

Portfolio Review 2013



With the challenges and opportunities for independent media around the world continuing to evolve under the pressure of technological change, we took some big steps forward in our own evolution as an organization in 2013. We rebranded as **Media Development Investment Fund**, setting the stage for a broader range of investment vehicles to meet those changing needs. And we adopted a new mission statement that embraces all the new modes of independent media that can now and in coming years provide people with the news, information and debate they need to build free, thriving societies.

At the same time, we continued to expand and adapt our range of products and services to provide the most effective assistance possible to independent news media in emerging markets. Most notably, we grew our Digital News Ventures portfolio of early-stage investments in innovative digital media companies and continued to deepen the provision of digital client services to help outlets take advantage of mobile and online opportunities.

In 2013, we approved a total of \$5.3 million in loans and equity investments in 16 new projects for 15 companies across 10 countries. This included \$1.46 million in Digital News Ventures investments in 5 digital start-ups. In doing so we invested in six new clients in total, including our first investment in Paraguay.

At year's end, our total portfolio stood at \$47.9 million, 2% higher than 2012. As noted in last year's Portfolio Review, having reached 1:1 leverage, our fund reached a new mature stage, and we now expect to see lower levels of new investments from our existing fund, targeting \$4-6 million in new investments annually in coming years. Total number of clients (59) and countries (25) invested in were at near-record highs.

With worsening political and economic environments in a number of countries including Guatemala, Russia, Ukraine and Zimbabwe, principal collections fell by 13.9% to \$3.9 million. However, interest collected rose slightly to \$1.1 million. During the period MDIF's Board of Directors approved two write-offs, one small Digital News Ventures investment and one significant PRI investment, totalling \$1.46m. Given increasing risks in the media sector and a number of key geographies for our work, we reduced our own debt levels in 2013 with repayment of our most expensive borrowings, bringing our total debt under \$20 million.

2014 and beyond

Over the past two years, virtually all our new clients have been digital or broadcast. With few geographical exceptions where print may still have growth potential (e.g. Egypt, Myanmar), we do not foresee taking on new print clients, unless they are already far along in the transition to a digital business model. New and future projects break out into several categories:

- 1. Digital Disruptors:** Digital news organizations that are capturing large audiences in environments where legacy media lacks independence, creating strong demand for independent news available online, such as current client Malaysiakini.com.
- 2. Companies developing news business models for journalism:** As an example, in Indonesia we have invested in KataData, a digital news company experimenting with a new revenue model based on investigative journalism. KataData provides commercial analysis and business intelligence for corporate subscribers, alongside investigative reports on business corruption and economic policy for the general public.
- 3. Companies innovating to deliver news and information in new more effective ways:** One example is Gram Vaani, an investee in India that is creating mobile phone-based social networks for the illiterate poor, with corruption reporting and health issues as primary news subjects.
- 4. TV and radio broadcasters:** These have not faced the same challenges from digital disruption as print media. They include new clients, such as TeleViva, a new TV station that will serve Lima's marginalized low-income majority, and long-time clients like Nepal's Ujyaalo 90 radio network.
- 5. Existing print clients with potential to successfully make the transition to digital.** We are continuing to invest in a small number of these, such as South Africa's Mail & Guardian.

We will of course continue to carefully manage our existing portfolio and couple our financing with **strategic advice, business planning, legal assistance, and capacity building**. In the current environment, we are finding the need for these services to be more intense and more critical for success than ever before.

