Performance Report

Q3 2013

root capital

OVERVIEW

In Q3 of 2013, Root Capital's lending activity picked up pace despite the ongoing difficulties in the coffee market of low prices, over-supply and the leaf rust epidemic in Latin America. Globally, by the end of the quarter we had disbursed $82.8 million in loans to 182 small and growing businesses that are improving livelihoods for 470,000 producers. We reached 72 percent of our annual disbursement target, which is a significant improvement from where we began the year, at just 53 percent of our Q1 target. On September 30th, our outstanding portfolio balance was $66.3 million, largely unchanged from this time last year.

Portfolio Performance

Sustainable Trade Fund (STF) disbursements were $27.1 million for the quarter. While we are still below target year-to-date by 25 percent, we have significantly chipped away at the disbursement shortfall from previous quarters. South America was the main driver for the improved disbursement performance, surpassing its Q3 lending target by 41 percent. Disbursements in West Africa were 25 percent short of year-to-date targets, yet they are steadily improving and showed a 10 percent growth over this time last year. Portfolio growth in West Africa is driven by expansion of our lending in cashews, as well as our increased level of staffing in the region.

East African disbursements continue to lag well below targets, largely due to sluggishness in the Rwandan coffee market. The outstanding portfolio balance was $10.9 million at the end of Q3, nine percent lower than this time last year, and a third lower than the Q3 target. We are monitoring the situation carefully in Rwanda. Another significant development in the region was our entry into the Democratic Republic of the Congo (DRC), lending to coffee enterprises in the eastern part of the country. This expansion has enormous potential for helping smallholder coffee farmers to rebuild after many years of a brutal civil war. We have disbursed close to $300,000 to three clients who aggregate the coffee of 11,000 farmers in the country, and one client has already repaid its first loan. The recent peace agreement between the DRC government and the M23 rebels could lead to additional opportunities to grow our portfolio there.

In Central America, the outstanding portfolio balance was $9.1 million at the end of Q3, slightly lower than this time last year and a third below target. Low coffee prices and the rust outbreak, called La Roya in Spanish, are key factors in the lower-than-expected balance.

In our Frontier portfolios in Q3, we disbursed four new loans for a total of $719,000. Disbursements were made in Ghana, Rwanda and Uganda to sorghum, banana and maize producers. One particularly high impact deal that is worth noting is The Joseph Initiative, a new company that provides post-harvest handling solutions to maize farmers in Uganda. The company's five grain aggregation centers in the Northwestern region of the country provide 1,000 smallholder farmers with access to higher prices for their products and a better market for their production, while increasing local market grain prices for farmers and creating jobs in the community. In a country where post-harvest loss is estimated at 40 percent, the company's services help stem those losses, providing the region with greater volumes of high quality grain. In addition to our working capital loan that enables the enterprise to purchase grain from 1,000 farmers, we are providing a $250,000 loan for capital expenditures, which will allow it to expand from 5 to 75 collection centers and reach more than 15,000 farmers over the next five years.

Portfolio at risk (PAR) in the STF was mildly elevated at 4.7 percent at the end of Q3. This is down from 5.8 percent at the end of Q2, but higher than this time last year. South America performed the best, with a PAR of only 1.4 percent. PAR was highest in West Africa at 16.8 percent, but the value of the loans at risk was small, at $713,000. PAR decreased in Central America from 11.4 to 8.5 percent at the end of Q3, driven by the write-off of $1.2 million in loans to a long-time Nicaragua coffee client, about which we have communicated in previous quarterly reports to investors and donors. The Loan Loss Ratio (LLR) was slightly elevated over Q3 at 4.4 percent, largely reflecting the write-off of the Nicaraguan coffee loans. LLR is a trailing 12-month average and will remain high for the next three quarters, unless we are able to recoup some of the loss for this or other loans.

Despite the slight elevation in risk, the tighter lending policies we have implemented over the past year are helping us to effectively manage that risk, and our balance sheet remains strong. We closed the quarter with $127.1 million in total assets, and a conservative (less than 4:1) debt-to-equity ratio. Business and operating expenses were below target at the end of the quarter, reflecting the cost-cutting measures we implemented earlier in the year.

Fundraising results through the end of the quarter were strong. We ended Q3 with $80 million in total debt under management and have raised $12.9 million in contributions towards our year-end goal of $14.9 million. Notably, we secured $1.9 million in multi-year support for our Coffee Farmer Resilience Initiative, and we anticipate raising an additional $4 million towards that effort by the end of the year. The funding will support long-term coffee renovation loans, trade credit, financial management training, climate-smart agronomic guidance and income diversification for agricultural businesses on the front lines of the coffee rust crisis in Latin America.

As outlined in our Q2 report, The Coffee Farmer Resilience Initiative is one of a number of steps we are taking to keep abreast of rapidly evolving market dynamics, and we are pleased with the progress we made in Q3 on the initiative. We disbursed our first $2 million loan to SOPPEXCCA, a 650-member coffee farmer cooperative based in Jinotega, Nicaragua. SOPPEXCCA will use the loan to renovate farms ravaged by the fungal disease by replacing dead coffee trees with new, high-quality rust-resistant varietals. We have several loans with Peruvian clients in the pipeline and also publicly announced the initiative at Sustainable Harvest's Let's Talk Roya meeting in El Salvador in early November.

Another key step we are taking is de-risking our existing clients and building quality pipeline through our fast-growing Financial Advisory Services (FAS). In Q3, we made considerable progress here as well, exceeding our goal for the number of businesses trained and continuing our expansion of services into West Africa and the Dominican Republic. Two hundred and eighty enterprises have participated in our training and workshops through Q3, exceeding our year-to-date target. The number of training days falls short, however, because we have focused efforts on providing shorter, introductory training sessions to a larger number of businesses to help build our pipeline. The shorter sessions enable us to more rapidly identify potential lending clients. As an example, we provided initial FAS training to several dozen organic banana enterprises in Northern Peru this year. Six elected to receive more in-depth FAS training, which we are providing, and two of these six have since become lending clients.

In closing, three-quarters of the way through 2013, while we continue to take stock and analyze many lessons learned in the face of headwinds this year, we are pleased that our responses to the challenging market dynamics are beginning to bear fruit and we look forward to continuing to share the results of these efforts with all of our supporters in the quarters to come.

