserve		1 096	1 096
Translation reserve	*3*	*-84 583*	*-20 230*
Retained earnings / accumulated losses		-38 733	-51 681
Total equity	**10**	**656 925**	**688 330**
Total liabilities and equity		**682 566**	**713 069**

Statement of comprehensive income

in 000 CHF	Note	2023	2022
Interest income	11	22 602	12 457
Income from realised gains on investments	19	16 932	10 982
Other direct investment related costs		-810	0
Revenue from advisory services		3	13
Net income from derivative financial instruments held for risk management	14	-3 415	-1 017
Net foreign exchange gain/-loss on cash and cash equivalents and direct debt investments	15	354	-1 070
Net changes in fair value of investments at fair value through profit or loss	16	-10 187	-21 276
Loss allowance on financial instruments	18	-1 960	-1 427
Total net operating income/-loss		**23 519**	**-1 338**
Management costs	12, 20	-8 835	-10 264
Administration and custodian fees	13	-442	-421
Personnel expenses		-472	-424
Administration expenses		-440	-497
Advertising expenses		-114	-93
Other operating result		-85	-81
Operating result		**13 131**	**-13 118**
Financial income	17	19	3
Financial expense	17	-2	-1
Profit/-loss for the period		**13 148**	**-13 116**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Currency translation effect from translation to presentation currency	*3*	*-64 353*	*9 712*
Total comprehensive income for the period		**-51 205**	**-3 404**

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 2021	**654 444**	**84 701**	**1 096**	**-29 942**	**-38 365**	**671 934**
Total comprehensive income for the period						
Profit 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**
Total comprehensive income for the period						
Loss for the year					13 148	13 148
Currency translation effect from translation to presentation currency				-64 353		-64 353
Total comprehensive income for the period	**0**	**0**	**0**	**-64 353**	**13 148**	**-51 205**
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 2023	**694 444**	**84 701**	**1 096**	**-84 583**	**-38 733**	**656 925**

Statement of cash flows

	Note	2023	2022
(in 000 CHF)			
Cash flows from operating activities			
Profit/-loss for the period		13 148	-13 116
Adjustments for:			
Interest income	11	-22 602	-12 457
Income from realised gains on investments		-16 932	-10 982
Other direct investment related costs		810	0
Net foreign exchange gain/-loss		-372	1 068
Net income from derivative financial instruments held for risk management		351	684
Changes in fair value of investments at fair value through profit or loss		12 147	22 703
Changes in:			
Derivative financial instruments held for risk management		3 064	333
Other receivables, prepayments & accrued income		-1 393	1 080
Other liabilities and accrued expenses		523	1 562
Purchase of investments		-70 683	-85 934
Proceeds from sale of investments		55 979	44 159
Interest received		21 899	10 419
Income from realised gains on Investments received		16 896	10 982
Proceeds from sale of derivative financial instruments		351	1 354
Net cash flow from operating activities		**13 186**	**-28 145**
Net cash flow from investing activities		**0**	**0**
Proceeds from issue of share capital		19 800	19 800
Net cash from financing activities		**19 800**	**19 800**
Net increase/-decrease in cash and cash equivalents		**32 986**	**-8 345**
Cash and cash equivalents at 1 January	6	268 498	272 939
Effect of movements in exchange rates on cash and cash equivalents		-26 428	3 904
Cash and cash equivalents at 31 December	**6**	**275 056**	**268 498**

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 responsAbility Investments AG ("responsAbility" or the "Portfolio Manager"), a specialised emerging market investment management company incorporated in Switzerland, acting as Portfolio Manager. The portfolio management and the associated tasks previously conducted by Obviam AG were transferred to responsAbility on March 1, 2023. Certain business administration tasks of the Company have been outsourced by SIFEM 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 2023 in accordance with IFRS Accounting Standards - 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 6th of March 2024.

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:

	2023		2022	
	Balance sheet rate	Average rate	Balance sheet rate	Average rate
USD/CHF	1.188179	1.093806	1.080847	1.039113
USD/EUR	1.104650		1.067250	
USD/ZAR	0.054682		0.058772	
CHF/USD	0.841624	0.914239	0.925200	0.962359

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 participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. 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.

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 in the period when 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

The following new, revised and amended standards and interpretations became effective for the first time, but they have no, or no significant, impact on the financial statements of SIFEM.

	Date effective
Newly effective requirements	
IFRS 17 Insurance contracts including Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)	23 May 2023*

* The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar 2, which applies immediately, and new disclosure requirements, which apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

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 2023 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
Forthcoming requirements			
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
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	*	1 January 2024	2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	*	1 January 2024**	2024
IFRS S2 Climate-related Disclosures	*	1 January 2024**	2024
Lack of Exchangeability (Amendments to IAS 21)	*	1 January 2025	2025

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

** The implementation and the effective dates of IFRS Sustainability Disclosure Standards are subject to local regulation.

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 system 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.

(in 000 CHF)	Mandatorily measured at FVTPL	Optionally measured at FVTPL	Amortised costs	Total carrying amount
31 December 2023				
Cash and cash equivalents			275 056	**275 056**
Derivative financial assets held for risk management	11 837	9 483		**21 320**
Other receivables, prepayments and accrued income			4 288	**4 288**
Debt investments				**84 638**
• Banks and other financial intermediaries		5 830	57 568	
• Funds and other pooled investment vehicles		8 409	12 831	
Equity investments				**297 072**
• Banks and other financial intermediaries	12 697			
• Funds and other pooled investment vehicles	284 375			
Total	**308 909**	**23 722**	**349 743**	**682 374**
Derivative financial liabilities held for risk management	-22 570			**-22 570**
Other liabilities and accrued expenses			-3 032	**-3 032**
Total	**-22 570**	**0**	**-3 032**	**-25 602**

(in 000 CHF)	Mandatorily measured at FVTPL	Optionally measured at FVTPL	Amortised costs	Total carrying amount
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**

The tables above only include financial instruments. Other receivables, prepayments and accrued income do not include tax receivables and prepaid costs TCHF 192 (2022: TCHF 50). Other liabilities and accrued expenses do not include tax payables and advances received TCHF 39 (2022: TCHF 16).

Management of credit risk

The approach to credit risk management is determined by the expected credit loss allowances for financial instruments carried at amortised cost in accordance with IFRS 9. The Portfolio Manager monitors on an ongoing basis the ability and willingness of an issuer to fulfil its financial obligations in full and on a timely basis using internal, forward-looking rating methods. In case of a major event ratings are adjusted to reflect the current inherent risk of the given investment. A significant shift in the credit risk is reported to the Board of Directors. A yearly risk report is issued to the shareholder.

