

Dear Shareholders, Clients, Partners and Friends,

The second quarter of 2009 was the second largest origination quarter for Symbiotics, with USD 58 million disbursed, mostly in Latin America, to a few dozen MFIs. This came as a consecration for our Mexican office team, now well established in the region, growing our expertise and presence there. It also came as a celebration for the company overall, allowing us to pass the symbolic threshold of half a billion dollars of investments in microfinance, originated through Symbiotics. It finally came as a sign that, despite lower growth and difficult developments in microfinance, our services remain valuable for a growing number of clients and stakeholders, and MIVs remain attractive to the investor community.

We have continued to strive towards quality, first by launching www.SymInvest.com “microfinance investment intelligence” – our new on-line platform improving further our research, transparency and portfolio management tools for our clients. Second, we have largely increased our social performance measurement capacity, most notably by offering an MFI Social Responsibility rating applied to all investments, allowing our clients to filter their portfolios on credit but also social metrics. As a testimony of our efforts, we were proud to receive the 2009 “Best Investor” award in “Responsible Financing” by AMFOT in Tajikistan.

We thank you for trust and business, and look forward to further collaboration. Enjoy the reading!

Roland Dominicé, Executive Director

Content:

Microfinance investments and financial markets	p.3
MFI behavior in the global financial crisis.....	p.4
Investment strategy and results.....	p.5
Corporate developments / Did you know.....	p. 6
Value chain illustration: Market-MFI-MSE.....	p. 7

Highlights at a glance:

Markets & MIVs

- Reference rates and credit premiums are decreasing, forex is appreciating on mainstream markets. MIVs experience lower yield and much more competition as a result of too much liquidity, inducing most likely a countercyclical MFI borrowing rate decrease in the second half of 2009. Therefore MIVs’ returns remain somewhat below mainstream investor expectations.

MFIs

- Demand by micro-entrepreneurs stalls and MFIs revise their expansion plans shifting the focus from growth and quantity to client consolidation and portfolio quality. Higher PAR ratios, inducing higher provisioning, together with high liquidity, higher cost of funding and lower leverage explain ROE ratios down from 20% to 4%. Savings ratios are back up, testimony of the trust and credibility they benefit from overall.





Micro-entrepreneur, Mali

Microfinance Investments & Financial Markets

Pressure on the microfinance sector eases. As anticipated in the last newsletter, both short term rates (6m USD libor) and long-term rates (3y USD swap) have remained at historically low levels, closing the quarter at 1.11% (the lowest level since 2003) and 2.12% respectively. In credit markets, spreads narrowed considerably from the peaks reached in early 2009, but in general they stay at higher levels compared to September 2008. The still high credit risk premium continues to put pressure on the microfinance sector. However, overall the lower reference rates and premiums seem to ease those tensions.

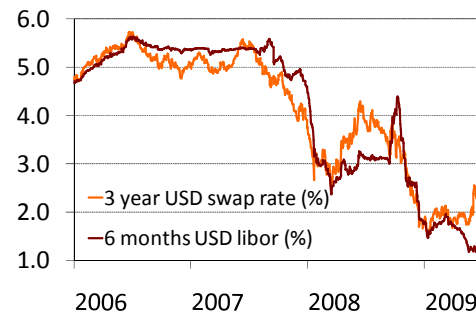
Forex readjustments as investors are regaining appetite in emerging markets. Investors have partially regained their appetite for emerging market assets, as evidenced by increasing financial flows. This has contributed to a recovery of many emerging market currencies, particularly the BRL, COP, PEN and RUB. The USD has lost 2.7% against a basket of six major currencies this year, indicating an ongoing readjustment in the hard currency market.

MIVs recover growth rate, but assets in microfinance remain stable. Despite the adverse market condition, fixed income microfinance investment vehicles (MIVs) based in Luxembourg continues to attract capital. During the first half of

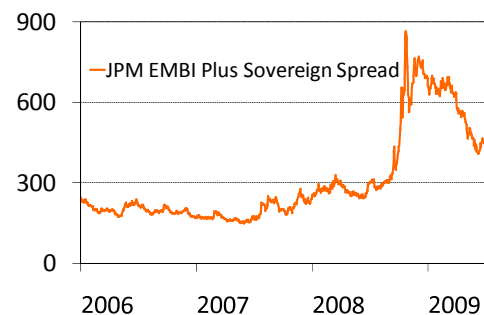
the year, total assets under management have increased by 8.0%, reaching 2.6 USD billion in June 2009. By contrast, during the same period, MIVs' total microfinance portfolio increased only by 4.3%, reaching 1.9 USD billion. At the beginning of the year, MIVs were keeping high levels of cash to manage potential redemptions. Since March, MIVs have not been able to invest their cash position, due to a fall in funding demand from MFIs.