Q3 2013 DASHBOARD*

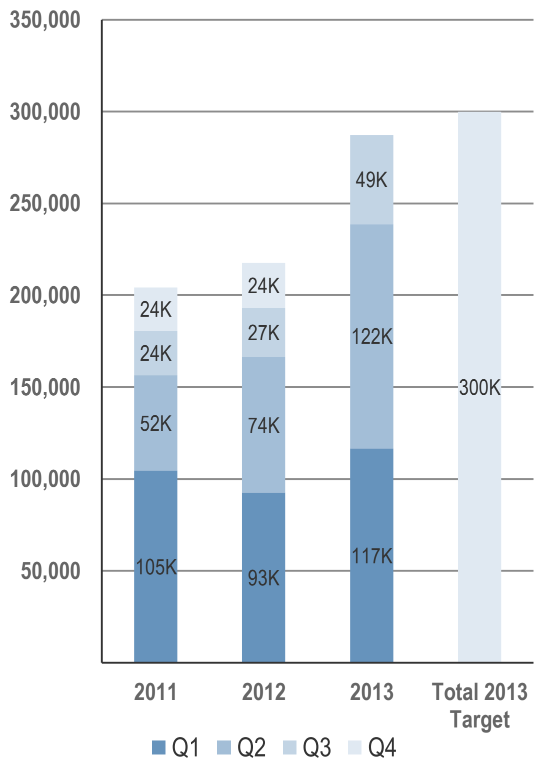
Metric	Result	Target	Results as % of Target	Page
Social and Environmental Metrics				
Number of Producers Reached	470K	540K for 2013	87%	2
Producers reached directly	287K	300K for 2013	96%	5
Producers reached indirectly	183K	240K for 2013	76%	5
Purchases from Rural Producers	$516M	$379M for 2013	136%	5
Total Revenue of Rural SGBs	$641M	$518M for 2013	124%	6
Sustainable Hectares under Management	472K	651K for 2013	73%	6
Lending Program				
Loan Disbursements	$82.8M	$114M through Q3 2013	72%	2
Sustainable Trade Fund	$81.4M	$108M through Q3 2013	75%	7
Frontier Portfolios	$1.4M	$6.5M through Q3 2013	21%	12
Outstanding Portfolio Balance**	$66.3M	$82M through Q3 2013	81%	2
Sustainable Trade Fund	$63.5M	$77M through Q3 2013	83%	7
Frontier Portfolios	$2.7M	$5.6M through Q3 2013	48%	12
Number of Active Clients**	174	N.A.		
Sustainable Trade Fund	154	N.A.		9
Frontier Portfolios	20	N.A.		13
Average Outstanding Balance per Active Loan**	$328K	N.A.		
Sustainable Trade Fund	$351K	N.A.		9
Frontier Portfolios	$131K	N.A.		
Portfolio-at-Risk Over 90 Days**	5.71%	3.8% for 2013	126%	
Sustainable Trade Fund	4.68%	3.5% for 2013	134%	10
Frontier Portfolios	8.07%	7.8% for 2013	103%	14
Loan Loss Ratio**	4.10%	3.7% for 2013	111%	
Sustainable Trade Fund	4.43%	3.4% for 2013	130%	10
Frontier Portfolios	-3.04%	9.3% for 2013	-33%	14
Financial Advisory Services (FAS)				
Number of Groups Served by FAS	280	199 for 2013	141%	16
Days of Training Delivered	1109	1835 for 2013	60%	16
Catalyze Program				
Overview of Catalyze Program	See page 17 for discussion of Catalyze Program			
Operating Results**				
Total Operating Expense	$10M	$15M through Q3 2013	67%	18
Debt to Equity	3.76:1	4.17:1 through Q3 2013	90%	20
Capital Utilization	77%	88.4% through Q3 2013	87%	20
Fundraising Results				
Outstanding Debt Balance	$80M	$98M for 2013	81%	19
Contributions Raised	$12.9M	$15M for 2013	87%	19

**All figures are representative of global performance unless otherwise specified*

***Figures represent performance at end of quarter*

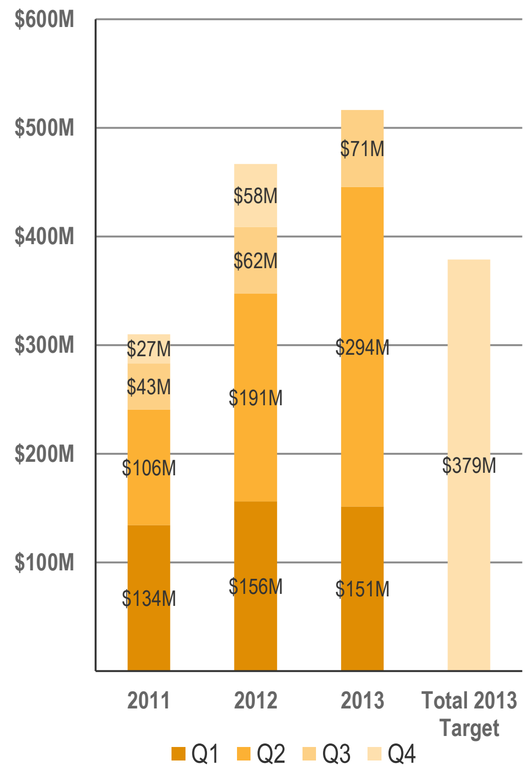
SOCIAL AND ENVIRONMENTAL METRICS

Number of Producers Reached Directly (through Q3)



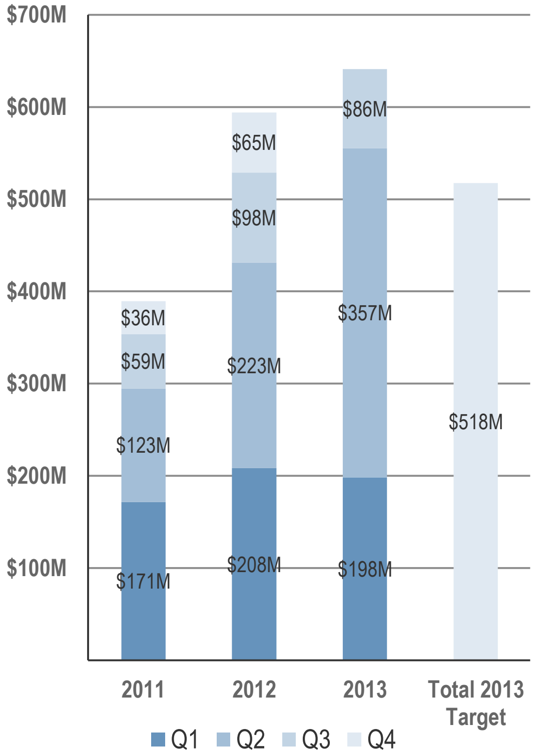
- Through Q3 2013, we reached 287K producers directly. By "reaching producers directly" we mean producers who sell their harvest to the enterprise, as has been the case for the majority of our clients historically. Please see the Note on the following page for an explanation of our methodology.
- Through Q3 2013, we reached 183K producers indirectly. By "indirectly" we mean the producers purchased agro-inputs or post-harvest handling services from the enterprise. Some of these enterprises reach tens of thousands of producers, but the impact of selling a drought-resistant seed variety to farmers is different from that of linking farmers to markets. Therefore, we report on producers reached indirectly separately from producers reached directly.
- Of all the producers reached directly this year, 85K, or 29%, were women.

Purchases from Producers (through Q3)



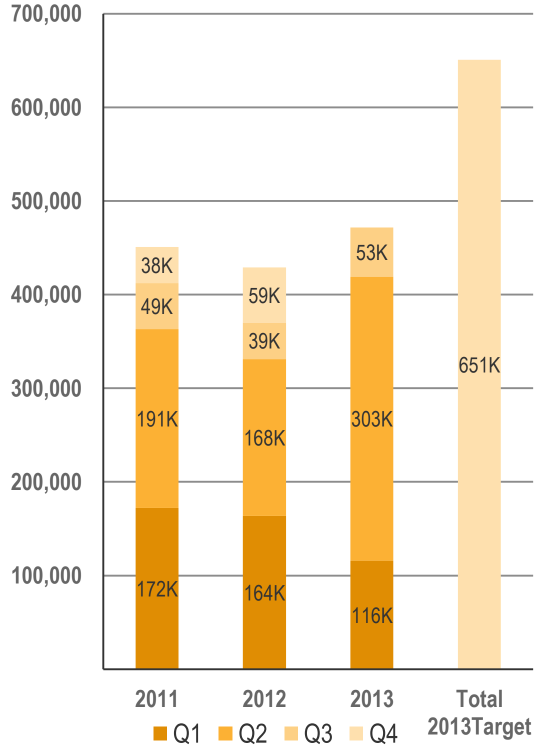
- "Purchases from producers" is the total amount that our client enterprises paid to their small-scale suppliers.
- In aggregate, through Q3 2013, our clients purchased an estimated $516M of agricultural product from their producers. As noted below, the large increase in purchases from producers is driven by changes in how we count the revenues of three disproportionately large enterprises in our portfolio, and by the inclusion for the first time of clients that still have loans outstanding from previous years.