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 qualitative and quantitative factors which are considered to be causes for a significant increase in credit risk associated with a financial asset since its initial recognition. Qualitative aspects, as assessed by the Audit Committee, include specific knowledge provided by the Portfolio Manager or 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.

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 for a significant increase in credit risk associated with a financial asset are observed:

i. Arrears in interest or principal 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 defaulted. In this case, the Audit Committee of SIFEM would 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 Probability of Default is difficult to obtain for certain regions of SIFEM's operations, input information for PDs must be estimated in many cases.

To derive the PD, first SIFEM's internal view on the credit quality of the respective instrument was determined using the Portfolio Manager's rating methodology (developed based on the Moody's methodology and based on best practice). Second, the PD was estimated based on the Portfolio Manager's idealized cumulative expected default rates table. The idealized table is based on the latest available default study performed by Moody's and published in its Annual Default Study: "Corporate Default and Recover Rates", a study which is both accessible and transparent. The idealized table was designed because historical data show inconsistencies and by smoothening Moody's default data, using statistical analysis.

For financial assets in Stage 1, a 12-months PD is estimated using the idealized table. 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, based on an assessment of each transaction according to certain parameters defined by the Risk Management team of the Portfolio Manager. whereby in this case most appropriate data -points from the latest available information as provided by Moody's Recovery Database is are 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 385 494 as of 31 December 2023 (31 December 2022: TCHF 405 833).

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 cashflows 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 & 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

	2023				
(in 000 CHF)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**2022 Total**
Balance at 1 January	**83 798**	**0**	**3 598**	**87 396**	**81 419**
Transfer to Stage 1	0	0	0	0	0
Transfer to Stage 2	-5 342	5 342	0	0	0
Transfer to Stage 3	0	0	0	0	0
Net remeasurement of loss allowance	36	-1 354	-642	-1 960	-1 372
New financial assets recognised (acquired)	7 478	8 416	0	15 894	28 681
Financial assets derecognised	-20 016	-1 803	-661	-22 480	-21 765
Write-offs	0	0	-712	-712	0
Effects of movements in exchange rates	-7 573	108	-274	-7 739	433
Balance at 31 December	**58 381**	**10 709**	**1 309**	**70 399**	**87 396**

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.

	2023 Impact increase / decrease				
(in 000 CHF)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**2022 Total**
Cash and cash equivalents				**0**	**0**
Debt instruments	-12 538	6 613	-661	**-6 586**	**6 916**
Other receivables				**0**	**0**
Increase /-decrease in loss allowance	-457	82	-1 492	**-1 867**	**809**

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

(in 000 CHF)	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	**Related amounts not offset in the statement of financial position** Financial instruments (including non-cash collateral)	**Collateral pledged used for netting**	**Net amount**
31 December 2023						
Derivative financial assets held for risk management (current)	11 837	0	11 837	11 837	**4 216**	**4 216**
Derivative financial assets held for risk management (non-current)	9 483	0	9 483	9 483	**-766**	**-766**
Total	**21 320**	**0**	**21 320**	**21 320**	**3 450**	**3 450**
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**

ii. Financial liabilities

(in 000 CHF)	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	**Related amounts not offset in the statement of financial position** Financial instruments (including non-cash collateral)	**Collateral pledged used for netting**	**Net amount**
31 December 2023						
Derivative financial liabilities held for risk management (current)	-14 372	0	-14 372	-11 837	**0**	**-2 535**
Derivative financial liabilities held for risk management (non-current)	-8 198	0	-8 198	-9 483	**0**	**1 285**
Total	**-22 570**	**0**	**-22 570**	**-21 320**	0	**-1 250**
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**

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 2023.

	Debt instruments	
(in 000 CHF)	**2023**	**2022**
Carrying amount		
Concentration by sector		
Banks and other financial intermediaries	63 398	84 782
Mezzanine funds	2 857	3 144
Debt funds	18 383	22 276
Total	**84 638**	**110 202**
Concentration by location		
Latin America	18 753	19 527
Asia	29 812	49 532
Central Eastern Europe (CEE) / Commonwealth of Independent States (CIS)	21 529	20 675
Africa	1 148	3 674
Global / supranational	13 396	16 794
Total	**84 638**	**110 202**

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 at once and in particular not all the 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 2023, SIFEM reached an over-commitment ratio of -4.00% (31 December 2022: -5.24%).

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

Maturity analysis for financial liabilities

(in 000 CHF)	**Carry amount**	**Gross nominal inflow/outflow**	up to 1 year	1 to 5 years	later
31 December 2023					
Derivative financial liabilities held for risk management	22 570	-22 570	18 116	4 454	0
Other liabilities and accrued expenses	3 032	-3 032	3 032	0	0
Total	**25 602**	**-25 602**	**21 148**	**4 454**	**0**
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**

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 a part of the market risk management approach a yearly risk assessment is performed using the risk rating system. 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):

(in 000 CHF)	31 December 2023	31 December 2022
Debt instruments	58 776	56 863
Derivative financial assets held for risk management	2 405	5 287
Fixed-rate instruments (assets)	**61 181**	**62 150**
Cash and cash equivalents	275 056	268 498
Debt instruments	25 862	53 339
Derivative financial assets held for risk management	6 621	12 398
Variable rate instruments (assets)	**307 539**	**334 235**
Derivative financial liabilities held for risk management	-8 198	-15 578
Fixed-rate instruments (liabilities)	**-8 198**	**-15 578**

A change of 100 basis points in interest rates at the reporting date would increase (decrease) profit or loss by TCHF 3 075 (31 December 2022: TCHF 3 342). 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), 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:

(in 000 CHF)	31 December 2023	31 December 2022
EUR	8 205	5 079
CHF	-2 323	-166
Total net exposure	**5 882**	**4 913**

The following sensitivity analysis shows the impact on the income statement should CHF/USD, or EUR/USD exchange rates change by 5% in comparison to the actual exchange rate at 31 December 2023 and 31 December 2022, with all other variables held constant:

(in 000 CHF)	**31 December 2023**	**31 December 2022**
Income impact on balance sheet items		
EUR (sensitivity to USD changes)	+/- 410	+/- 254
CHF (sensitivity to USD changes)	+/- 116	+/- 8

Strengthening of 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:

(in 000 CHF)	**31 December 2023**	**31 December 2022**
Equity instruments to banks and other financial intermediaries	12 697	12 418
Equity instruments to funds and other pooled investments	284 375	294 818
Total exposure in equity instruments	**297 072**	**307 236**

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 mitigations are 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 the related 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

(in 000 CHF)	31 December 2023	31 December 2022
Cash at bank	275 056	268 498
Total cash and cash equivalents	**275 056**	**268 498**

Cash and cash equivalents are denominated in CHF (0.2%), in USD (97.3%), and in EUR (2.5%) as of 31 December 2023. (31 December 2022: CHF (0.9%), in USD (99.0%), in EUR (0.1%)). TCHF 247 164 (31 December 2022: TCHF 228 445) 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

(in 000 CHF)	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts	11 837	-14 372	5 533	-6 314
Cross-currency interest rate swap	9 026	-8 198	17 685	-15 578
Guarantee by SDC	457	0	400	0
Total derivative financial instruments	**21 320**	**-22 570**	**23 618**	**-21 892**

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 2023, Other receivables, prepayments and accrued income mainly include collaterals (TCHF 3 450) and accrued interest receivables (TCHF 838). At 31 December 2022, Other receivables, prepayments and accrued income mainly included collaterals (TCHF 2 822) and accrued interest receivables (TCHF 644).

9 Financial investments

(in 000 CHF)	31 December 2023	31 December 2022
Equity instruments to banks and other financial intermediaries	12 697	12 418
Equity instruments to funds and other pooled investment vehicles	284 375	294 818
Total Equity investments	**297 072**	**307 236**
Debt instruments to banks and other financial intermediaries	63 398	84 781
Debt instruments to funds and other pooled investment vehicles	21 240	25 421
Total Debt investments	**84 638**	**110 202**
Total Financial investments	**381 710**	**417 438**

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 categorizes financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy:

(in 000 CHF)	Level 1	Level 2	Level 3	Total
31 December 2023				
Derivative financial assets for risk management	0	21 320	0	21 320
Derivative financial liabilities for risk management	0	-22 570	0	-22 570
Debt instruments to banks & other financial intermediaries	0	5 830	0	5 830
Debt instruments to funds & other pooled investment vehicles	0	8 409	0	8 409
Equity instruments to banks & other financial intermediaries	0	0	12 697	12 697
Equity instruments to funds & other pooled investment vehicles	0	0	284 375	284 375
Total	**0**	**12 989**	**297 072**	**310 061**
31 December 2022				
Derivative financial assets for risk management	0	23 618	0	23 618
Derivative financial liabilities for risk management	0	-21 892	0	-21 892
Debt instruments to banks & other financial intermediaries	0	11 495	0	11 495
Debt instruments to funds & other pooled investment vehicles	0	11 311	0	11 311
Equity instruments to banks & other financial intermediaries	0	0	12 418	12 418
Equity instruments to funds & other pooled investment vehicles	0	0	294 818	294 818
Total	**0**	**24 532**	**307 236**	**331 768**

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

(in 000 CHF)	Equity investments to Banks and other financial intermediaries	Equity investments to funds and other pooled investment vehicles	Total
Balance as at 1 January 2023	**12 418**	**294 818**	**307 236**
Total gains/losses recognised in profit or loss	1 004	-10 254	-9 250
Purchases	566	48 542	49 108
Sales	-89	-22 914	-23 003
Foreign currency exchange differences	-1 202	-25 817	-27 019
Balance as at 31 December 2023	**12 697**	**284 375**	**297 072**
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	1 004	-10 254	-9 250
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

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 guidance compliant 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 to 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 to 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 was 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, 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.).

Furthermore, 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 applies a methodology that uses NAV as key input (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 change significantly.

10 Equity

Share capital

On 31 December 2023, the number of outstanding shares amounted to 69 444 401 with a nominal value of CHF 10 each (31 December 2022: 67 444 401 with a nominal value of CHF 10 each). As per 31 December 2023 and as per 31 December 2022 SIFEM did not hold any treasury shares. All shares issued by the Company were fully paid in.

During 2023 SIFEM has again received capital contributions from its shareholder, as it had frequently in the past few financial years. In 2022, the share capital was raised by TCHF 20 000, bringing the total share capital to TCHF 674 444. In 2023, the share capital was raised by TCHF 20 000 to the total share capital of TCHF 694 444.

Dividends

SIFEM is not permitted to distribute dividends under its articles of incorporation.

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 (2022: CHF 200 000) 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

(in 000 CHF)	2023	2022
Interest income from cash and cash equivalents	13 071	4 000
Interest income from investments	9 531	8 457
Total interest income	**22 602**	**12 457**

At 31 December 2023, an amount of TCHF 838 (2022: TCHF 644) had 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

Management costs contain:

i. Investment management fees for portfolio management, bonus accruals and VAT on those charges,
ii. Business services management fees and representation expenses 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. Administration fees for the financial year 2023 amounted to TCHF 255 (2022: TCHF 240) and custodian fees for the financial year 2023 amounted to TCHF 187 (2022: TCHF 181).

14 Net income from derivative financial instruments held for risk management

(in 000 CHF)	2023	2022
Net interest income from derivative financial instruments	-703	-2 038
Realised gain from derivative financial instruments	802	1 897
Realised loss from derivative financial instruments	-450	-543
Increase/-decrease in fair value from derivative financial instruments	-3 064	-333
Net income from derivative financial instruments	**-3 415**	**-1 017**

15 Net foreign exchange gains / losses

(in 000 CHF)	2023	2022
Net foreign exchange gain/-loss from cash and cash equivalents	-14	-246
Net foreign exchange gain/-loss from debt instruments	368	-824
Total net foreign exchange gains/-losses	**354**	**-1 070**

16 Net changes in fair value of investments at fair value through profit or loss

(in 000 CHF)	2023	2022
Increase in fair value of equity instruments	11 240	2 431
Increase in fair value of debt instruments	279	2 190
Decrease in fair value of equity instruments	-20 490	-18 851
Decrease in fair value of debt instruments	-1 216	-7 046
Net changes in fair value of financial assets at fair value through profit or loss	**-10 187**	**-21 276**

17 Financial income / expense

(in 000 CHF)	2023	2022
Foreign exchange gain	19	3
Financial income	**19**	**3**
Foreign exchange loss	-2	-1
Financial expense	**-2**	**-1**

Foreign exchange gains and losses in 2023 and 2022 arise from exchange differences applying the exchange rate as of the balance sheet date.

