



Saronna

Semi-Annual Report : December 31, 2008

Sarona Risk Capital Funds

Markets: the bad news

Market risk increased dramatically in the second half of 2008. Interestingly, the economic risk is greater in North America and Europe than in most developing countries. But our biggest worry has not been the credit squeeze, nor any other market fundamentals, but rather the potential rise in populist politics, especially in Latin America. When there is stress in the economy, extremism seems to rise. Several countries are living up to these fears, causing investors to run scared. For us, the most notable political and policy risks lie in Nicaragua, Argentina and Paraguay.

When speaking to politicians in developing countries, we ask for only two things – policy stability and reliability of contract law – the rest we can handle.

Markets: the good news

Over the past 40 years, the average GDP growth of developing countries has outstripped that of high income countries. And, over the past ten years, developing countries have grown more than twice as fast as developed countries. Economists expect this trend to continue. Sarona seeks to both support the poor and capture this market growth.

New Ventures

We're not standing still. In the near future, we expect to launch several new initiatives:

Sarona Frontier Markets Fund. This fund-of-funds will invest in investment funds around the world that support microfinance banks and small/medium-sized enterprises. The fund will launch first in Canada, with an evergreen offering that allows investors in and out every year.

Agro Capital Management LLC, Ukraine. This company will invest in the agricultural value chain (farms, greenhouses, cold storage, logistics, etc.) in Ukraine.

Balance Sheet

As at December 31, 2008 - Unaudited

	SRCF MEDA	SRCF 1 LP
ASSETS		
Current Assets		
Cash and bank	4,892	71,000
Accrued interest and accounts receivable	72,229	21,904
Due from related parties	1,171,027	833
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	1,248,148	93,737
Other Assets		
Equity investments	2,870,577	676,331
Notes receivable	3,608,145	773,234
Investments held for MEDA members	2,987,380	-
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	9,466,102	1,449,565
	<hr/>	<hr/>
	10,714,250	1,543,302
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable	84,175	6,000
Notes payable	6,078,090	-
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	6,162,265	6,000
Net Assets/Equity		
Subvention Certificates	252,500	-
Unrestricted net assets/equity	4,299,485	1,537,302
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	4,551,985	1,537,302
	<hr/>	<hr/>
	10,714,250	1,543,302

Profiles of Key Investments

Investee Company	SRCF MEDA Investment	SRCF I LP Investment
MicroVest Gen Ptr LLC MicroVest Cap Mgt LLC (Microfinance asset manager)	Equity (45%) cost = \$532,050 NBV = \$74,547 Loan = \$226,875	\$0 Loan = \$75,625
MicroVest I LP (incl. MV Canada Ltd)	Equity (6.95 %) cost = \$946,451 NBV = \$1,279,185	Equity (1.24%) cost = \$187,731 NBV = \$221,893
Fundacion Chispa, o/a MiCredito, Nicaragua (microfinance)	Sub loan \$424,000* Senior loan \$615,836	Sub loan \$73,802* Senior loan \$154,164
Codip S.A., Paraguay (starch production)	Equity cost = \$418,967 NBV = \$850,332	Equity cost = \$166,845 NBV = \$212,950
ERPAR, Paraguay (Bio-fuel production)	Equity cost = \$256,250 NBV = same	Equity cost = \$73,750 NBV = same
Global Microfinance Group, Switzerland Argentina Microfinance SA	Equity in GMG cost = \$30,000 Loan/pref shares in AMSA current = \$107,430	Equity in GMG cost = \$9,000 Loan/pref shares in AMSA current = \$32,143
Fonkoze Finance, Haiti (microfinance)	Loan = \$150,000	Loan = \$50,000
IMON Finance, Tajikistan (microfinance)	Equity 7.5% cost = \$510,000 Loan = \$37,500	Equity 2.5% cost = \$170,000
Microfinance Certificates of Deposit: Ecuador, Azerbaijan	\$375,000 \$750,000	\$125,000 \$250,000

* To be converted to equity this year

Statement of Earnings

6 Months Ended December 31, 2008 - Unaudited

	SRCF MEDA	SRCF 1 LP
Revenue		
Charitable contributions	115,934	-
Interest and dividends	185,623	6,323
Realized gains and losses	(3,543)	(4,677)
Amortization of purchase discounts	2,000	0
Net Investment Revenue	298,395	1,646
Financial Expenses		
Interest paid on debt	99,229	0
Net Financial Revenue	199,166	1,646
Operating Expenses		
Management fees	159,114	10,954
Bank charges	59	0
	159,173	10,954
Net Income	39,993	(9,308)



Board Members

of MEDA Investments Inc.

Lowell Peachey, Chairman
Alex Hartzler, Vice Chair
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