Total Revenue of Rural SGBs (through Q3)



- In aggregate, clients that received loans through Q3 2013 generated an estimated $641M in total revenue in 2012.
- As with payments to producers, the large increase in revenues is driven primarily by changes in how we count the revenues of three disproportionately large enterprises in our portfolio.

Sustainable Hectares Under Management (through Q3)



- In Q3 2013, client enterprises represented an estimated 472K hectares of sustainably managed agroforestry and agricultural lands.

Note: Through 2012, in reporting our impact, we capped the number of producers reached at 5,000 for any one client. In other words, even if a client reached 20,000 producers, we counted 5,000 for that client, in order to maintain a conservative estimate of the number of farmers reached and to limit the volatility in this metric over time associated with the entry and exit of large clients from the portfolio. Beginning in 2013, we no longer cap the number of producers per client at 5,000, in order to more accurately reflect the true number of producers that we reach with our financing. For example, for the past few years, we have been financing a particularly large cotton enterprise in Uganda and have historically capped its 40K producers at 5K. However, we have been providing around 50% of the business' financing, comparable to what we provide for many of our other clients, so we believe it is more accurate to report the full number of producers reached rather than to cap this figure arbitrarily.

In the past, for each enterprise for which we applied the 5,000 cap, we adjusted the revenues and payments to producers down proportionately. One consequence of removing the cap is that we are now counting the full revenues and payments to producers of our largest clients, which is driving a significant increase in those numbers.

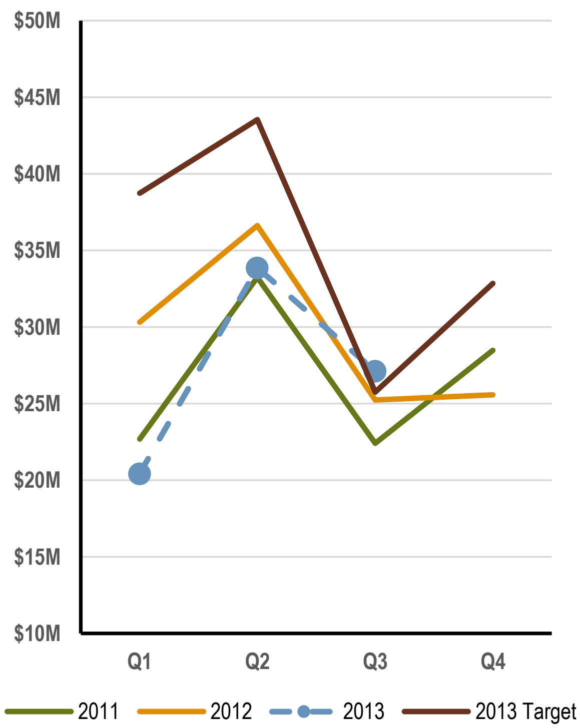
Beginning in Q2 2013, we are reporting metrics not only for enterprises that received a disbursement during the quarter (as we have done historically), but also including metrics for enterprises that have loans outstanding from previous quarters or years, even if they did not receive a disbursement in the current quarter. This method more accurately captures the number of producers reached by our capital in a given time period. This change in methodology resulted in a one-time increase in all social and environmental metrics in Q2 2013.

Finally, to the Q2 social and environmental metrics, we have added 13 clients that were inadvertently excluded from the Q2 QPR, increasing the Q2 figures by approximately 8-20% over what was published in the Q2 QPR.

SUSTAINABLE TRADE FUND

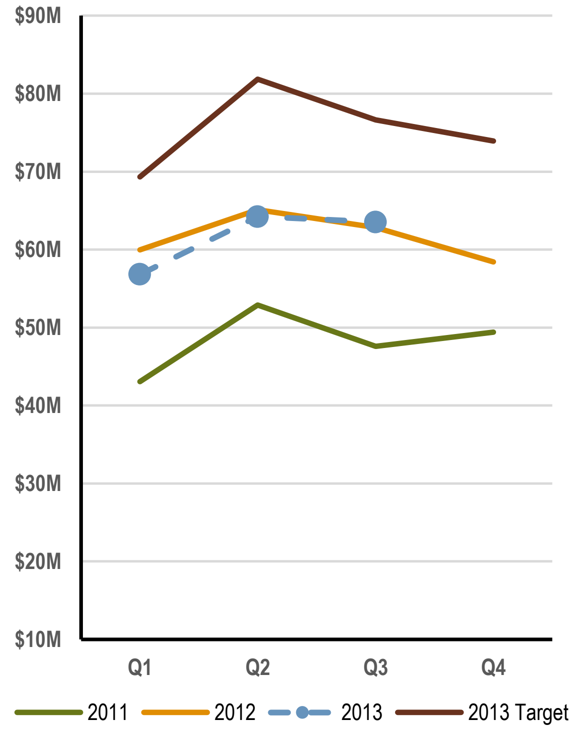
Lending Performance

Loan Disbursements by Year



- We disbursed $27.1M in Q3, 5% above the target of $25.8M for the quarter and a 7% increase over the same period last year. Cumulative disbursements for 2013 are $81.4M, 25% below target for the year through Q3 and 12% below last year's performance through Q3.
- We continued to approach our cumulative disbursement target in Q3. At the end of the quarter, we had disbursed 75% of our cumulative disbursement target through Q3, up from 66% at the end of Q2 and 53% at the end of Q1
- South America was the main driver of improved disbursement performance. In Q3, $20.5M was disbursed in South America, 41% above the $14.6M target for the quarter. Cumulatively, South America is 8% below target but is 3% above last year's performance through Q3.

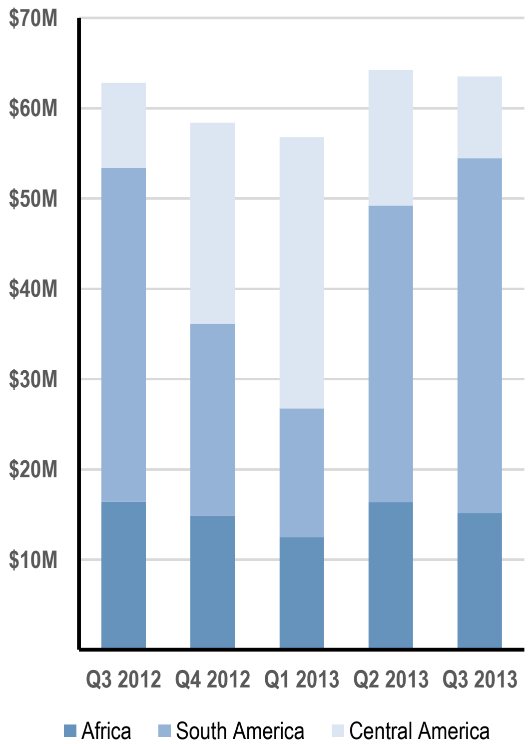
Outstanding Portfolio Balance by Year



- At the end of Q3, the outstanding balance was $63.5M, 17% below the projection of $76.6M but 1% above the same time last year.
- The outstanding balance level is a direct result of the below-target disbursement activity and, as such, is lower than projected.

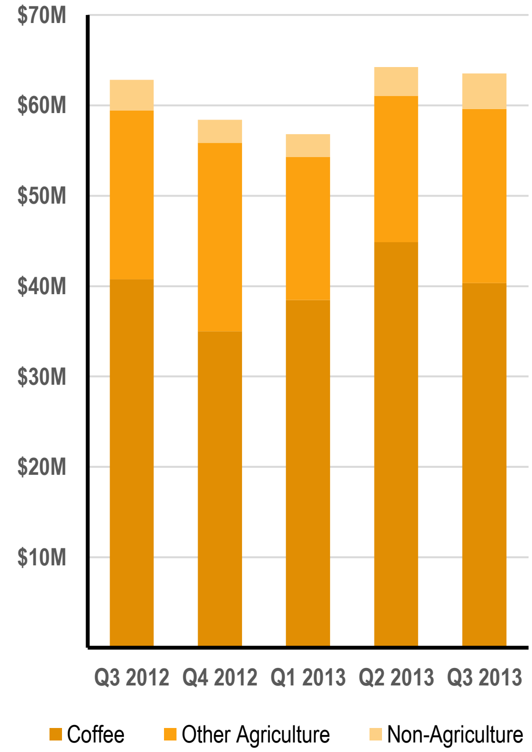
- Cumulative disbursements in East Africa, West Africa and Central America were 53%, 25% and 33% below target, respectively.