18 Loss allowance on financial instruments

Loss allowance on financial instruments measures the net effect on profit and loss of the provision made on debt investments and the release of such provision. In 2023 the provision increased by TCHF 1 960, in 2022 there was an increase of TCHF 1 427.

19 Income from realised gains on investments

(in 000 CHF)	2023	2022
Income from realised gains on equity instruments	16 593	10 795
Income from realised gains on debt instruments	339	187
Total income from realised gains on investments	**16 932**	**10 982**

20 Related party transactions

Shareholder

SIFEM is fully owned by the Swiss Confederation. The Swiss Confederation comprises 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 at the Swiss National Bank.

Portfolio Manager and Business Services Manager

SIFEM appointed responsibility by a Portfolio Management Agreement as its Portfolio Manager starting 1 March 2023 as result of a public tender. responsAbility is remunerated for the services provided on the basis of a fixed rate fee on active commitments. responsAbility replaced Obviam as the Portfolio Manager, who was acting under an Interim Management Agreement (for the period between 1 September 2022 and 28 February 2023). The remuneration of Obviam for the services provided under the Interim Management Agreement was based on a fixed monthly fee.

SIFEM appointed Tameo as 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 management costs for the financial year 2023 amounted to TCHF 8 835 (2022: TCHF 10 264).

Total administrative expenses (portfolio management costs, business services management costs, administration and custodian fees, personnel expenses, administration expenses and advertising expenses) in 2023 amounts to 1.22% (2022: 1.38%) 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 80 000 in 2023 (2022: CHF 54 000). This consists of a base compensation of CHF 56 000 (2022: 30 000) for his role as Chairman of the Board and CHF 24 000 (2022: 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 (2022: CHF 22 100). Members of the Investment Committee received an additional compensation of CHF 20 400 (2022: CHF 20 400), Members of the Audit Committee received an additional compensation of CHF 13 600 (2022: CHF 13 600) and Members of the Performance and Impact Committee received an additional compensation of CHF 17 000 (2022: n/a).

21 Capital commitments

As of 31 December 2023, the Company had capital commitments with debt- and equity instruments which were not yet called by the relevant fund managers in the amount of TCHF 247 886 (31 December 2022: TCHF 224 105).

22 Subsequent events

No events occurred between 31 December 2023 and 6th March 2024 that would require adjustments to the amounts recognised in these financial statements or would need to be disclosed under this heading.

6 2023 Audited Financial Statements: Swiss Code of Obligations

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STATUTORY AUDITOR'S REPORT

To the general meeting of SIFEM AG, Berne

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 31 December 2023, and the income statement for the year then ended, and notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and 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 and 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 the Company's articles of incorporation, 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.

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8031 Zurich

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 SA-CH 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 Art. 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 further confirm that the proposed carry forward of the accumulated losses complies with Swiss law and the company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 6 March 2024

BDO Ltd

Tobias Schüle

Licensed Audit Expert

ppa. Jelena Miljkovic

Auditor in Charge
Licensed Audit Expert

Enclosures:
Financial statements

Balance sheet as of 31 December

in CHF	Note	2023		2022	
Assets			%		%
Current assets					
Cash and cash equivalents	1	275 056 199	45.5	268 498 332	42.4
Other current receivables	2	3 596 201	0.6	2 846 265	0.4
Accrued income and prepaid expenses	3	883 791	0.1	668 439	0.1
Total current assets		279 536 191	46.2	272 013 036	42.9
Non-current assets					
Financial assets	4	324 808 485	53.7	359 203 019	56.6
Shareholdings	5	756 164	0.1	3 151 461	0.5
Total non-current assets		325 564 649	53.8	362 354 480	57.1
Total assets		**605 100 840**	**100.0**	**634 367 516**	**100.0**

Liabilities and shareholder's equity					
Short-term liabilities					
Other current liabilities	6	2 777 546	0.5	820 630	0.1
Deferred income and accrued expenses	7	2 773 102	0.4	1 555 929	0.2
Total short-term liabilities		5 550 648	0.9	2 376 559	0.3
Long-term liabilities					
Provisions and similar items required by law	8	775 463	0.1	2 262 271	0.4
Total long-term liabilities		775 463	0.1	2 262 271	0.4
Total Liabilities		**6 326 111**	**1.0**	**4 638 830**	**0.7**
Shareholders' equity					
Share capital	9	694 444 010	114.8	674 444 010	106.3
General legal retained earnings		1 096 430	0.2	1 096 430	0.2
Voluntary retained earnings					
• Results carried forward		-45 811 754	-7.6	-40 065 953	-6.3
Gain / Loss for the year		-50 953 957	-8.4	-5 745 801	-0.9
Total shareholders' equity		598 774 729	99.0	629 728 686	99.3
Total liabilities and shareholders' equity		**605 100 840**	**100.0**	**634 367 516**	**100.0**

Income statement as of 31 December

in CHF	Note	2023	2022
Net proceeds from sales of services	**10**	**3 292**	**12 528**
Costs for third party services		-8 835 487	-10 264 373
Staff costs	11	-471 699	-424 158
Other operational costs	12	-834 232	-855 071
Earnings before interests and taxes		**-10 138 126**	**-11 531 074**
Financial result general	13	12 623 801	3 325 720
Financial result from financial assets and shareholdings	14	7 106 038	-4 160 016
Financial result from derivative financial instruments	15	-1 906 623	-2 266 948
Earnings before currency translation and taxes		**7 685 090**	**-14 632 318**
Result from currency translation from functional currency (USD) to reporting currency		-58 639 047	8 886 517
Gain / Loss for the year		**-50 953 957**	**-5 745 801**

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

1 - Cash and cash equivalents	31.12.2023	31.12.2022
Cash at Banks	275 056 199	268 498 332
Total	**275 056 199**	**268 498 332**

2 - Other current receivables	31.12.2023	31.12.2022
Receivables from investment transactions	-	-
Collaterals	3 450 358	2 821 530
Withholding tax receivables	137 143	24 470
Other current receivables	8 700	265
Total	**3 596 201**	**2 846 265**

3 - Accrued income and prepaid expenses	31.12.2023	31.12.2022
Prepaid expenses	46 178	24 796
Accrued income	837 613	643 643
Total	**883 791**	**668 439**

4 - Financial assets	31.12.2023	31.12.2022
Equity instruments	242 075 535	251 938 183
Debt instruments	82 732 950	107 264 836
Total	**324 808 485**	**359 203 019**

As of balance sheet date equity instruments considering a foreign exchange gain of CHF 192 918 (2022: CHF 0; see note 6 other current liabilities).