MDIF Portfolio

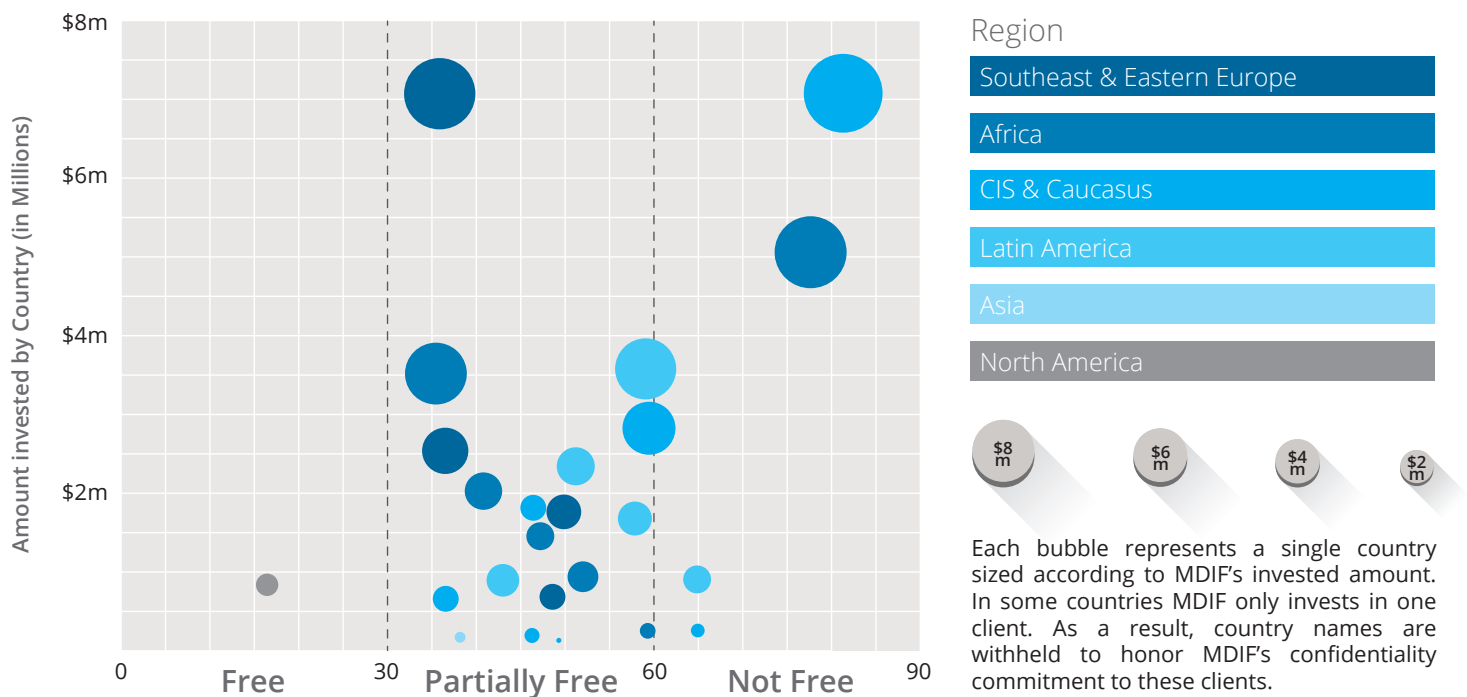
Portfolio Summary 2013

	Cumulative	2009	2010	2011	2012	2013 (unaudited)
Portfolio size (with commitments)	n/a	40,480,040	42,802,819	43,341,156	47,060,161	47,934,160
Number of total clients	96	41	48	51	54	59
Number of new clients	n/a	3	4	5	9	6
Number of countries	31	15	19	21	25	25
New investments made	112,470,779	8,745,941	10,012,769	6,486,157	8,845,225	5,328,980
New projects funded	298	22	27	27	25	16
Principal recovered	59,316,835	4,918,388	6,668,999	4,624,470	4,558,066	3,933,308
Interest, dividends & capital gains collected	38,531,649	14,581,325	1,523,179	1,127,059	1,042,177	1,113,386

Portfolio Allocations

By Amount Invested and Freedom House Press Freedom Score

At the end of 2013, 73% of MDIF's outstanding investments were in "partially free" countries, 26% were in "not free" countries and only 1% of investments were in "free" countries. The total amount invested in "partially free" countries increased 18% from 2012 while the investments in both "free" and "not free" countries decreased 85% and 16% respectively.