SMX lower yields. As an asset class, microfinance has continued to generate positive monthly returns with low volatility. However, during the first six months of the year, yields have decreased, with six month returns reaching 1.66% for the SMX USD and 1.74% for the SMX EUR. Compared to the previous semester, this represents for each currency class a yield decrease of more than 100 bps. These lower performances are explained by several combined factors, of which the most relevant are: 1) currency volatility on the foreign exchange market, especially between the USD and EUR; 2) the increased provision of MIVs to cover potential default risks; 3) the high level of liquidity generated by the shortage of demand for financing from MFIs. The later, combined with lower reference rates and credit premiums, may well materially lower MFI borrowing rates and further decrease MIV yield in the months to come.

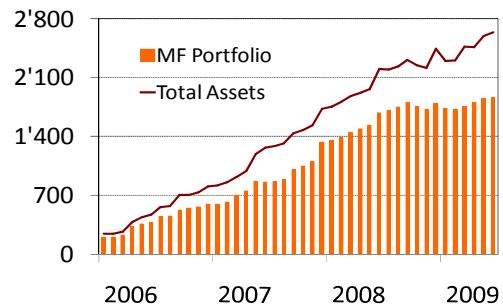
KEY MARKET INDICATORS
Money Markets



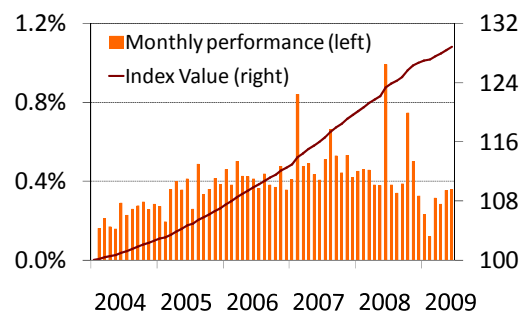
Credit Premiums



Luxembourg MIVs
(Volume, USD million)



Symbiotics Microfinance Index
(SMX USD)



Source: Bloomberg, Symbiotics

MFI Behavior in the Global Financial Crisis

Micro-entrepreneurs reduce demand for funding

SYM50	May 09
Total assets (USD)	100,345,525
Portfolio (USD)	74,667,378
Micro-clients	46,613
Average loan (USD)	2,096
Portfolio yield	29.4%
Op. self-suff. (OSS)	109.2%
Op. exp. ratio (OER)	14.8%
Return on equity (ROE)	4.3%
Debt/Equity ratio	4.38
PAR>30	4.9%

Stalled growth. SYM50 MFIs loan portfolio growth picked-up a bit in May, although year to date growth definitely shows that the sector is stalling. The phenomenon is significant considering that the SYM50 gross loan portfolio grew by 1.6% in the first five months of this year, while in the same period of last year the growth was 18.7%. Whilst the major difficulty MFIs faced in the last quarter 2008 and the first quarter 2009 was lack of funding, the situation turned around in April. MIVs had improved liquidity, but demand on the micro-entrepreneurs side had stalled, which in turn reduced MFIs' interest in new funding. Indeed several MFIs reported having switched from an aggressive strategy to one of client retention, imposing stricter eligibility criteria to new clients.

Additionally, while the first quarter was marked by significant regional differences in investment flows, with Latin America and Asia growing while Europe was decreasing, these