Outstanding Balance by Region (Trailing 5-Quarter)



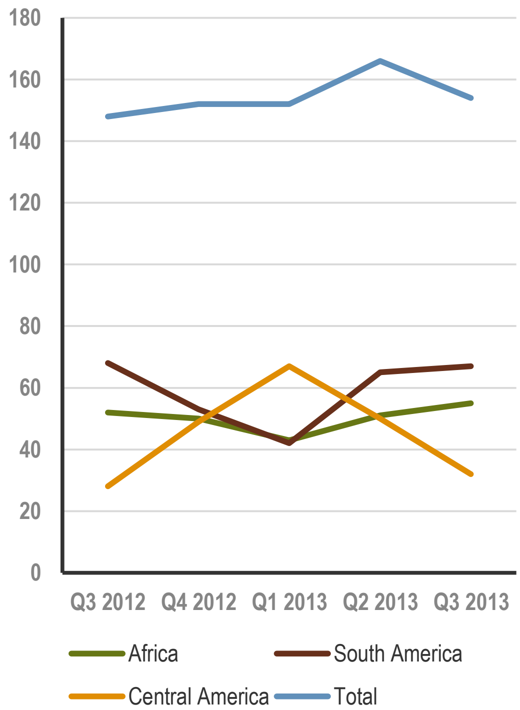
- The South America portfolio balance increased by 20% from the end of last quarter, from $32.9M to $39.3M. The balance was 10% below projections but 6% above the same period last year. In South America, the coffee harvest peaks in Q2 and Q3 and was the impetus for the increase.
- The Central America portfolio was $9.1M at the end of Q3, which was 4% lower than last year and 31% below projections. This portfolio is at its peak in Q1 and at its lowest in Q3 due to the coffee harvest season in Q4 and Q1. Decreased demand from coffee buyers earlier in the year and the outbreak of a coffee rust disease were key factors in the lower-than-expected outstanding balance.
- West Africa's outstanding balance at the end of Q3 was $4.2M, 11% higher than projected due to strong demand from cashew producers.
- The East Africa portfolio was $10.9M at the end of Q3, 32% below projections and down 9% from the same time last year. A large portion of the East Africa portfolio is Rwandan coffee, which experienced the same industry-wide issues discussed previously.

Outstanding Balance by Industry (Trailing 5-Quarter)



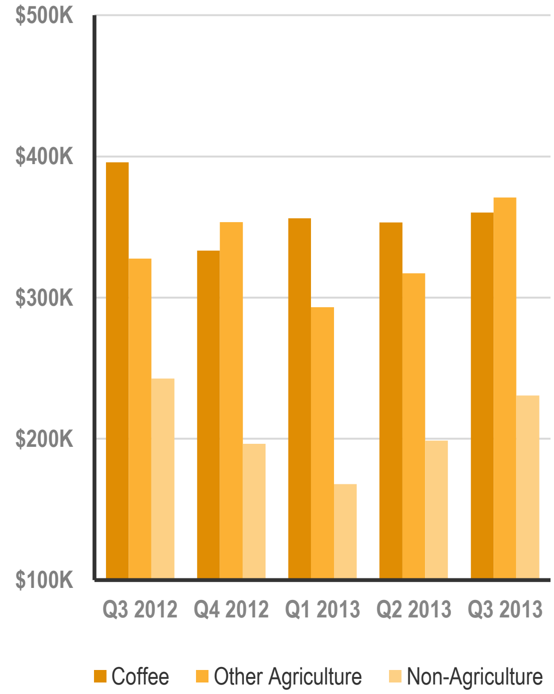
- Root Capital's coffee portfolio consists of loans made to specialty coffee value chains, such as organic and/or fair trade coffee, which provide higher social and/or environmental impact than most conventional coffee.
- Coffee loans continue to be the mainstay of the Sustainable Trade Fund, accounting for 64%, or $40.3M, of the $63.5M portfolio.
- Other Agriculture loans totaled $19.3M, or 30% of the Sustainable Trade Fund Portfolio at the end of Q3. The two largest industries were cocoa ($5.3M) and cashews ($2.9M).
- The Non-Agriculture sector consists of loans to industries like handcrafts and wild fisheries. This portfolio remains a very small portion of the total portfolio, with $3.9M, or 6%, outstanding.

Number of Active Clients by Region



- ➔ The total number of active clients at the end of Q3 was 154, slightly greater than 148 active clients for the same time last year.
- ➔ The Central America portfolio continued to drop from its cyclical peak in Q1. The number of active clients declined from 50 at the end of Q2 to 32 at the end of Q3. This is a slight increase from the 28 active clients at the end of Q3 2012.
- ➔ The number of active clients in South America increased slightly from 65 at the end of Q2 to 67 at the end of Q3, remaining steady from 68 active clients from the same time last year.
- ➔ The number of active clients in Africa at the end of Q3 was 55, up from 52 for the same time last year.

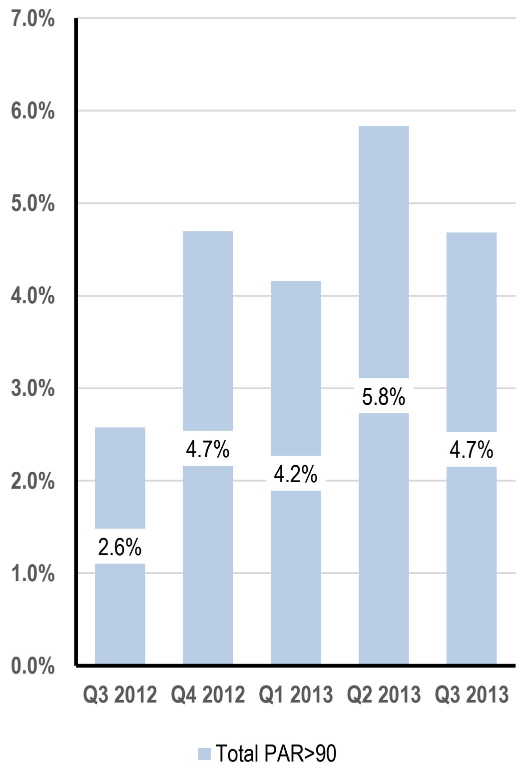
Average Outstanding Balance per Active Loan



- ➔ The average coffee loan outstanding increased slightly from last quarter to $360K. The average size of coffee loans has remained consistent over the past three quarters.
- ➔ The average Other Agriculture loan outstanding increased by 17% from last quarter to $371K per loan.
- ➔ The average loan size in Non-Agriculture varies more widely than the other sectors due to the small size of the portfolio. The average loan size at the end of Q3 was $231K, a 16% increase from the end of Q2.