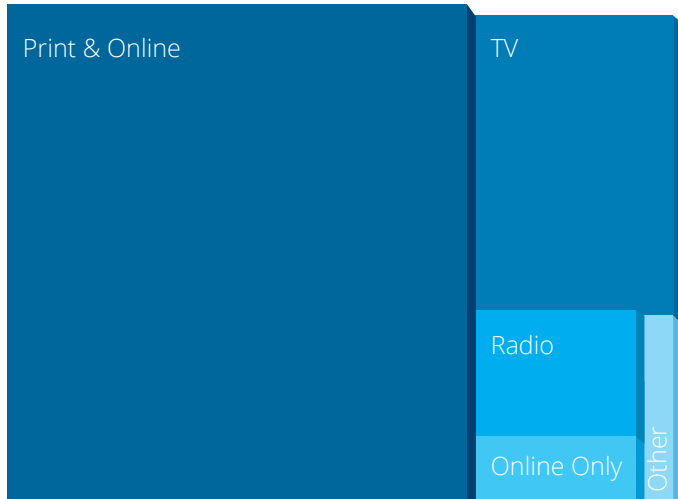


Portfolio Allocations

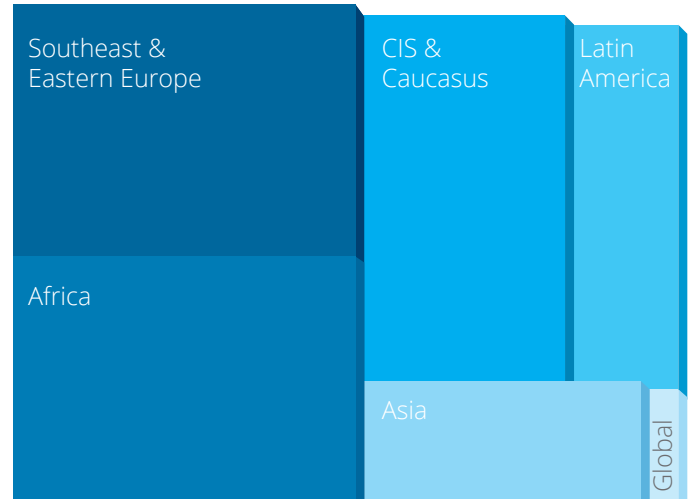
(through December 31, 2013)