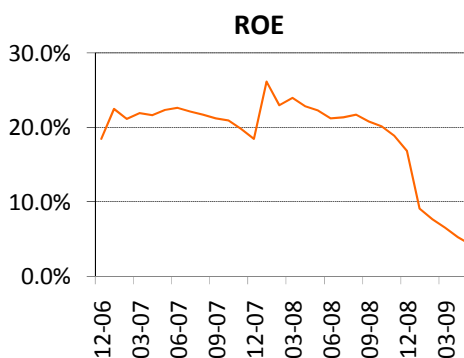
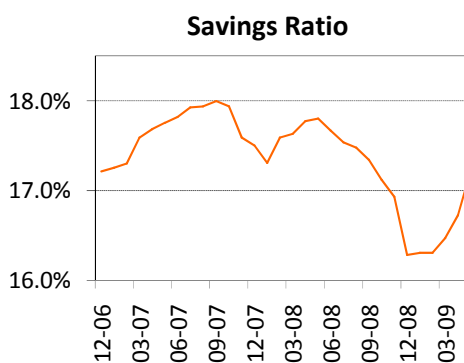
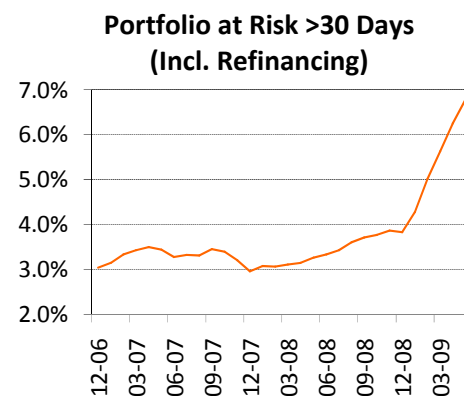
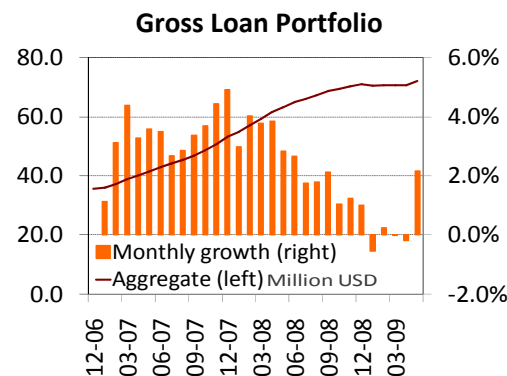
differences seem now to be diminishing.

Deterioration of portfolio quality. PAR>30 has increased significantly since the beginning of 2009, reaching 4.9% in May, and 6.8% if we include refinanced loans. Moreover, MFIs have increased write-offs, although the level remains acceptable. Provisioning is affected by this portfolio deterioration, as most MFIs see their risk coverage ratio decreasing rapidly, though it does remain very strong with an average of 155.3%. This global deterioration in portfolio quality has various sources, such as lower levels of remittances, increasing unemployment, decreasing investments and over-indebtedness of micro-entrepreneurs.

Savers keep confidence in deposit-taking MFIs. After a decline in the last quarter of 2008, savings levels are up again. This shows that micro-entrepreneurs and savers continue to trust local MFIs in times of crisis.

Worrisome profitability, yet positive throughout crisis. Overall, despite remaining financially healthy, MFI profitability has continued its negative trend, with an ROE reaching 4.3% on average in May 2008. Margins are put under pressure by high provisioning costs, higher costs of funding, lower leverage and increasing levels of liquidities.

SYMBIOTICS 50 MFI BENCHMARK DATA (SYM50)



Investment Strategy & Results Delivered to our Clients

Higher rates and premiums.

The second quarter has been exceptional for Symbiotics' brokerage platform, which has originated USD 58 million in microfinance investments, bringing its disbursements since inception to USD 520 million. Split into 511 transactions, they represent an average investment of USD 900k with 31.6 months maturity and 9.1% coupon. Rates continue their gradual increase; paired with the continued decrease of reference rates, they imply credit premiums much higher than in the past, recently around 7.0%. The amount invested in local currency has increased, with significant disbursements in PEN and MXP.

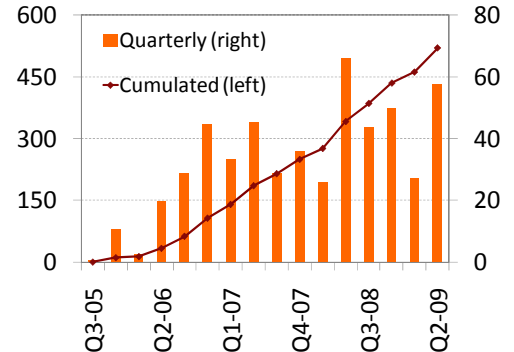
From quantity to quality.

Investee MFIs use our mid-term financing to on-lend to their micro-enterprise clients, with an average micro-credit of about USD 2'102.