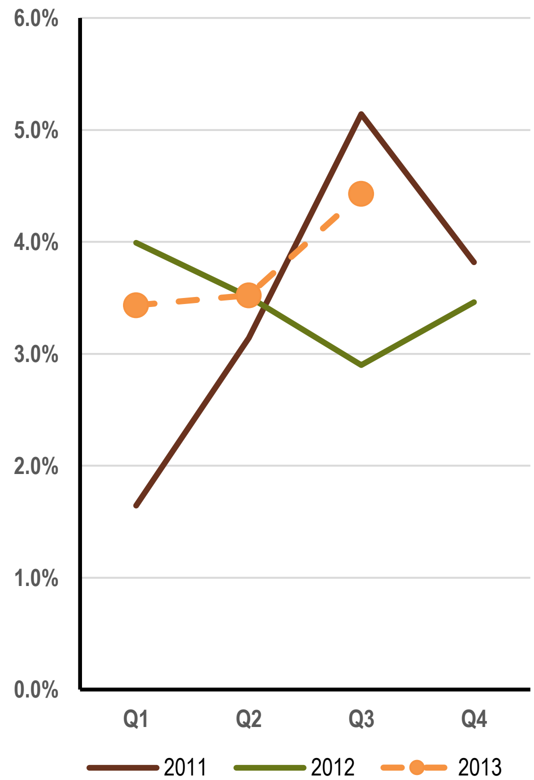
Lending Risk

Portfolio at Risk > 90 Days



- The Portfolio at Risk (PAR) over 90 days was 4.7% at the end of Q3, down from 5.8% at the end of Q2. The total balance at risk decreased from $3.7M to $3.0M.
- South America is the largest portfolio and had a very good PAR of 1.4% at the end of Q3. This was a decrease from the 2.7% PAR at the end of Q2.
- PAR was high in East Africa at 8.7%, or $946K. The vast majority ($861K, or 91%) of the portfolio balance at risk was from coffee loans in Rwanda, where the coffee industry continues to struggle as prices remain low.
- PAR for our Central America portfolio decreased from 11.4% last quarter to 8.5% at the end of Q3. The decrease was driven primarily by the write-off of $1.2M to a long-time Nicaraguan coffee client. At the end of Q3, three loans remained in PAR for a total portfolio balance at risk of $771K.
- PAR in West Africa increased to 16.8%, or $713K, at the end of Q3 from 4.4%, or 219K, at the end of Q2. The increase in PAR is due to two cashew loans and one honey loan.

Loan Loss Ratio
(Trailing 12 month average)



- The Loan Loss Ratio increased from 3.5% at the end of Q2 to 4.4% at the end of Q3.
- The main driver of the increase was the write-off of $1.2M to a long-time Nicaraguan coffee client. Because the Loan Loss Ratio is a trailing 12-month average, this $1.2M write-off will continue to affect the Loan Loss Ratio for the next three quarters.
- The Loan Loss Ratio in the Central American region at the end of Q3 was 6.9%.
- The Loan Loss Ratios for East Africa and South America were low at -0.1% and 2.8%, respectively. A $200K loan was written off in Q3 to a sesame producer in Bolivia.
- The Loan Loss Ratio for West Africa was 14.5%, down slightly 17.4% at the end of Q2. No loans were written off in West Africa in Q3.

Sustainable Trade Fund Financial Results & Analysis

All numbers in thousands	Sustainable Trade Fund Q3 YTD 2013			
	Actual	Budget	Variance ($)	Variance (%)
Loan Interest	4,325	5,261	(936)	-18%
Fees & Other Revenue	763	940	(177)	-19%
Gain (loss) on Fx Lending	20	0	20	N/A
Total Earned Revenue	**5,108**	**6,201**	**(1,093)**	**-18%**
Portfolio Yield	**11.1%**	**10.1%**	**1.1%**	**11%**
Net Allowance for Loan Loss Expense	2,719	2,294	426	19%
Provisioning Expense Ratio	5.9%	3.7%	2.2%	59%
Net Interest Expense	1,151	1,415	(265)	-19%
Net Funding Expense Ratio	2.5%	2.3%	0.2%	9%
STF Operating Expense	3,635	3,972	(336)	-8%
Operating Expense Ratio	7.9%	6.4%	1.5%	23%
Total Expenses	**7,505**	**7,681**	**(176)**	**-2%**
Total Expense Ratio	**16.4%**	**12.5%**	**3.9%**	**31%**
STF Surplus / (Deficit)	**(2,397)**	**(1,480)**	**(917)**	**-62%**
Operational Self Suffiency (OSS)	**68%**	**N/A**	**N/A**	**N/A**

EARNED REVENUE

Through three quarters of 2013, the Sustainable Trade Fund earned interest and fee revenue of $4.3 million, 18 percent below target. This result was driven by lower-than-expected disbursements during the first half of the year, primarily in Central America and Africa. Factors contributing to the shortfall in interest revenue include lower coffee prices, higher buyer inventory, increased competition and coffee rust. Reduced disbursements resulted in an average balance of $61.2 million, approximately 16 percent below target.

ALLOWANCE FOR LOAN LOSS EXPENSE

Allowance for loan loss expense of $2.7 million (net of recoveries) was 19 percent above budget due primarily to the write-off of three loans associated with one Nicaraguan coffee client. Through Q3, we recovered $155,000 from previously written-off loans, resulting in a net provisioning expense ratio of 5.9 percent, approximately 0.5 percentage points above our Q2 net provisioning expense ratio.

INTEREST EXPENSE & INTEREST EARNED ON CASH AND INVESTMENTS

Net interest expense of $1.2 million was $265K below budget. This variance was primarily driven by a deliberate reduction in debt capital in response to below-target lending volume.

LENDING PROGRAM OPERATING EXPENSE

Through Q3, operating expenses for the Sustainable Trade Fund were $3.6 million, approximately 8 percent below budget. However, our operating expense ratio of 7.9 percent was 1.5 percentage points above target due to a lower average portfolio balance.

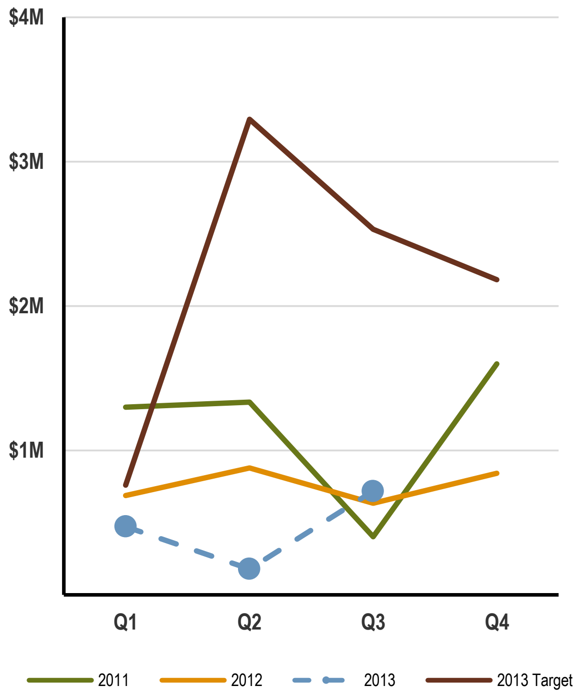
OPERATIONAL SELF SUFFICIENCY

Operational Self Sufficiency (OSS) was 68%, lower than expected due to below-target earned revenue and higher-than-expected allowance for loan loss expense, which was only partially offset by below-target expenses.