\$47,934,160

Outstanding PRIs with Commitments, 2013



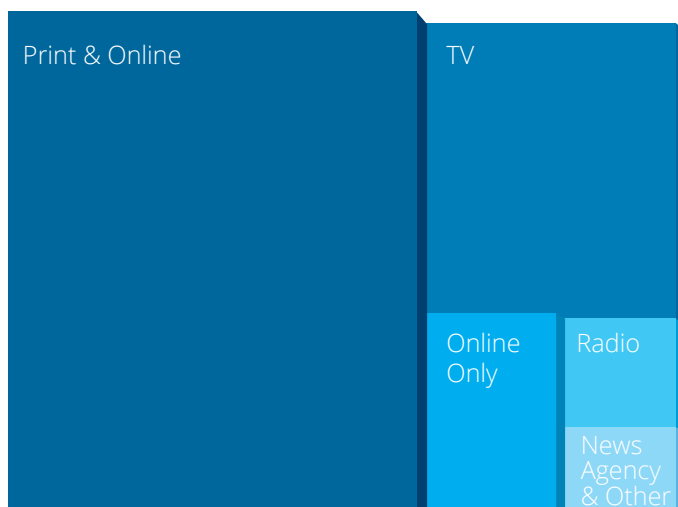
By Media Type



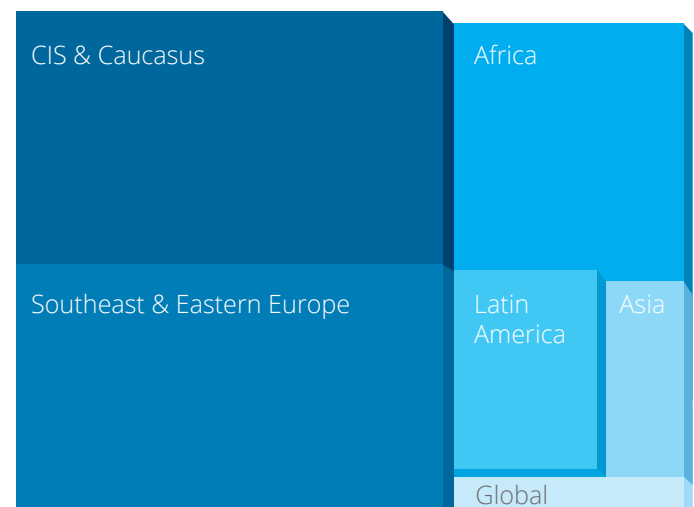
By Region

\$112,470,779

Cumulative PRIs 1996-2013

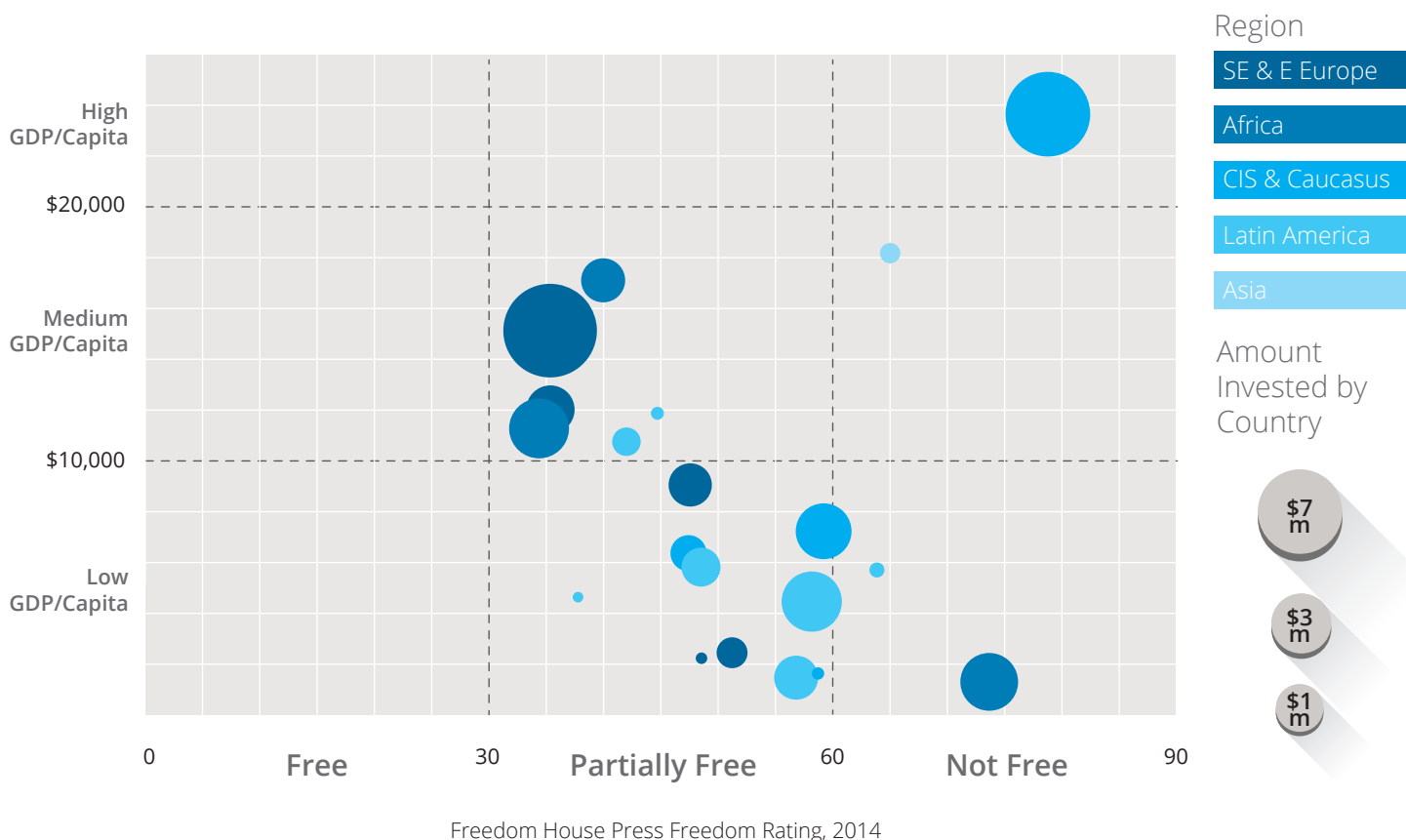


By Media Type



By Region

MDIF Portfolio by Press Freedom and GDP/Capita PPP (in USD)



Mission statement

Media Development Investment Fund (MDIF) invests in independent media around the world providing the news, information and debate that people need to build free, thriving societies.

