

Empowering Impact Investments with Mikro Kapital: Opportunities Along the Silk Road

Launched in 2008, Mikro Kapital is a Luxembourg-headquartered group focused on the use of microfinance techniques for investing in small businesses across emerging markets, with a particular focus on micro-SMEs along the 'Silk Road' countries of Central Asia and Europe, and with a view on growth in other regions over time. Michele Mattioda, member of board of Mikro Kapital, offered delegates at the Hubbis Singapore Investment Forum on November 1 some valuable insights into Mikro Kapital's missions and how the wealth management community can participate in their journey along the Silk Road. He delivered a valuable introduction to their world of Impact Finance and Microfinance, exploring Mikro Kapital's unique approach to microfinance, enhancing the opportunities for developing markets with a unique procedure to manage the risk and control the full value chain end-to-end, without intermediaries. He explained why it is so rewarding to invest in local businesses across emerging regions, empowering and transforming micro-SMEs with micro-credits, micro-loans, and sharing economy solutions. Armed with an excellent slide show covering the firm, the platform and the market, Michele uncovered some of Mikro Kapital's resilient investment opportunities in real economy sectors, highlighting the remarkable Risk/Reward record and a historical NPL rate of below 1%, and zero borrower default since the start.

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MICHELE MATTIODA
Mikro Kapital

Michele introduced himself as heading up coverage of the firm's institutional and professional investor relations and due diligence. He said He was there to speak about social return and social impact, and to explain how ESG is the link between the real world and the finance world.

"We are delivering a very high return of up to 14% annually in US Dollars, with short-dated exposures of below four years.," He told guests. "We are well diversified across 14 countries, across many business sectors and across numerous end-customers. We have been doing this for 15 years, all the time honing our skills and learning from experience. We

achieve returns in a non-correlated portfolio that offers investors genuine diversification from other forms of private or public assets."

He said the private credit they take on is fully collateralised by tangible goods that are essential to the micro-SME obligors, which He explained is why they have zero default since inception exactly because of this. "The NPL is below 1% historically accumulated in Mikro Kapital, and that proves to be delays, not defaults," He reported.

He explained that they raise their own funds through bond issuances, delivering opportunities in untapped markets in Central Asia. "At the same time as offering funding, we are also helping achieve impact," He reported. "We have some 300,000 end borrowers, and we are helping support all types of tiny businesses that are so crucial to the economies, and more than 40% of our borrowers are women with small businesses that keep themselves and families alive and well, and that contribute to the local and national GDP. We work in countries of all types of religions, and we work mostly in rural economies."

He explained that microfinance has been growing apace at 15% to 20%

in the past several years, and is a total market estimated at USD180 billion roughly today. "It foreseen it will reach some USD500 billion by 2030," He said. "Microfinance is nothing extraordinary, it is like going back to basics, what banks could perhaps do, in other words lend to small entrepreneurs to boost the economy, but they no prefer just to put cash in short-term overnight or money market instruments, not invest in the real economy."

He explained that the Silk Road is the greatest trading and supply route in history. "And today Central Asia is very fertile soil for our activities, one of the world's great untapped regions and one in which we have made a true specialisation and offer genuine expertise and track record of achievements. The key difference with us at Mikro Kapital is that we are creating a real link to the end borrowers."

Through our office in Hong Kong we want to reach family offices and multi families office, as professional investors in the area. We are targeting how needs to diversified his/her portfolio with investments linked to real economy and with an important social impact effect. ■

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A BRIEF OVERVIEW OF MIKRO KAPITAL

Launched in 2008, Mikro Kapital is a group focused on the use of microfinance techniques for investing in small businesses across emerging markets, with a focus on the 'Silk Road' countries of Central Asia and Europe, and with a view to grow into other regions over time.

Mikro Kapital operates through two securitization funds: MIKRO FUND and ALTERNATIVE. The firm believes micro-credit has a direct and positive influence on supporting the growth of emerging economies, stimulating the growth of small and medium entrepreneurs by providing 'inclusive finance' access.

Mikro Kapital is a highly effective 'Impact Investment' fund, built around delivering on its stated ESG principles and UN Sustainable Development Goals. At the same time, it provides a remarkably interesting opportunity for investors to diversify their portfolio by investing in and gaining exposure to entrepreneurs investing in the 'real economy' of developing markets through the 'Silk Road' countries.

The platform lends to entrepreneurs predominantly operating in rural areas in the agribusiness and services sectors, and the long-term performance of the Mikro Kapital Group is a testament to the deep knowledge and experience of the Founder, Vincenzo Trani, and a highly diversified lending book by country and sector.

Mikro Kapital's objective is to position itself close to SMEs that are creditworthy, with high growth potential and considerable social impact since they form the basis of the socio-economic development chain within their communities.

The principles on which the Group is designed and under which it operates are focused on providing inclusive finance across the countries in which it operates to improve living standards and close their gap with the developed world.

Vincenzo Trani, Mikro Kapital's Founder, worked for many years in emerging markets across Eastern Europe & Central Asia for the European Bank for Reconstruction and Development (EBRD), before founding Mikro Kapital Group in 2008. He is passionate about what he does, and has deep experience in microfinance lending into the countries in which we provide loans to entrepreneurs, and he has contributed to the development of market-leading micro-finance lending processes and practices, bringing all of this expertise to Mikro Kapital.

The firm has a fully owned/integrated end-to-end lending process with its own credit officers on the ground in each country in which they operate, supporting many women entrepreneurs (who comprise more than 40% of the lending book) in predominantly Agribusiness and Service businesses (roughly 70% of their lending) in rural communities across Silk Road countries.

The Mikro Kapital Group, headquartered in Luxembourg, has many long-term Family Office, Multi-Family Office and other mid-tier institutional investor relationships in Switzerland, France, Germany, Spain, the UK, Italy, and many other countries across Europe, who account for more than EUR1.1 billion aggregate total assets invested to date.

WANT TO GET INVOLVED IN FUTURE EVENTS?

Don't Miss Out on our **Hubbis Investment Forum - Singapore 2024**, which will take place **Wednesday 6th November 2024**.

Want to become a **Significant Part of these events next year? Speak? Join as a Partner?** Please send us an email at events@hubbis.com if you would like to get involved.