FRONTIER PORTFOLIOS

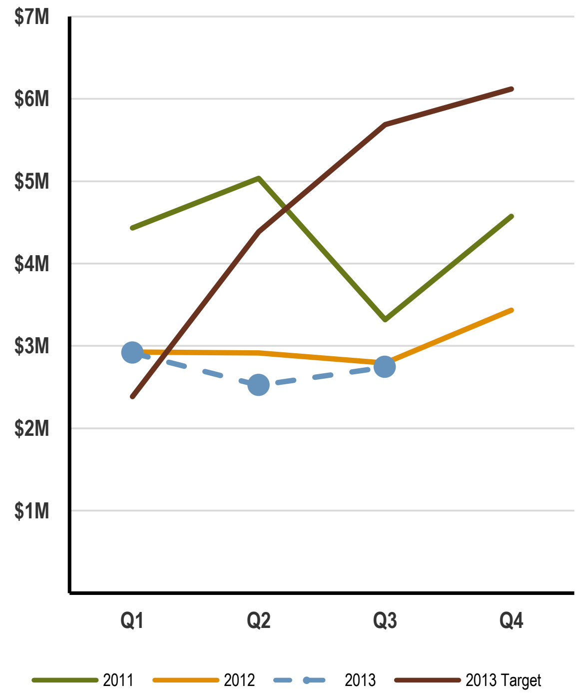
Lending Performance

Loan Disbursements by Year



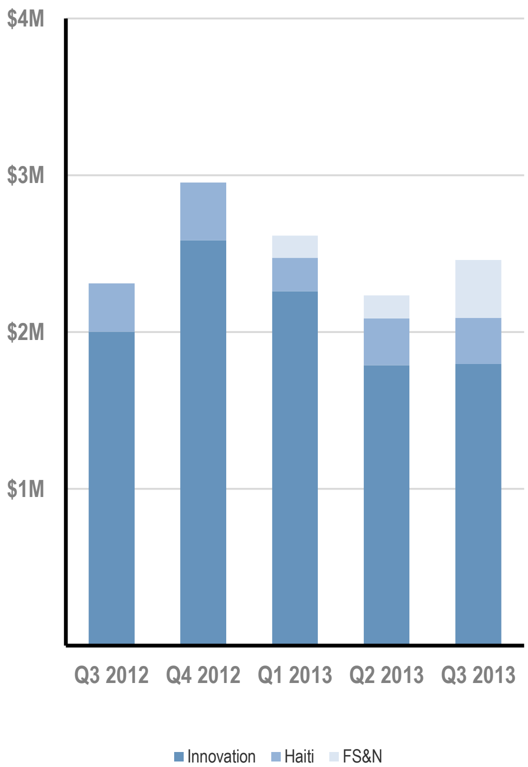
- We disbursed $719K in the Frontier Portfolios in Q3. The Frontier Portfolios consist of loans made in the Innovation, Food Security & Nutrition, Haiti and Other Portfolios.
- We disbursed $454K in the Innovation Portfolio in Q3, 63% below the target of $1.2M. Disbursements were made in Ghana and Rwanda to sorghum and banana producers, respectively.
- We disbursed $265K in the Food Security & Nutrition Portfolio in Q3 to a maize producer in Uganda and midway through Q4 we had disbursed an additional $390K to several clients.
- No disbursements were made in Q3 in the Haiti Portfolio.

Outstanding Portfolio Balance by Year



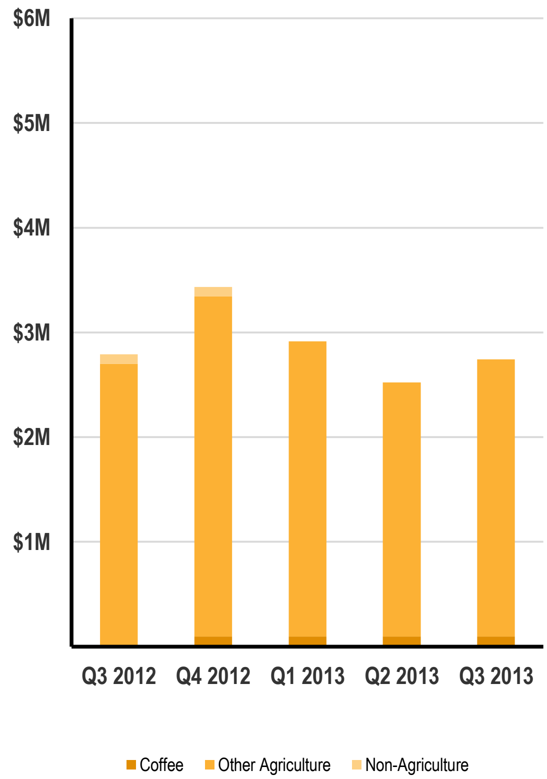
- The outstanding balance was $2.7M at the end of Q3, 52% below the projected outstanding balance of $5.7M.
- The lower-than-expected outstanding balance was due primarily to low disbursements in the Food Security & Nutrition portfolio and, to a lesser extent, below-projection disbursements in the Innovation Portfolio.

Outstanding Balance by Portfolio



- ➔ The Innovation Portfolio had $1.8M outstanding at the end of Q3, a 10% decrease from $2.0M outstanding at the same time last year. There are currently 12 active clients in the Innovation Portfolio in six countries across Africa and Latin America.
- ➔ The Food Security & Nutrition Portfolio had $368K outstanding to three clients in Africa (in cereal, seeds and maize) at the end of Q3.
- ➔ The Haiti Portfolio had three active loans at the end of Q3, totaling 295K outstanding to cocoa, coffee and vetiver oil producers.
- ➔ The Other Portfolio (formally our North Portfolio) had two loans outstanding at quarter-end with a combined balance of $282K. The Other Portfolio is intentionally omitted from the graph due to its small size and planned closure.

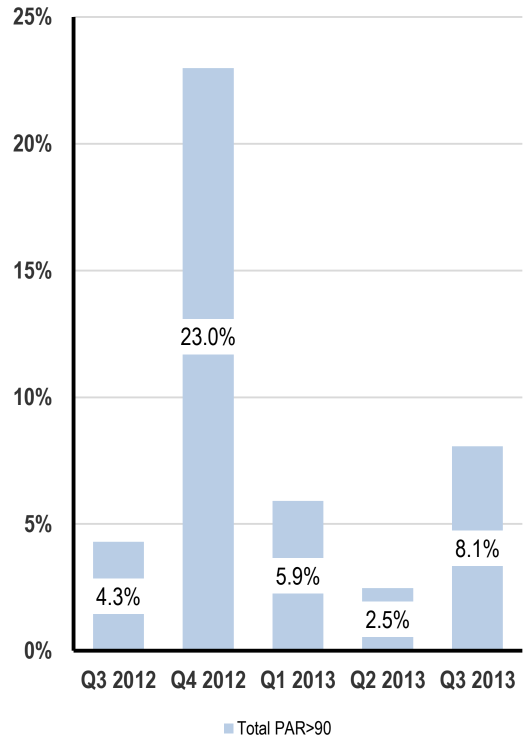
Outstanding Balance by Industry



- ➔ The three largest industries in the Frontier Portfolios were: 1) seeds for farm inputs (20%), 2) rice (17%) and 3) sorghum (16%).

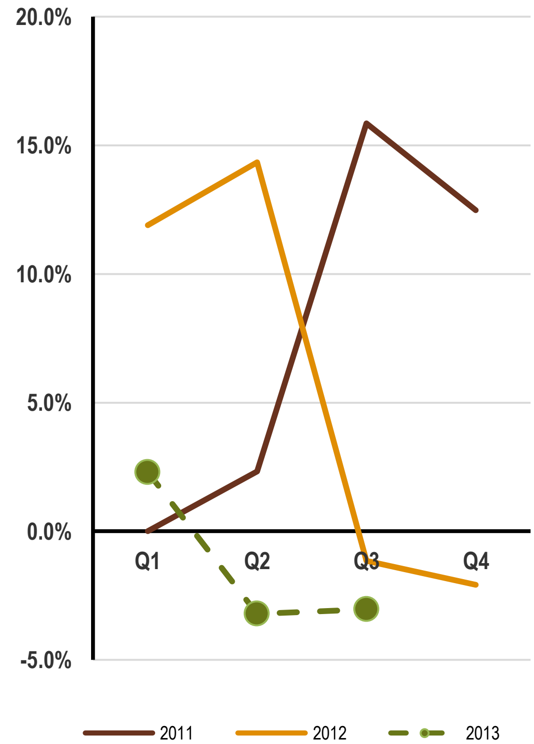
Lending Risk

Portfolio at Risk > 90 Days



- The Portfolio at Risk over 90 days (PAR) was 8.1% at the end of Q3, up from 2.5% at the end of Q2. The PAR increased due to the downgrade of a 117K cocoa loan in Haiti and a 54K shea loan in Burkina Faso. The outstanding balance of the loans at risk was $221K at the end of the quarter.
- The Innovation Portfolio had two loans at risk with a combined balance of $105K. The PAR for the Innovation Portfolio was 5.8%.
- The Haiti Portfolio had one loan at risk with a balance of 117K. The PAR at quarter end was 39.6%.
- There are no loans currently at risk in the Food Security & Nutrition or Other Portfolios.