Why We Are Here: Timely, accurate, relevant information is critical to free societies. It enables fuller participation in public life, holds the powerful to account and protects the rights of the individual.

How We Work: MDIF financial investments include affordable loans, equity investments, loan guarantees and technical assistance grants. MDIF mobilizes other investors to maximize the impact of its financing. MDIF seeks to establish long-term relationships with its clients, which may involve advice and assistance in business planning, media management and other technical support.

How We Choose Clients and Areas of Operation: MDIF invests in independent media companies in a range of countries where access to free and independent media is under threat. Clients are selected based on three broad criteria: mission impact in relation to investment; potential for long-term viability; editorial integrity.

Providing Access to Capital: MDIF clients are starved of capital because they work in environments with poorly developed banking systems, distorted markets and unfavorable investment climates. Often, they work in transition economies or under governments that are hostile to the idea of free and independent media. In all cases, a lack of funds is the main obstacle to their growth and development and seriously hampers their ability to be commercially viable and self-sustaining.

The Changing Landscape of Media and Investment: In the last decade, a technological revolution has transformed the media business and the way people access news and information across the world. Digital News Ventures (DNV), a subsidiary of MDIF, invests in experimental digital products and businesses that contribute to the provision of information in the public interest. DNV actively seeks new clients around the world with innovative ideas for expanding the availability of independently produced information.

Client Developments

Malaysiakini receives 4.3m visitors on election night

On the night of Malaysia's general election on 5 May, over 4.3 million unique users visited Malaysiakini's live election site. An additional 1.3 million users visited Malaysiakini's undi.info site, which provided seat-by-seat results in real time. At the height of the vote count, Malaysiakini's readership hit 500,000 users per minute, according to Google Analytics.

Despite some interference in the run-up to the election, Malaysiakini did not face any restrictions or cyber-attacks on the night. Our Senior Advisor for Digital Media provided extensive consultancy pre- and post-election. After watching the team perform on election night, he concluded: "The coverage during the two weeks leading up to polling day and the huge effort on polling day made me proud to be associated with the Malaysiakini team. The sheer grit to keep at it in face of [previous] cyber-attacks was truly heroic. It reminds me of the importance of what our clients do."

Express wins tax case against the Ukrainian government

In October Express won a major court case against the Ukrainian Ministry of Income and Taxation. Express brought the case after the Ministry failed to register the newspaper company's tax reports, blaming technical faults in the electronic system. Express' failure to correctly register the reports meant that it was technically in breach of tax regulations and could have been penalised or even closed if the authorities had carried out an audit. However, the court found that the Ministry had acted unlawfully in preventing Express from registering its tax reports and ordered the Ministry to register the tax reports retrospectively, giving Express legal protection from politically-motivated interference.

This incident was the latest in a long line of intimidation. Express journalists and managers have been attacked, arrested and faced repeated threats of criminal prosecution.

Clients recognised for outstanding journalism

Ihor Pochynok, Editor-in-Chief of **Express** in Ukraine, was presented with the Editing Award at the European Press Prize (EPP) in February. The EPP Foundation noted: "[Express] has made enemies in all Ukrainian governments, frequently facing demands to assume a less critical stance – but nevertheless breaking investigative stories that shrug off such pressure."

Also in February, **Kachkanarsky Chetverg** was named the Best Regional Newspaper of 2012 in the annual Russian newspaper of the year competition. And in July its radio station won the top prize in the Best Reportage category at the National Russian 'Vmeste-Radio' (Radio Together) Festival.

Russian daily **Yakutsk Vecherny** was awarded the prestigious 2013 Die Zeit/Fritt Ord Free Press of Eastern Europe prize, the fifth MDIF client to earn the award in the past 10 years. It was recognised specifically for its work exposing corruption and raising environmental issues in the face of political pressure.

In South Africa, **Mail & Guardian** won three prizes in the 2013 SAB Environmental Media awards, as well as the Multimedia category prize at the Standard Bank Sikuville Journalism Awards and the main prize in science journalism in the Siemens Pan-African Profile Awards.