5 - Shareholdings	31.12.2023		31.12.2022		31.12.2023	31.12.2022	31.12.2023	31.12.2022
Company	Share capital in local currency				Holding of capital and votings in %		Book value in CHF	
SEAF South Balkan Fund	EUR	65 007	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%	209 137	147 203
Altra Private Equity Fund I	USD	1 000	USD	1 000	43.11%	43.11%	24 673	39 886
SEAF LATAM Growth Fund	USD	-	USD	10 698 086	0.00%	41.18%	-	-
Kaizen Private Equity	USD	15 505 758	USD	22 978 820	22.81%	22.81%	522 354	1 679 498
Total							**756 164**	**3 151 461**

6 - Other current liabilities	31.12.2023	31.12.2022
Other current liabilities	39 003	30 789
Social insurances liabilities	-	686
Liabilities due to pension scheme	1 985	2 092
Liabilities due to authorities	8 717	6 323
Provision for foreign exchange forward contracts	2 534 923	780 740
Provision for unrealised foreign exchange gains	192 918	-
Total	**2 777 546**	**820 630**

7 - Deferred income and accrued expenses	31.12.2023	31.12.2022
Accrued expenses	2 773 102	1 555 929
Total	**2 773 102**	**1 555 929**

8 - Provisions and similar items required by law	31.12.2023	31.12.2022
Provision for foreign exchange forward contracts	526 876	1 011 288
Other provision	248 587	1 250 983
Total	**775 463**	**2 262 271**

9 - Share capital

The share capital consists of 69 444 401 shares with a nominal value of CHF 10 each (31.12.2022, 67 444 401 shares with a nominal value of CHF 10 each).

10 - Net proceeds from sales services	2023	2022
Income from fund retrocessions	3 292	12 528
Total	**3 292**	**12 528**

11 - Staff costs	2023	2022
Salaries and wages	-41 099	-35 453
Board compensation	-356 892	-329 155
Social security and pension costs	-26 482	-35 379
Other personnel costs	-47 226	-24 171
Total	**-471 699**	**-424 158**

12 - Other operational costs	2023	2022
Insurance premiums	-19 812	-21 180
Accounting and payroll expenses	-191 331	-172 073
Audit expenses	-77 883	-60 349
Other administration expenses	-354 949	-437 085
Stamp duty	-75 910	-72 176
Sponsorship and membership contributions	-114 347	-92 208
Total	**-834 232**	**-855 071**

Other administration expenses include the emission duty of CHF 200 000 on the capital increase of 5 May 2023 (2022: CHF 200 000).

13 - Financial result general	2023	2022
Interest income	13 142 051	4 050 204
Interest expenses	-71 112	-50 417
Bank charges	-450 348	-429 908
Foreign exchange gains	303 922	198 902
Foreign exchange losses	-300 712	-443 061
Total	**12 623 801**	**3 325 720**

14 - Financial result from financial assets and shareholdings	2023	2022
Interest income from financial assets	9 530 994	8 457 009
Distributions and dividends	16 932 410	10 982 008
Expenses	-36 857	-37
Capital gains	2 765 256	786 686
Capital losses	-23 396 083	-21 225 296
Foreign exchange gains	1 353 470	2 747
Foreign exchange losses	-43 152	-3 163 133
Total	**7 106 038**	**-4 160 016**

15 - Financial result from derivative financial instruments	2023	2022
Interest income	486 658	22 934
Interest expenses	-1 189 606	-2 061 029
Capital gains	801 851	1 897 436
Capital losses	-2 005 526	-2 126 289
Total	**-1 906 623**	**-2 266 948**

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	2023	2022
Foreign exchange forward contracts (long)	11 837 285	5 533 179
Foreign exchange forward contracts (short)	-14 372 208	-6 313 919
Cross-currency interest rate SWAPS (long)	9 025 416	17 684 543
Cross-currency interest rate SWAPS (short)	-9 552 292	-18 695 831
Total (included in other current liabilities - s. Note 6 & provision and similar items - s. Note 8)	**-3 061 799**	**-1 792 028**

18 - Collaterals	2023	2022
CS, Margin Account Derivative Instruments	4 216 236	4 634 923
TCX, Margin Account Derivative Instruments	-765 878	-1 813 393
Total assets pledged to secure own losses on derivative financial instruments	**3 450 358**	**2 821 530**

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		31.12.2023		31.12.2022
Debt investments				
Cooperativa Pacifico	USD	-	USD	10 000 000
European Financing Partners SA Phase VI	EUR	5 227 904	EUR	5 227 904
Global IME Bank	USD	10 000 000	USD	-
Interact Climate Change Facility	EUR	19 306 396	EUR	19 306 396
Equity investments				
Aavishkaar India Fund VI	USD	11 805 808	USD	8 516 893
Abraaj Global Credit Fund	USD	-	USD	1 938 858
Abraaj North Africa II	USD	21 769	USD	21 769
Adenia Capital IV	EUR	593 848	EUR	799 365
Adenia Capital V	USD	14 381 222	USD	-
Africa Forestry Fund II	USD	1 298 039	USD	4 178 374
African Development Partners III	USD	4 353 789	USD	8 334 253
AfricInvest Fund II	EUR	194 000	EUR	194 000
AfricInvest Fund III	EUR	175 947	EUR	561 722
African Rivers Fund IV	USD	10 000 000	USD	-
Agricultural Rural Impulse Fund	USD	523 665	USD	41 126
Alcazar Energy Partners II	USD	14 374 881	USD	-
Amethis Maghreb Fund I	EUR	364 047	EUR	364 047
Apis Growth Fund I	USD	5 836 921	USD	4 883 634
Armstrong SEA Clean Energy Fund	USD	98 786	USD	266 736
Ashmore Andean Fund II	USD	536 198	USD	536 198
Ashmore Avenida EEAHF III	USD	-	USD	15 000 000
Aureos East Africa Fund	USD	-	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
Cambodia-Laos Development Fund	USD	73 837	USD	73 837
Cambodia-Laos-Myanmar Development Fund II	USD	186 582	USD	286 122
CAMIF II	USD	492	USD	492
Capital North Africa Venture Fund	EUR	767 545	EUR	767 545
Capsquare Asia Partners Fund II	USD	605 715	USD	825 912