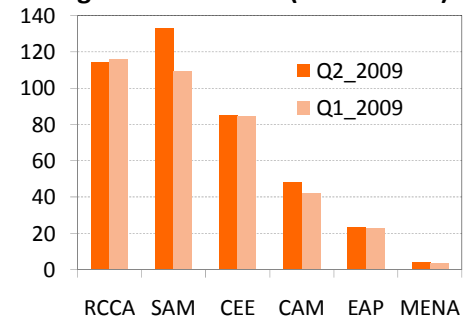
The working capital allows such micro-enterprises to reinforce their income generating activities, or provide financial security to their cash flow. The number of end-beneficiaries continues to grow, but at a slower pace than last year. Micro-entrepreneurs are hit by the crisis and MFIs change their strategy from an expansionary one to a portfolio quality one.

Latin America continues to lead investments inflows. The investment trend of the first three months of the year is confirmed, with Latin America remaining the fastest growing region. Peru and Bolivia in particular, with their investment grade rating, are attracting considerable interest, with the total amount invested in Peru rising by as much as 35% through the quarter. Overall the region represented 80% of second quarter new investments.

Brokerage Volume (USD million)



Regional Allocation (USD million)



RCCA: Russia, Caucasus & Central Asia
 SAM: South America
 CEE: Central & Eastern Europe
 CAM: Central America, Mexico & the Caribbean
 EAP: East Asia & the Pacific
 MENA: Middle East & North Africa

AVERAGE YIELD

Average coupon	9.1%
Average base rate (at closing)	3.2%
Average premium (at closing)	5.9%
Libor USD 6m (30.06.09)	1.1%
Implied premium (30.06.09)	7.0%

Top 5 Currency	Vol m\$	Coupon
USD	287.8	9.0%
EUR	96.6	8.4%
PEN	25.7	11.8%
MXP	1.6	16.0%
THB	1.4	8.5%

Top 5 Country	Vol m\$	Coupon
Peru	70.0	10.1%
Bolivia	36.4	9.0%
Bosnia Herz.	34.7	8.3%
Azerbaijan	31.2	9.0%
Nicaragua	28.3	8.7%

AVERAGE RISK

Ratings	
MFI Credit Risk	BBB
Country Risk (ceiling)	B+
Aggregate Rating	B+

Portfolio at Risk	% Total Vol
Loan provisions	0.3%
Write offs	0.0%

Maturity	Months
Full maturity (at closing)	31.6
Remaining maturity (30.06.09)	18.0

Top 5 positions	Vol m\$
Banco del Exito, Nicaragua	17.4
Edpyme Créditos Arequipa, Peru	14.8
Xac-Bank LLC, Mongolia	14.0
AccessBank, Azerbaijan	13.0
Banco Solidario S.A., Bolivia	13.0

TOTAL OUTREACH

Category	% Total	Clients
Total Micro Clients		373'555
Agriculture	21.9%	81'939
Manufacturing	6.3%	23'439
Trade	34.8%	130'102
Services	18.4%	68'339
Other	18.5%	69'236
Women	52.7%	196'831
Men	42.4%	158'391
Urban	56.7%	210'695
Rural	43.3%	162'860
Enterprise	80.5%	300'646
Consumer	9.9%	36'972
Housing	5.1%	19'175
Other	4.5%	16'761

Corporate Developments / Did You Know...

New Investment Platform

Symbiotics announces the launch of *SymInvest*, our on-line *microfinance investment intelligence* platform. Through our online platform we provide a constant flow of data and research. Symbiotics has visited over 450 MFIs and provided funding to over 110, all of which are registered on-line. Similarly our 15 MIV clients, some of their investors, their custodian banks, auditors and administrators also have an account on-line. All have access to information on their investments, markets, MFIs and their fund. The platform also offers tools to portfolio managers, on aspects of liquidity management, risk management, valuation and payment collection. Additionally, they receive privileged access to industry research and news.

New sections of this platform, which was hitherto – since 2005 – a secured intranet reserved to clients, were opened to the public in June, offering unique industry information and services. *SymInvest* aims to be the leading investment platform for the industry, providing a unique blend of market intelligence and investment advisory services.