Ujyaalo uses digital media to drive Nepal election coverage

Mobile, web and social media played a large part in Nepal's Constituent Assembly election in November as political candidates and parties turned to digital technology to connect with voters. The election platform run by Ujyaalo 90 Network – which links more than 100 local radio stations, many in remote areas – was one of the leading websites for sharing political news, comments and questions during the election period. In the run-up to voting, the site had over 100,000 unique users and more than 100 contributions from citizens daily. Information and public contributions from the election platform were then broadcast across Ujyaalo's network of community radio stations ensuring that those without internet access could also benefit.

MDIF also helped Ujyaalo to develop a strategy to use social media to build its audience both in the country and in the Nepalese diaspora. Ujyaalo's Facebook audience grew to more than 400,000 followers by the end of the year.

el Periódico faces Guatemalan ad boycott and intimidation

Guatemalan daily el Periódico has been subjected to an unofficial state advertising boycott since October 2012. Data shows that the government has been using advertising to reward media outlets which support it and to punish those which don't. In December, the President and Vice-President instigated separate criminal charges in response to el Periódico's critical reporting.

To support our client, we met with the US Ambassador to Guatemala, wrote to the Guatemalan President and Vice-President, prepared a detailed brief on the advertising boycott, and ensured supportive actions by other international media development organisations. Despite the intimidation, el Periódico remains an important source of independent news and has a positive impact on society (see MDIF news below).

Montenegrin clients face physical and financial pressure

TV Vijesti and Vijesti daily faced constant intimidation throughout 2013. In addition to financial pressure, mainly caused by the government and its supporters withholding advertising and supporting market distortions, prosecutors launched two politically-motivated criminal 'pre-investigations' into their financial affairs, government-aligned media ran smear campaigns against their founders, and the Prime Minister and other senior officials made repeated hostile verbal attacks.

In November, an organization run by the Prime Minister's spin doctor held a major conference, 'Words, Pictures and the Enemy', that demonised independent media as enemies of the state. We protested to the Prime Minister, the EU and foreign diplomats that the government was creating a dangerous environment for independent media. As feared, a series of violent attacks occurred. Vijesti's premises were stoned, a small bomb exploded outside the Editor-in-Chief's office and a reporter for another independent newspaper was severely beaten. We expect the environment for independent media in Montenegro to remain difficult.

Countries where MDIF has provided financing

AFRICA: Botswana, Lesotho, Senegal, South Africa, Zambia, Zimbabwe

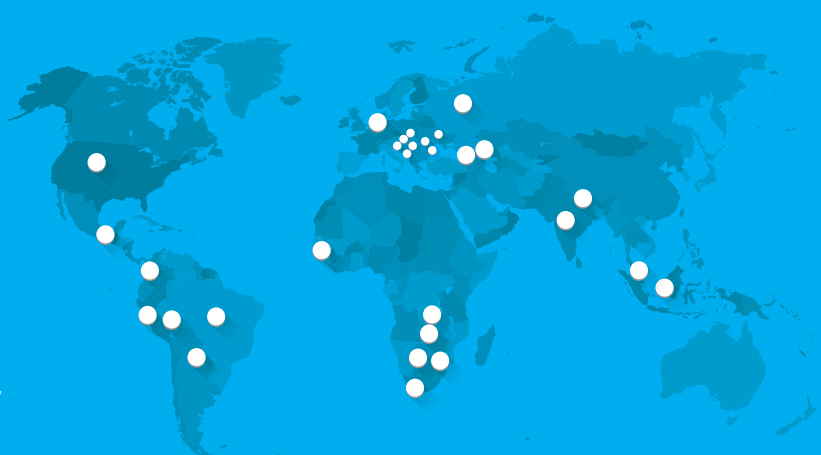
ASIA: India, Indonesia, Malaysia, Nepal

CIS & THE CAUCASUS: Armenia, Georgia, Russia, Ukraine

LATIN AMERICA: Bolivia, Brazil, Colombia, Guatemala, Paraguay, Peru

SOUTHEAST AND EASTERN EUROPE: Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Montenegro, Serbia, Slovakia