Catalyst Fund I	USD	83	USD	83
Catalyst Fund II	USD	633 258	USD	746 130
Cathay Africinvest Innovation Fund	EUR	2 746 571	EUR	3 338 043
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	4 468 838	USD	6 431 299
Convergence Partners Digital Infrastructure Fund	USD	10 698 711	USD	12 967 835
CoreCo Central America Fund I	USD	211 107	USD	232 658
Darby Latin American Private Debt Fund III	USD	4 396 776	USD	4 421 346
DIC Latin American Fund IV	USD	15 000 000	USD	-
Ethos Mezzanine Partners III	USD	3 403 883	USD	5 265 222
EV Amadeus Asian Clean Energy Fund	USD	5 375 914	USD	5 375 914
Evolution II	USD	1 157 146	USD	2 127 449
Evolution III	USD	16 301 785	USD	-
Evolution One	USD	20 219	USD	68 539
Excelsior Capital Vietnam Partners	USD	3 077 240	USD	6 116 486
Falcon House Partners Indonesia Fund I	USD	1	USD	1
Fidelity Equity Fund II	USD	883 820	USD	883 820
Frontier Energy II	USD	1 344 731	USD	2 471 523
GEF Africa Sustainable Forestry Fund	USD	197 285	USD	197 285
Growth Capital Partners (Lok III)	USD	164 763	USD	274 203
Growth Catalyst Partners	USD	37 618	USD	51 319
Horizon Capital Growth Fund IV	USD	11 933 652	USD	15 000 000
IFHA-II	USD	1 656 342	USD	1 801 717
Kaizen Private Equity Fund II	USD	84 628	USD	1 605 643
Latin Renewables Infrastructure Fund	USD	386 186	USD	448 956
Maghreb Private Equity Fund II	EUR	15 709	EUR	9 238
Maghreb Private Equity Fund III	EUR	437 739	EUR	437 739
Maghreb Private Equity Fund IV	EUR	498 813	EUR	1 784 507
Medu III Interenational Partnership	USD	710 878	USD	712 124
Metier Capital Growth International Fund III	USD	13 620 633	USD	-
Metier Sustainable Capital Fund II	USD	4 419 002	USD	6 496 483
Navegar II	USD	5 760 906	USD	8 400 510
Navis CLMV Co-Investment Fund	USD	236 090	USD	7 290 000

Novastar Ventrures Africa Fund II LP	USD	1 492 615	USD	2 284 681
Omnivore Fund II	USD	1 151 354	USD	1 515 360
Omnivore Fund III	USD	13 627 699	USD	15 000 000
Progression Eastern African Microfinance Equity Fund	USD	952 422	USD	980 069
rABOP	USD	510 917	USD	510 917
Renewable Energy Asia Fund II	USD	130 702	USD	17 684
South Asia Growth Fund II	USD	574 128	USD	591 201
South Asia Growth Fund III	USD	19 633 230	USD	-
SPE AIF I	USD	2 754 189	USD	3 357 785
SPE PEF III	USD	15 000 000	USD	-
Synergy Private Equity Fund	USD	20 200	USD	107 694
Synergy Private Equity Fund II	USD	394 235	USD	7 165 927
Uhuru Growth Fund I	USD	5 768 885	USD	8 167 663
Vantage IV Pan African Fund	USD	8 720 071	USD	9 998 125
Vantage IV Southern African Fund	ZAR	51 241 859	ZAR	60 728 835
Vantage Mezzanine Fund III	USD	550 243	USD	554 312
Vantage Mezzanine Fund III	ZAR	38 599 596	ZAR	40 070 914
VenturEast Proactive Fund	USD	-	USD	-7 309
VenturEast Proactive Fund II	USD	375 093	USD	1 444 541
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
Colony Latin America Fund	USD	9 500	USD	9 500
SEAF LATAM Growth Fund	USD	-	USD	1 081 421
SEAF South Balkan Fund	EUR	467 079	EUR	480 111

Proposed appropriation of accumulated losses

in CHF	2023	2022
Retained earnings / -loss brought forward	-45 811 754	-40 065 953
Gain / Loss for the year	-50 953 957	-5 745 801
Accumulated losses	**-96 765 711**	**-45 811 754**

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of accumulated losses:

Transfer to the general legal retained earnings	0	0
Offsetting against general legal retained earnings	0	0
To be carried forward	-96 765 711	-45 811 754
Total	**-96 765 711**	**-45 811 754**

7 Annexes

Annex 1 : Performance results against the operationalised objectives for the 2021–2024 strategic period

Part 1: Programmatic priorities

Target fields	Objective	Performance
Sustainability	• 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.	**On track:** All investments made in 2023 have complied with this formal requirement. A waiver to comply with SIFEM's Approach to Responsible Investments was granted in the context of one investment. All new SIFEM transactions made in 2023 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.
Sustainability financial additionality	• At least 50% of the number of fund investment of SIFEM serve to reach the 1st closing of the target funds.	**On track:** 65% of SIFEM's fund investments closed in 2021, 2022, and 2023 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 2021, 2022, and 2023.
	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: • 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.	**Descriptive reporting (no target level):** • Guidance and support were provided to financial intermediaries on E&S matters on a regular basis in 2023. • Support provided to Fund Managers and Financial Institutions in 2023 included environmental and social management matters, in particular by deploying Environmental and Social Action Plans (ESAP), engaging in ESG Sub-committees and with partners on 2X implementation and "Paris Alignment" in 2021, 2022, and 2023.

	• 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 SIFEM's technical assistance mechanism and facilitated by SIFEM's manager. All interventions were directed to a fund covering Latin and Central America. 17 beneficiary companies benefited from these interventions, mainly in El Salvador, Guatemala and Bolivia, and in the field of corporate management and ESG issues. In addition, 9 technical assistance interventions were approved in 2022. In 2023, no new technical assistance intervention was carried out.
Leverage / mobilisation	• SIFEM directly leverages at least CHF 60 million from private and/or institutional investors.	**Too early to tell:** The change of portfolio manager has had an impact on SIFEM's mobilization activities. The Board of Directors and the new portfolio manager are working on a new mobilization strategy.
Geographic concentration	• At least 60% of SIFEM's investments are made in priority countries or regions for Swiss development cooperation.	**On track:** 88% of SIFEM new investments in 2021, 2022, and 2023 targeted SIFEM priority countries.

Part 2: Tasks and company-related objectives

Target fields	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 and the disruption of supply chains in several regions in 2020-21 (e.g., Latin America and South Asia), the aggregated number of jobs in the SIFEM portfolio reported in 2021 has not decreased compared to the data reported in 2020. To the contrary, the number of jobs has increased by 11% between 2020 and 2021, which is equivalent to more than 20 000 additional jobs created. It seems that SIFEM portfolio companies have been more resilient than expected.