The beta version is currently under development, for review and feedback with industry practitioners, and should be finalized by autumn. To know more visit:

www.SymInvest.com

Addressing Social Performance

Symbiotics promotes actively responsible practices within the microfinance industry. Symbiotics is engaged in the promotion and measurement of the social bottom line of microfinance by participating in the main initiatives related to this issue. We are a member of the Social Performance Task Force, a global network in charge of defining social performance and addressing the measuring of social performance. We also are part of the Client Protection Campaign initiated by Accion, whose overall objective is to take steps to protect low-income clients from potentially harmful financial products and practice. Additionally, we are mandated by CGAP to co-develop disclosure guidelines on MIV environmental, social and governance (ESG) reporting. Finally and most notably, we have developed an MFI Social Responsibility rating tool to better assess the social performance of MFIs, covering the following elements:

- Social governance
- Labor climate
- Contribution to financial inclusion
- Fair treatment of clients
- Diversity & quality of products
- Social responsibility towards community
- Environmental policy

Best Investor Award

Symbiotics was award by the Association of Micro-Finance Organisations of Tajikistan (AMFOT) for “Responsible Financing” in the category “Best Investor” for 2009. The purpose of the competition, organized by AMFOT was to acknowledge individuals and organizations for their contribution to the development of microfinance in Tajikistan. The Competition Committee comprised of the representatives of the German Technical Corporation (GTZ), the German Development Service (DeD), USAID, UNDP, The World Bank and the National Bank of Tajikistan.

Symbiotics visited local MFIs for the first time in spring 2006, and disbursed its first loan in the Country in March 2007. Since then we have disbursed 21 loans to Tajik MFIs for a total amount of 13.9 USD million, with currently 10.3 USD million outstanding.



July 09, Benoit Bouet and François Rossier, Investment Analysts for RCCA, visiting Mr. Naimjon Safarov in the Soghd region in Tajikistan, working with the MFI IMON.

Value Chain Illustration:

1. Market: Cambodia

Cambodia is a Southeast Asian Country with a population of 14 million people. It is a constitutional monarchy ruled by the Cambodian People's Party. After a decade of strong growth, with income per capita almost doubling, GDP is expected to contract by 1.0% in 2009. The global economic crisis is impacting the economy mainly through the sharp downturn of Cambodia's key trading partners' economies. The government pursues an expansionary fiscal policy, to support domestic demand.

Microfinance dates back to mid 1990s. Since then it has flourished into one of the country's fastest growing sectors. At the end of 2008, 18 microfinance institutions were active in Cambodia, reaching about 800'000 borrowers and 400'000 savers. The Cambodian Microfinance Association estimates that the level of non-performing loans will rise by 3.0% by the end of the year. Still, the fundamentals of the sector and its growth prospects remain solid.

10 KEY INDICATORS (2008*)

Population	14.5 million
Pop. living in poverty	35.0%
Human dev. rank	131/179
GDP per capita	USD 2'000
Real GDP growth	6.0%
Inflation rate	19.6%
Forex (12m)	-1.9% /USD
Private credit	8.0% /GDP
Foreign aid	8.0% /GDP
Remittances	7.8% /GDP

*or latest available

2. MFI: Amret

Amret was founded in 1991 by the Group for Research and Exchange of Technology (GRET) as an experimental project delivering micro-credit to rural Cambodians. In 2001, following the establishment of a specific microfinance legal framework by the National Bank of Cambodia, Amret became the first organization to receive an MFI license. In recent years, Amret has experienced fast portfolio growth. Through one head office and forty-three branches in thirteen provinces, the MFI serves a fully rural client base. While group lending methodology dominated the portfolio at inception, individual loans have become increasingly important over time. Receiving the license to become a Microfinance Deposit-Taking Institution in January 2009, the MFI is now the second Cambodian MFI to be deposit-taking. Amret's strategic focus is to promote its savings product by raising its brand awareness throughout the country. It aims to become a commercial bank in the next three years.

10 KEY INDICATORS (June 09)

Total assets	USD 74.9 million
Portfolio size	USD 53.4 million
Micro-enterprise clients	227'405
Average loan	USD 235.0
Portfolio yield	36.2%
OSS	129.1%
OER	14.2%
ROE	21.4%
Debt/Equity	3.78
PAR	2.8%

1. MARKET >> 2. MFI >> 3. MSE

3. MSE: Ms Kimpauv

Ms Kimpauv has a salt production business, which she operates out of her home with her husband. Purchasing rock salt from a local producer, she boils down the raw material to produce table salt that she re-packages and sells in the local market. Before starting her own salt production business, Ms Kimpauv was an employee for a salt transporter business that transferred salt from the fields. She learned about Amret from neighbors that were Amret clients themselves. Her first micro-loan amounted to USD 5,000; with it, she purchased a piece of land on which she hopes to build a home one day. While not directly related to her income generating activities, she aims to improve her livelihood, thanks to her business cash flows and financing options. Her loan is paid back with the income generated by the salt business, but also by her livestock.

She and her husband have four children, two sons and two daughters.



Ms Kimpauv

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