

The private investor's perspective

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EFSE Notes – A short analysis

- CDO structure with A,B,C shares and Notes
- Luxembourg SICAV – a regulated supervised financial company
- First-class Promoter (KfW) and shareholders
- Sound management (Oppenheim Pramerica Asset Management and Bankakademie)
- Long track record of predecessor funds
- Microfinance loans have low impairment rates

Challenges of EFSE Notes

- Country risks
- Country pools not linked
 - ⇒ a loss in one country can damage the Notes even if junior asset classes in other countries remain intact
- EFSE not yet rated
- Unlisted security

Strengths of EFSE Notes

- Adequate risk-return ratio
- Microfinance, Public-Private Partnership
- Strong shareholders (preferred creditor status)
- Microfinance has recently raised attention of the investment community (Prof. Yunus, Nobel Peace Prize)
- Transparency, good information (issue documents, quarterly reports, Financial Statement)

Outlook for EFSE Notes

- Quality of Partner Lending Institutes is crucial
- Interest rates must reflect country risk and imperfect diversification
- Key shareholder support is crucial
- Public rating or guarantee would increase the placement possibility for EFSE Notes (Insurance companies, Pension Funds, Family Offices)