Development effects	Impact on employment **“More jobs”** • 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 average number of jobs created and maintained by SIFEM during the financial years 2022 and 2023 was 12 427 (calculated pro-rata). • The number of jobs in the portfolio companies has increased by 15.6% on average, from 2021 to 2022 and from 2022 to 2023.
	“Better jobs” • 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.	**On track:** All portfolio funds added in 2023 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.
	• 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.	**On track:** The SIFEM Manager has required from the new Fund Managers with whom it started working 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.

	Climate: mitigation and adaptation • 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.	**On track:** • All new SIFEM transactions in 2023 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 2023 four out of ten investments, accounting for USD 70 million out of USD 143 million total commitments (49%) in volume, have been fully dedicated to climate protection: 1 fund active in Africa, 1 fund active in MENA, 1 fund active in Asia, and 1 fund active in Latin America.
	• At least 25% of new investments are fully dedicated to climate protection.	• In 2021-2023 the volume of new investment dedicated to climate protection equals 36%.
	Basic goods & services, innovation • 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).	**On track:** 42% of SIFEM's investments made in 2021, 2022, and 2023 contributed to the provision of essential goods and services or to financial inclusion for underserved population segments.
	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.	**On track:** By end of 2023, out of the investments closed in 2021-2023, 10 have reached ‘qualified’ status, equaling 42% of the transactions. 5 investments (21%) are underway to be qualified.

Investment scope	**Least Developed Countries (LDCs)** • The LDC exposure in the SIFEM portfolio should be at least 12%.	**On track:** The LDC exposure in the SIFEM portfolio amounted to 16% at the end of December 2023.
Overall impact on development	• At least 75% of the investments in the portfolio must be rated expost as “good” or “very good” in accordance with the development monitoring system implemented by SIFEM.	**On track:** 84% of investments in SIFEM's total portfolio have received an ex-post development effects score of "good" or "very good" as per the latest assessment in 2023.
Message on development cooperation 2021-24	**Reporting requirements** SIFEM's contribution to the following goals and objectives of the Message: **A. "Economic development”**	
	• Subgoal 1: Local tax revenue in US Dollars	• USD 1 839 million
	• Subgoal 2: Number of jobs created or maintained;	• Total number of jobs supported in the active portfolio at the end of the reporting year: 483 253
	• Mobilised private funds in US Dollars according to OECD DAC reporting requirements.	• Capital mobilised at the level of portfolio funds in 2023: USD 85 million. For the years 2021, 2022 and 2023 the cumulative amount is 162 million.
	B. "Environment"	
	• Subgoal 3: Saved or avoided CO2 emissions;	• 4.9 million tCO_2e
	• Additional KWh from renewable energy.	• 5 159 GWh
	C. Gender equality	
	• Subgoal 9: % of female employees in the SIFEM portfolio companies	• 35%

	• Synergies with the economic and private sector activities of SECO and SDC in their priority countries, which increase the impact of SIFEM investments	**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. After several interactions with the SDC team based in Nepal, two projects were identified and planning is in an advanced stage. • SDC actively supports SIFEM's collaboration with other DFIs in Nepal, by funding and actively supporting the "Impact Investment Nepal" project, a joint platform established by BII, FMO and SIFEM/SDC that identifies and proposes solutions to legal challenges and obstacles to the promotion of private investment. Coordinated exchanges with local authorities are taking place. A memorandum of understanding was signed in June 2023 between the Ministry of Finance and the DFIs, represented by the Chair of SIFEM. • A similar initiative has been launched in Ghana, with the active participation of SECO.
Specific SDGs	Reporting requirements to the SDGs **SDG 5. Gender equality** • %-Number of female employees in the SIFEM portfolio company.	**Key figures (no target level):** • 35%
	SDG 7: Affordable and clean energy • Saved or avoided CO2 emissions • Additional KWh from renewable energy	• 4.9 million tCO_2e • 5 159 GWh
	SDG 8. Decent jobs & economic growth • Number of jobs created or maintained • Local tax revenue in US Dollars	• Total number of jobs supported in the active portfolio at the end of the reporting year: 483 253 • USD 1 839 million

	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	• USD value of private investments directly mobilized by SIFEM through the SIFEM Manager for climate protection in 2023: USD 63.9 million
	SDG 17. Partnerships • Ratio of SIFEM investments to mobilised private co-investments at the target fund level	• 2.9x
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 organizational setup.
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	**Too early to tell*:** • Funds: 21% • Debt instruments: 29%

