

EXECUTIVE SUMMARY

Country: Regional

Investee: The Caribbean Investment Fund, L.P.

Project Description: The project represents an opportunity for the MIF to invest in a small business investment fund (SBIF – CIF) created within a larger, private equity fund, the Caribbean Investment Fund L.P. ("the Fund") being organized by the Investment Company of the West Indies Group Limited ("ICWI" or the "Group"). The Fund's objective is to promote equity and equity-related investments in private companies located in the member nations of the Caribbean Community and Common Market States ("CARICOM"). The SBIF-CIF facility will invest only in MIF eligible small businesses within the CARICOM.

The Fund has a target capitalization of US\$150 million, of which up to US\$20 million would be invested in the SBIF-CIF portion, targeting small investments of between US\$250,000 and US\$2million per company.

MIF Investment: The MIF is seeking authorization to invest a minimum of US \$5 million or up to 10% of the total Fund capitalization but no more than US \$10million. This amount would be exclusively allocated to this small capital program.

The MIF will not participate in the larger investments and its returns will be determined with reference to the SBIF-CIF portfolio only. The Fund will maintain separate accounting for this portion.

Financing
SBIF-CIF:

MIF SEIF Facility III-B	\$5,000,000 up to \$10,000,000
Other investors	\$5,000,000 up to \$10,000,000

Management: The Fund is sponsored by ICWI, a regional financial services conglomerate, and the General Partner of the Fund is Caribbean Basin Investment Fund Limited (or "CBIF") which is presently 100% owned by ICWI. The Investment Manager, Caribbean Equity Partner Limited, is composed of a selected group of professionals with experience in structured investments and with a strong regional orientation. ICWI will transfer up to 70% of CBIF shares to the Investment Manager depending on the capital size of the Fund. The ICWI group

will provide capital and an effective regional network consisting of ICWI offices in eight countries in the Caribbean area and a team of professionals with experience in portfolio management, who will assist the Investment Manager to source, monitor, and exit investments.

IIC Equity Investment: IIC also proposes to participate in the Fund with an initial investment of US\$5,000,000 for the first closing of US\$25 million and no more than 10% of the total aggregate commitments afterwards up to a maximum of US\$7,500,000 if the Fund reaches US\$75 million. The IIC will participate in all the investments in the Fund.

Projected Rate of Return: The Fund's target returns to investors after expenses are expected to be about 20% per annum.

MIF Role: The MIF's involvement in the operation has ensured that a certain portion of the entire Fund will be dedicated to small businesses with less than US \$3million in sales and less than 100 employees. Investments will be in the range of \$250,000 to \$2million, significantly below the targeted average of \$10million per investment in the medium sized investments of the Fund.

This involvement by MIF in the creation of a sub-fund within a larger fund is a relatively new model which addresses the two core challenges of creating investment vehicles for small business – fund raising and fund management. This model diversifies and reduces risk for institutional investors while using the installed capacity of a sophisticated fund management group that can cover its overheads through its activities in the larger investments, while still providing dedicated managers to the small business activity.

It also creates a fund vehicle for the region that can meet the needs of a wide range of businesses, small medium and large, an important requirement for a small region like the Caribbean.

MIF and IIC's participation in this fund will complement efforts to implement the "Market Harmonization Project", funded in part by the MIF, which aims to link electronically the stock exchanges of Jamaica, Barbados and Trinidad & Tobago. One of the exit strategies is initial public offerings for fund investments in the local or regional stock exchanges.

Risks and Issues:

Currency Risk. Fund investments will be equity and quasi-equity investments and will be denominated in local currencies of the host countries, thus, the investment value may be affected by currency fluctuations.

Mitigant. Although it is impossible to eliminate this risk, it will be partially mitigated by: (i) diversification by country; (ii) long-term investments where returns are less dependent on short-term currency fluctuations; (iii) Caribbean economies depend vitally on export revenues and it is very likely that the portfolio will have a strong component of firms that have revenues in hard currency; (iv) most of the major markets have low inflation and stable foreign exchange rates.

Business Risk. The target market of the Fund is essentially SMEs which generally are subject to higher operating, management, and financial risks than large, public companies.

Mitigant. The business risk will be mitigated substantially by the Fund's diversification policies and the Fund's investment committee experience in identifying successful companies in the region. Additionally the managers will take a proactive role in improving company operations, thereby minimizing risk through intensive involvement.

Company Size. Fund managers are always tempted to invest in larger deals where the potential profit can compensate for the transaction costs associated with any equity investment.

Mitigant: To ensure that a portion of the Fund is dedicated to MIF investments, MIF will disburse in three tranches, with reviews of each previous tranche as a condition of the next disbursements. Thus, if the first tranche is not invested in companies which meet the MIF size and developmental criteria, the MIF's commitment for future disbursements will be cancelled. There will also be provision for return of the first tranche if not invested after three years. More importantly, the MIF is requiring that the Manager hire a specific coordinator for the small business portion of the Fund, ensuring that at least one person's time will be exclusively dedicated to creating the deal flow for this sub-portfolio.

Complementary/overlap with Tiona fund while the fund may overlap or compete with the Tiona fund, the MIF will not have a conflict of interest as it will not be involved in the investment committee of either institution. The presence of two regional funds which both have a small business component can only be a plus for the region as it promotes increased understanding of

the equity investment model and creates healthy competition which will result in a more equitable result for local investors.

Joint participation of MIF/IIC The MIF and the IIC have worked closely in the evaluation and structuring of the investments to ensure that both organizations' entrance was warranted, that each institution's mandate was met, and that the roles were complementary in nature. Due diligence was mainly carried out by the IIC to avoid duplication of efforts and consistency of approach. The presence of both institutions is warranted due to the extremely underdeveloped nature of the region's capital markets and the very limited access of SME's to equity. The region is too small to warrant the creation of several funds and it is more efficient to leverage off of the management resources and fund-raising capabilities of the only two groups currently developing regional equity funds.