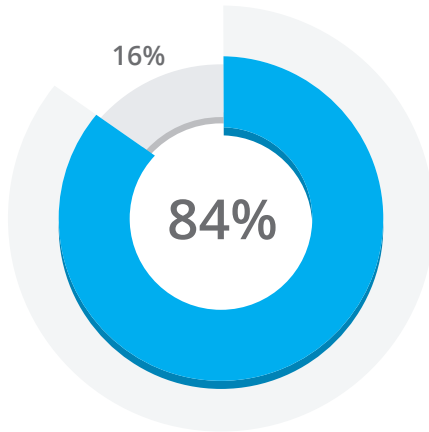
OTHER: The Netherlands, USA



Corruption and accountability

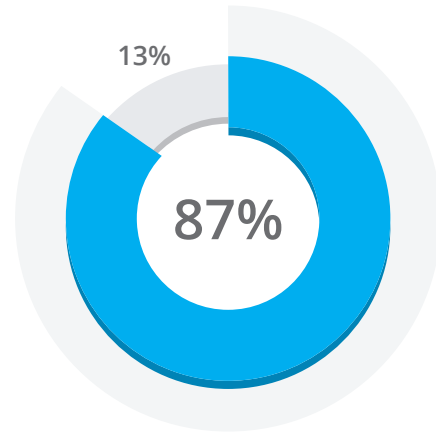
in 2013

84% of clients reported on a corruption scandal in their country.



in 2013

87% of clients held governments accountable for their policy promises.



Exposing Corruption

In Bolivia...

Newspaper Los Tiempos exposed shady procurement deals by city sanitation officials in Cochabamba. Their reporting led to an audit of all sanitation department purchases by the city council and procurement reform across all city departments.

In Zambia...

Radio Breeze aired investigative reports exposing a network of corrupt police taking bribes at traffic checkpoints. The reports led to a full investigation and the arrests of multiple police officers.

In Nepal...

Radio client Ujyaalo 90 uncovered endemic corruption in the local government offices responsible for administering economic development funds. Their reports led to an investigation and the prosecution of numerous officials.

Holding governments to account

In Kosovo...

RTV 21 organized a series of televised debates with government officials, civil society leaders and budget experts to discuss the government's progress toward implementing its promised economic development plan.

In Russia...

Following Russia's entry into the World Trade Organization, Krestyanin, a newspaper in Rostov-on-Don, tracked the Ministry of Agriculture's implementation of new subsidies and farmers' support programs.

In Indonesia...

Following local elections, Kendari TV started a project to track unmet campaign promises made by elected leaders. In many cases, these reports forced elected official to make the critical improvements to local infrastructure that they had promised in their campaigns.

MDIF News

Rebranding

In January, we formally rebranded as Media Development Investment Fund. Adopting a new name and updated mission statement followed a detailed examination of how we can continue to provide the kinds of support news media need in a time of dramatic change, and enabled the implementation of a range of new products and services, including Digital News Ventures and the Knowledge Bridge. The rebranding was well-received by clients, funders and investors.

Digital client services

The provision of digital training and consultancy remained a priority service to clients, yet it continued to be outstripped by demand. In 2013, we provided more than 30 one-to-one consultancies, group trainings and workshops for clients, both in digital and traditional media management. We also organized best practice visits for clients to other news businesses, and facilitated attendance at external training events. To help the delivery of services, we added an additional highly experienced digital media consultant to our in-house staff.

There were numerous examples of digital client services impacting positively on client businesses, for example increasing revenues through the introduction of online ad strategies, achieving cost savings through the identification of better value service providers, and building audience through social media.

In addition to serving clients, we provided training and consultancy support to selected other media, including outlets from KBR68H's Asia calling Network, Burmese independent media, and news businesses from across the MENA region. We also began providing consultancy services to ALiados, an initiative of a group of high-impact Latin American online investigative reporting sites.

Pilot impact assessment of el Periódico

As part of our commitment to deepen our understanding of the impact of our work, we worked with Masters students from Columbia University's School of International and Public Affairs to develop a methodology to assess the impact of an individual media outlet on the society in which it operates. The pilot project analysed the impact of Guatemalan daily el Periódico by interviewing and surveying data from staff, local experts, civil society representatives and the public. It found that el Periódico:



- is a **recognized source of quality investigative journalism** in urban Guatemala;
- has a **positive impact on the community**;
- contributes towards **promoting access to and nurturing democratic institutions**; and
- implements the **best journalistic practices**.

We will be refining the methodology in 2014 to produce a more streamline, robust and transferable impact measurement framework, which we will use to assess the impact of other clients.

