

Impact Investing and Micro-Finance – it's growing appeal to Asian HNW clients



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What is Micro-Finance, and why is it relevant to high-net-worth clients in Asia?

Microfinance is a quite interesting asset class. It is related to loans to non-bankable people. So, what we are doing, we are disbursing loans to people located in the geographic areas in which we work, on the Silk Road countries, from Italy till Hong Kong. The traditional and average loan and portfolio is about 20,000 euro.

The microfinance industry, it's very diversified because it's a quite different aspect in terms of sectors, starting from agricultural till the logistic, trading, shops, wellbeing industry and IT. At the same time is a sector that is very important for social responsibility because through the microfinance we are able to finance start-up and as well entrepreneurs that need support for growing.

I believe that this so diversified and so interesting asset class can be, for sure, interesting for investors that would like to diversify their portfolio, but at the same time, would like to be de-correlated from the traditional financial market. That's why many family offices are enjoying investing in this asset class, generating quite interesting yield and at the same time, keeping a priority on the SG agenda.

What is unique about your process and strategy?

The unique aspects of Mikro Kapital in microfinance is that we take care about the full chain since investors till the final board over. We do not finance through third party micro financial institutions. We prefer to have a look-through fully to all loans that are disbursed. We create a loan portfolio. We do not finance a third-party loan portfolio.

I believe that this is quite innovative, and I believe that this is very important for the risk profile of the investment itself. We saw in concrete during the COVID period, for example, that this approach was allowing us to be very careful in generating this loan portfolio and in the recovery rate as well. And we were able to have a clear understanding of what was happening in the daily life of our borrowers online in time exactly when this was happening. This is allowing us to keep a very low portfolio risk over 30 days and a very high recovery rate.

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What options do you present to investors?

Mikro Kapital is offering different approaches to invest in microfinance. The traditional offer is based on a bond that is issued by our Luxembourg vehicle that is available on Bloomberg and that is easily investible through the traditional clear stream European platform. The bond is generating quite interesting yield, around 10% on 24 months, and is guaranteed from the underline of the activity that we do this loan portfolio and is guaranteed as well by the equity buffer that is owned by the asset management company.

At the same time, for investors that would like to have a more junior investment and does not like the seniority of the bond, it's possible to invest in the equity. Or for investors that would like to have a more traditional vehicle, regulated vehicle, we have as well the possibility of

investor in the SICAV traditional fund, SICAV based in Liechtenstein.

Why did you start this business?

I enjoy very much to finance micro entrepreneurs and I enjoy mostly because the effect of the impact that my work is creating in the society in which we are working. I believe that all efforts that we invest in creating new entrepreneurs and in developing non-bankable entrepreneurs are very fast generating a positive effect in the economic society everywhere in the countries where we are operating.

That's why I decided to continue what I was already doing with the European Bank for Reconstruction and Development, and I decided to invest all my life in this direction. I was very lucky to convince 3,200 employees together with me today to continue this activity.

I was growing in Italy, and I was always involved in financing entrepreneurs in difficult geographic areas. That's why I like it very much, the idea of being useful in developing difficult economies and in supporting entrepreneurs that are, for sure, the first engine of development of every economy, especially in European countries and in Italy.

That's why when in beginning of 2000 I was invited by the European Bank for Reconstruction and Development to take care about the microfinance industry in the former Soviet Union countries, I enjoyed very much. And I decided even when I left EBRD, I decided to continue on my own.

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