Loan Loss Ratio (Trailing 12-month average)



- At the end of Q3 the Loan Loss Ratio for the Frontier Portfolios was negative (3.0%).
- The Haiti Portfolio had a Loan Loss Ratio of 28.3%, driven by the write-off of a vetiver oil loan and a handcraft loan in Q1 2013. The losses equaled $168K.
- The Loan Loss Ratios for the Innovation, Other and Food Security & Nutrition Portfolios were 0.0% at the end of Q3. These portfolios have never had a loss.
- The Other Portfolio had a 0.0% Loan Loss Ratio, and $178K was recovered for loans written off in the North portfolio from previous years. These recoveries were the main reason for the overall negative Loan Loss Ratio.

Frontier Portfolios Financial Results & Analysis

All numbers in thousands	Frontier Portfolios			
	Q3 YTD 2013			
	Actual	Budget	Variance ($)	Variance (%)
Loan Interest	317	389	(72)	-19%
Fees	18	66	(48)	-73%
Gain (loss) on Fx Lending	(92)	0	(92)	N/A
Total Earned Revenue	**244**	**456**	**(212)**	**-47%**
Portfolio Yield	**11.0%**	**12.0%**	**-1.0%**	**-9%**
Net Allowance for Loan Loss Expense	(290)	312	(601)	-193%
Provisioning Expense Ratio	13.1%	8.2%	4.8%	59%
Net Interest Expense	37	44	(7)	-16%
Net Funding Expense Ratio	1.7%	1.2%	0.5%	44%
Frontier Portfolios Operating Expense	1,129	1,341	(212)	-16%
Operating Expense Ratio	50.9%	35.4%	15.5%	43.9%
Total Expenses	**876**	**1,696**	**(820)**	**-48%**
Total Expense Ratio	**65.6%**	**44.8%**	**20.9%**	**47%**
Frontier Surplus / (Deficit)	**(633)**	**(1,241)**	**608**	**49%**

EARNED REVENUE

Through Q3 2013, total earned revenue in the Frontier Portfolios was $244K, 47 percent below target. We earned $317K in loan interest, approximately $72K below the Q3 target. Additionally, reduced disbursements resulted in a $48K variance in fees below target. Revenue was somewhat weakened by a $92K loss on foreign currency lending. This loss was partially realized and largely offset by higher rates charged for local currency loans. The Lending section of this report provides further detail on the lower disbursements in the Frontier Portfolios.

ALLOWANCE FOR LOAN LOSS EXPENSE

Net provisioning for loan losses within the Frontier Portfolios was $601K below budget. This result was driven by a $96K reduction in allowance for loan losses due to the upgrade of a loan previously classified as substandard to current and $194K recovered from previously written-off loans in the North and Haiti Portfolios.

INTEREST EXPENSE & INTEREST EARNED ON CASH AND INVESTMENTS

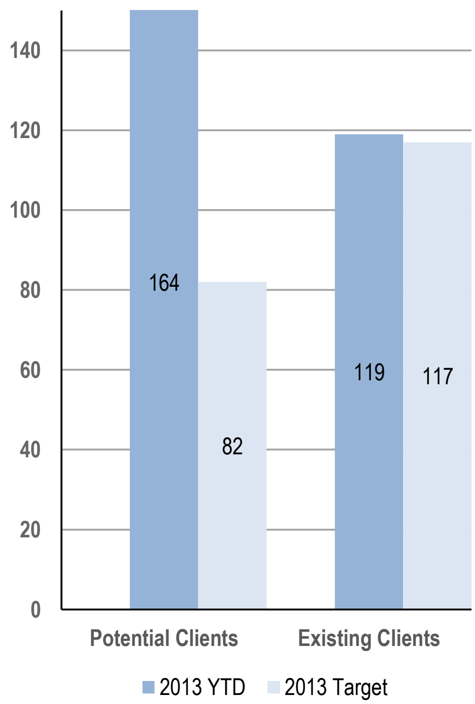
Through September, we incurred net interest expense of $37K in the Food Security & Nutrition and Haiti Portfolios.

LENDING PROGRAM OPERATING EXPENSE

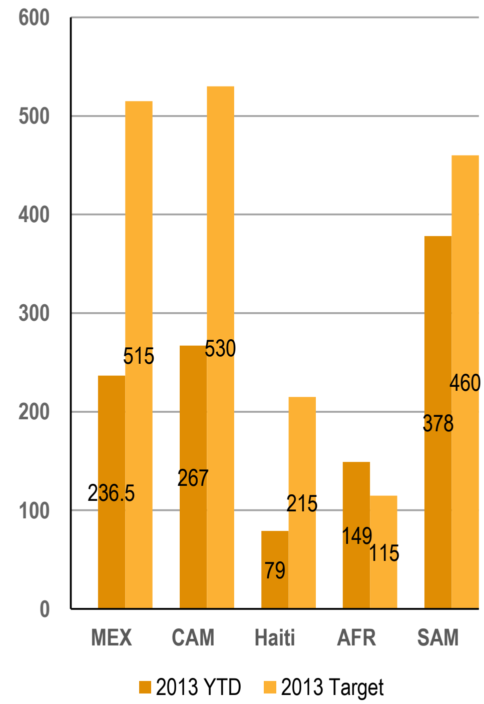
Operating expenses of $1.1 million were 16 percent below budget and represented 63% of the full-year Frontier Portfolios budget of $1.8 million.

FINANCIAL ADVISORY SERVICES

Groups Served by Financial Advisory Services (through Q3)



Days of Training Delivered by Financial Advisory Services (through Q3)



- Financial Advisory Services (FAS) exceeded annual targets for businesses reached by the end of Q2 (207 groups against a full-year target of 199) and continued that growth trajectory into the third quarter, with 280 enterprises participating in our training and workshops by the end of September.
- Geographic expansion during Q3 built on advances year-to-date in Colombia, Ecuador and Bolivia with the addition of West Africa to the roster of regions where we now provide financial management training. Additionally, we also began training activities in the Dominican Republic with a promotional seminar offering an introduction to Root Capital's FAS and Lending services.
- Significant growth in the number of potential clients trained reflects a shift in FAS strategy, reorienting efforts around exploration of new geographies and value chains in response to complex market conditions.

- In Q3, we provided a total of 467.5 days of training through centralized workshops and on-site activities, bringing our yearly total to 1,109 days globally. This represents 60% of the 1,835 days targeted by year-end.
- The shortfall in days of training provided can be attributed to two factors:
  - Pipeline-building: Across Latin America, time and resources were devoted to a larger quantity of interventions with new businesses, including seminars, promotional events and diagnostics to identify new leads.
  - Harvest timing: Both Mexico and Central America complete the majority of training activities in the second half of the year due to the effect of coffee harvest season on client availability during the first two quarters.

CATALYZE PROGRAM PERFORMANCE

During Q3 2013, Root Capital participated in several high-profile events, including the Clinton Global Initiative, and was featured in media outlets as thought leaders in the fields of sustainable agriculture, impact investing and small business growth in rural Africa and Latin America.