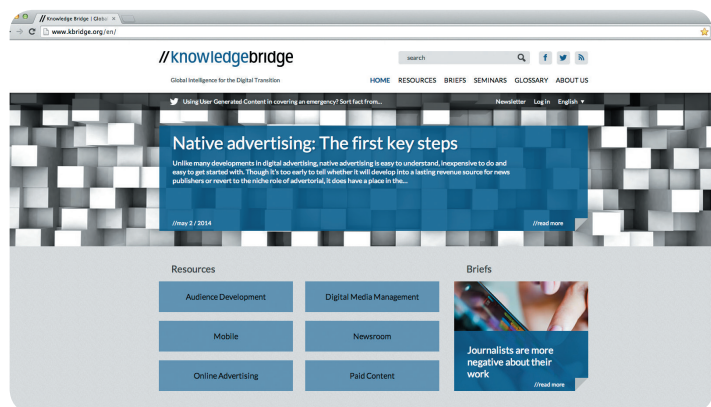
MDIF selected for ImpactAssets 50 for third consecutive year

In November, we were selected for the ImpactAssets 50 2013, marking the third consecutive year that we have made the select list of 50 impact funds. The IA 50, a free online resource for impact investors and their advisors, is the first publicly available database of private debt and equity impact investment fund managers. It serves as a gateway for those interested in achieving social and/or environmental, as well as financial, returns on their investments.

Knowledge Bridge website reconfigured

We reconfigured the Knowledge Bridge website from a journalistic blog into an online resource centre of practical information on the digital news business. The redesigned website features training materials, how-to-guides and specially commissioned articles. Much of the content is based on materials created for our training and consultancies and

has already been shown to be effective. The site was soft-launched in October and fully launched to the public in November.



division and Al Jazeera Creative Commons Repository. Since 1995, he has been involved in the development of online properties and is an angel investor in early-stage internet companies. Mohamed was named a Creative Commons Pioneer by Business Week, serves on the Board of Advisors of Qatar University's Mass Communication Programme and is a member of the World Economic Forum's Global Agenda Council on Informed Societies.

Rafat Ali, a journalist and digital entrepreneur, joined the Digital News Ventures Advisory Board, which works with MDIF's Board to vet potential candidates for investment. After working as a journalist and editor at outlets such as Silicon Alley Reporter, Inside.com and Jason Calacanis' Venture Reporter, Rafat founded PaidContent and ContentNext, which he sold to The Guardian in 2008. Currently Rafat is CEO/founder of Skift, an early-stage travel intelligence startup.

Board news

Alexej Fulmek, General Director and Chairman of the Board of Petit Press, the largest publishing company in Slovakia, became the first person to complete the voyage from MDIF client to Board Member – as publisher of the daily SME, his newspaper was our very first client. Alexej began his journalistic career in 1989 with the Slovak daily Smena, before working as a war reporter in the conflict zones of the former Soviet Union. In 1993 he co-founded the daily SME, serving first as the Deputy Editor-in-Chief and then Chairman of the Board. A year later he became the General Manager of SME's publishing house, Petit Press, which now publishes more than 30 national and regional periodicals and runs the most visited news portal in Slovakia.

Mohamed Nanabhay, a leading innovator in online news, co-founder of Signalnoi.se and former Head of Online at Al Jazeera English, also joined our Board of Directors. Mohamed has been working at the intersection of media, technology and entrepreneurship for many years. In 2006, he joined Al Jazeera, where he founded the New Media



After serving on the Board since its first meeting in 1996 – and not missing a single one – Annette Laborey left the Board in November, inaugurating a new rotation policy. Annette remains Board Member Emeritus.

Funders and investors

In 2013, MDIF returned more than **\$10 million** to its investors. Current loan pool funders include:

Association of Alternative Newsweeklies
 Autonomy Investments
 Bank Vontobel
 David W. Haas
 DOEN Foundation
 Dreilinden gGmbH
 Elizabeth ter Meulen
 Foundation for Democracy and Media (SDM)

Fritt Ord
 Hull Family Foundation
 KL Felicitas Foundation
 Lawrence Wilkinson
 Marjorie Heins
 Omidyar Network
 Platt's Survivors Trust
 Wynnette M. Labrosse Trust