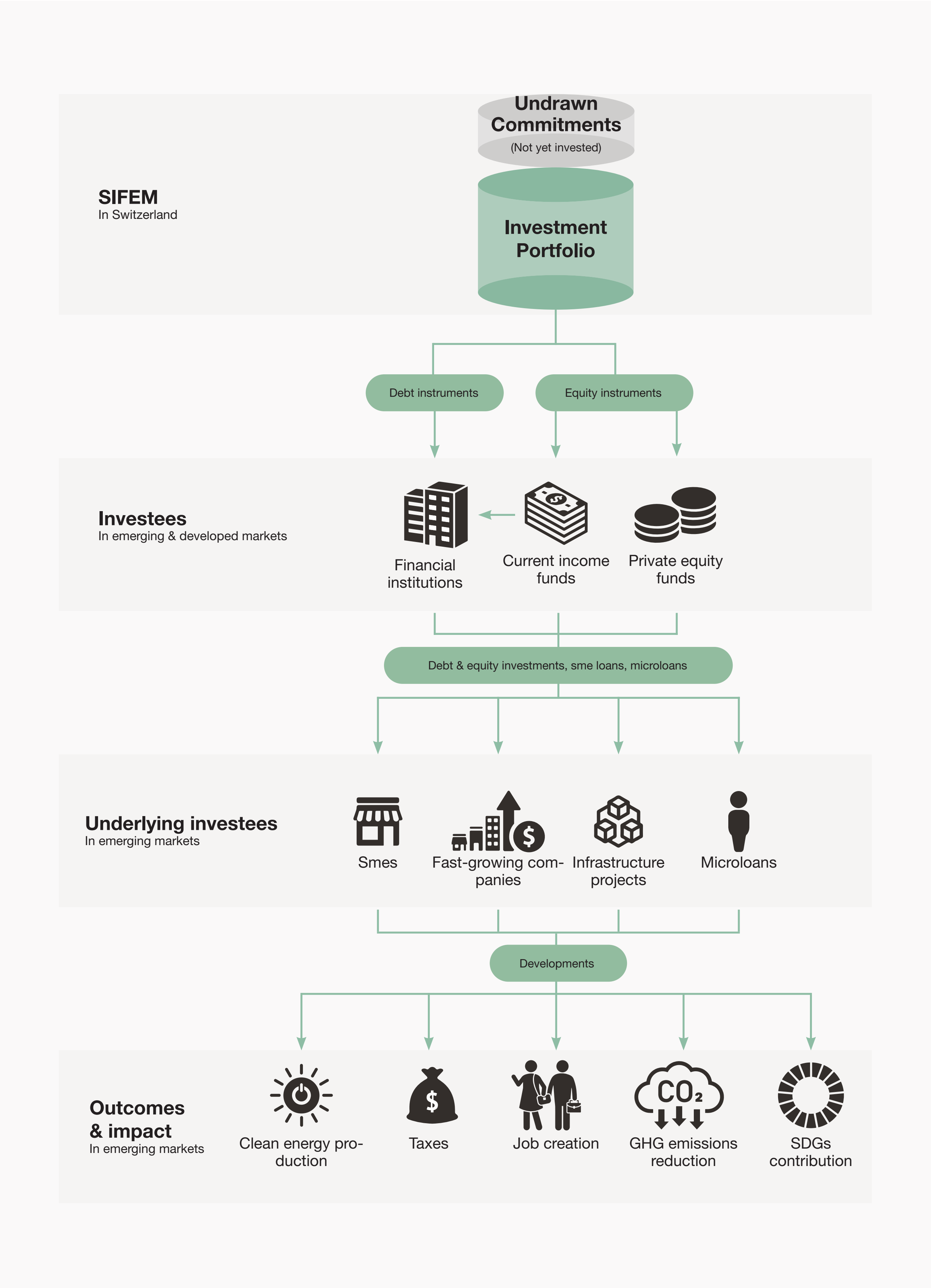
* In course of 2023, the new Portfolio Manager implemented its proprietary portfolio risk monitoring system and re-evaluated the SIFEM portfolio accordingly. As a result of the assessment under the current scheme, based on qualitative and quantitative indicators, among other aspects, some differences emerged in the rating of direct investments, which account for more than half of the debt instruments, along with a deterioration in the risk environment in some markets. Consequently, the portfolio shows a greater significance of riskier debt instruments.

Part 3: Financial objectives

Target fields	Objective	Performance
Operating efficiency	• Operating cost ceiling of 1.5% of active commitments.	**On track:** • Total operating costs reached 1.22% in 2023 i.e., below the ceiling of 1.5%.
Financing	• 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 13.2 million) and new commitments made during the year 2023 (USD 143.8 million) results in USD 157 million. • This was less than the reflows received in 2023 (USD 96.6 million) plus non-committed cash (USD 40.1 million) plus the overcommitment headroom (USD 60.1 million), which totals USD 196.8 million.
	• The average annual reflows recorded after 2021 increase by at least 10% compared the average annual reflows between 2018-2020.	**On track:** • Investment reflows have averaged USD 94.6 million in 2021-2023, which was above the average reflows of the preceding strategic period (USD 54.9 million). This corresponds to an 73% increase.
Financial results	Positive operating result in accordance with IFRS (accumulated over the period 2021-23).	**Too early to tell:** The accumulated operating result amounts to CHF 0.00 million for the years 2022-2023.
Portfolio evolution	• Internal Rate of Return exceeding 3% • Value multiplier (Total Value over Paid-in) exceeding 1.15	**On track:** • IRR : 5.23% • TVPI : 1.22

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 has contributed to the various working groups working groups in 2021-2023, in particular within the EDFI working groups, and also within the 2X Collaborative. At the end of 2023, SIFEM began to organize a forum that will bring together in spring 2024 ESG and impact specialists from all European DFIs.
	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 Chairman of the Board of Directors is committed to the "DFIs in fragile states" initiative, coordinating DFI activities in Nepal, the pilot country. SIFEM has also participated with other European DFIs in the dialogue with the International Finance Corporation (IFC), in particular at the Group's annual meetings. SIFEM has also participated in technical consultations on DAC-ODA reporting with the OECD.

Annex 2 : Investment value chain



Annex 3 : Glossary

Active Commitments
The current active commitments (total commitments since inception less terminated commitments) by SIFEM to funds and Financial Institutions.

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

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

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

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

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

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

International Private Equity and Valuation Guidelines (IPEV)
A set of internationally recognized 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.

Invested Capital
Contributions transferred to the investee, including out-of-commitment contributions (such as late entry fees, penalties, and other charges).

Investees
Funds or Financial Institutions that have received financing from SIFEM.

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

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

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

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

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

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

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.

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

Residual Value
The remaining equity that SIFEM has in a fund on a fair value basis. For direct and debt investments: carried at cost; for fund and equity investments: as a percentage of fund Net Asset Value (NAV); for debt fund investments exceptions may apply.

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.

Underlying Investees
Companies or individuals that receive capital from a fund or a Financial Institution in which SIFEM has invested.

Annex 4 : List of abbreviations

AG	Swiss public limited company (Aktiengesellschaft)
Art.	Article
CDC	British DFI
CEE	Central and Eastern Europe
CGDF	Corporate Governance Development Framework
CHF	Swiss Franc
CIS	Commonwealth of Independent States
DE	Development Effectiveness/Effects
DEG	German DFI
DFI	Development Finance Institution
EAD	Exposure at default
EC	European Commission
ECL	Expected credit loss
EDFI	European Development Finance Institutions
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESG	Environmental, social and governance
EU	European Union
EUR	Euro
FDFA	Federal Department of Foreign Affairs
FI	Financial institution
FMO	Dutch DFI
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GPR	Corporate policy project rating tool (developed by DEG)
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

IRT	Impact Rating Tool (in development)
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
No.	Number
NPV	Net present value
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
PD	Probability of default
PE	Private equity
PEF	Private equity fund
SCO	Swiss Code of Obligations
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SIFEM	Swiss Investment Fund for Emerging Markets
SME	Small and medium-sized enterprise
SNB	Swiss National Bank
SR	Classified Compilation of Swiss Federal Legislation
SSA	Sub-Saharan Africa
SSPI	Solely payment of principal and interest
TA	Technical assistance
TVPI	Total value over paid-in capital
UN	United Nations
USD	United States Dollar
WTO	World Trade Organisation
ZAR	South African Rand

Design
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