THOUGHT LEADERSHIP & FIELD BUILDING

- Founder & CEO Willy Foote delivered an update at the Clinton Global Initiative Annual Meeting in September reporting that Root Capital had exceeded the commitment it made to CGI in 2008 to develop a best-in-class financial training program to strengthen the capacity of 150 enterprises in Africa and Latin America. Root Capital has strengthened the financial management capacity of nearly 200 agricultural businesses within the last year alone.
- Willy Foote and Vice President of Strategy & Innovation Brian Milder were invited to serve on the Steering Committee of the Initiative for Smallholder Finance, a multi-donor initiative led by Dalberg, a strategic advisory firm working to raise living standards in developing countries and address global challenges.
- Director of Corporate Relations Ben Schmerler participated on a panel at SOCAP 2013 in San Francisco, a conference series dedicated to increasing the flow of capital towards social good. The other panelists in To Be or Not To Be: A Case Study in Exits from an Impact Fund, included Good Capital, Better World Books, and Alter Eco.
- Root Capital convened a meeting of representatives from Citigroup, Citi Foundation, the Inter-American Development Bank – Multilateral Investment Fund, and the International Finance Corporation on the topic of "Building the Business Case for Social and Environmental Due Diligence" at Citigroup's offices in New York City.
- Willy Foote presented on the importance of agricultural development and access to capital at a Fotografiska Museum event in Stockholm, Sweden, as part of the world premiere of the "Farming out of Poverty" photo exhibition by renowned photojournalist Marcus Bleasdale, which featured Root Capital clients.
- Willy Foote presented Root Capital's model and mission at the Social Enterprise Network Summit in New York, part of the YPO-WPO network. He proudly accepted the SEN Sustainability Award for Philanthropic/Nonprofit Organization.
- Root Capital hosted an event at the Equal Exchange café in Boston's historic North End, which featured a savory chocolate tasting and a panel discussion between Equal Exchange co-Executive Director Rob Everts, and Taza Chocolate co-Founder Alex Whitmore.
- In September, the Skoll Foundation, in partnership with the Huffington Post, launched the Social Entrepreneurs Crowd Rise Fundraising Challenge, which aims to provide organizations with an innovative platform to raise funds. At this writing, Root Capital has raised 95% of its overall $75,000 goal.

INDUSTRY RECOGNITION AND PUBLICATIONS

- In July, Director of Strategy & Impact Mike McCreless authored "When Measuing Social Impact, We Need to Move Beyond Counting," which was published on both Forbes and Skoll World Forum blogs.
- Root Capital's Vice President of Investor Relations Catherine Gill shared her views on investing with a gender lens in this video interview with Pioneers Post TV.
- MaxImpact published an interview with Mike McCreless on the drivers of Root Capital's success, "Mike McCreless Reveals the Secrets of Root Capital's Success."

OVERALL OPERATING RESULTS

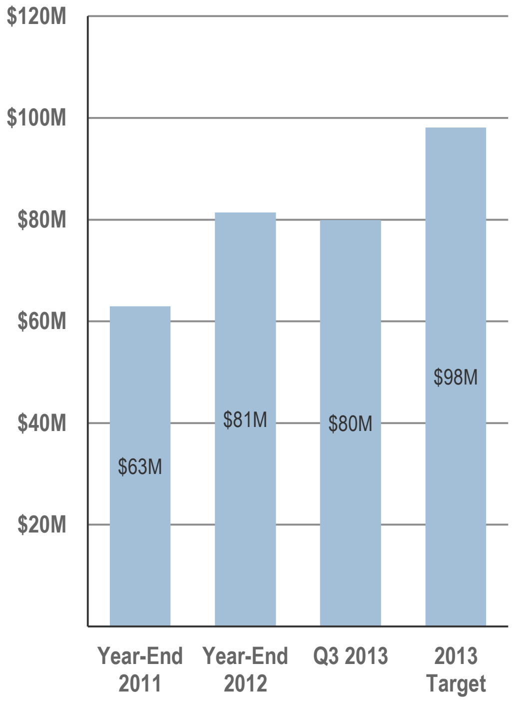
Operating Expense by Program

Program	2013 Operating Expenses			Y/Y Growth	
All numbers in thousands	Q3 YTD 2013 Actual	FY 2013 Budget	% of Budget Spent	Q3 YTD 2012 Actual	Y/Y Growth
Finance Opex (Sustainable Trade Fund)	3,635	5,295	69%	3,665	-1%
Finance Opex (Frontier Portfolios)	1,129	1,787	63%	936	21%
Advise Opex	3,411	4,363	78%	1,998	71%
Catalyze Opex	1,998	3,740	53%	1,468	36%
Total Opex	**10,174**	**15,186**	**67%**	**8,067**	**26%**

- We incurred $10.2 million in total operating expenses during Q3, representing 67 percent of our full-year 2013 budget of $15.19 million. As a result of below-target lending activity and financial performance during the first half of 2013, we have implemented a number of cost-savings measures with the goal of achieving at least $1.0 million in cost savings compared to the approved budget for 2013.
- Combined Finance Program operating expenses through the end of Q3 were $4.8 million, accounting for 67 percent of our total FY2013 Lending operating budget. Cost savings in Finance are a result of certain delayed hires and lower-than-expected travel expense.
- Advise operating expenses of $3.4 million represent 78 percent of the full-year $4.4 million Advise operating budget. Year-over-year Advise operating expenses have grown by 71 percent as a result of the Root Link project in Central America maturing into full operation, along with strong growth in our FASTrack activities in South America, Africa and Haiti. Advise is above budget due to additional consulting expenses related to activities not envisioned at the beginning of the year, but for which incremental funding has already been secured.
- Catalyze operating expenses were $2.0 million, representing 53 percent of Catalyze's total operating budget for FY2013. The primary drivers of the Catalyze program's cost savings are delayed hiring and reduced consulting and travel costs.

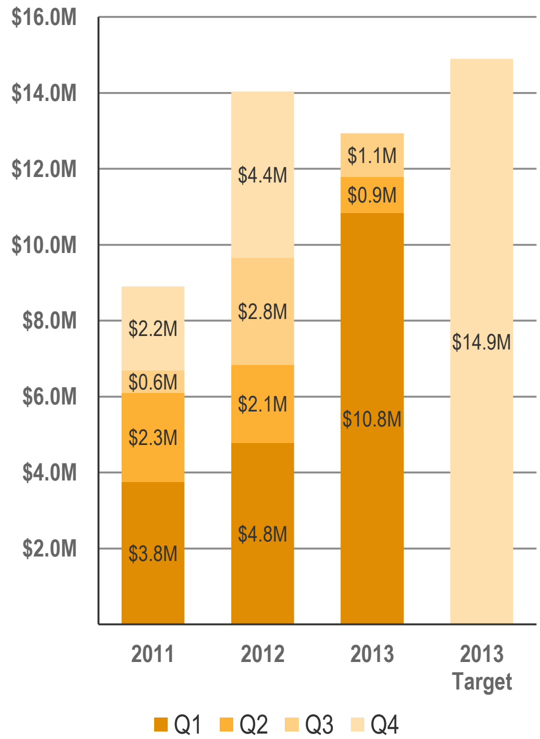
Fundraising Results

Outstanding Debt Balance (through Q3)



- We ended Q3 with $80M in total debt under management.
- The level of notes payable is essentially flat over last year due to the lower-than-projected lending activity.

Total Contributions Raised (through Q3)



- At the close of the third quarter we had raised $12.9M in contributions for use in 2013.
- Notably, in Q3 we raised $1.9M in multi-year support for our Coffee Farmer Resilience Initiative. We anticipate securing as much as $6.4M in total towards this effort by year-end (this includes a $3M long-term loan). The funding will support long-term coffee plant renovation loans, trade capital credit, financial management and literacy training, climate-smart agronomic guidance and household-level income diversification to agricultural businesses on the front lines of the rust crisis in Latin America.

Balance Sheet Highlights & Key Ratios

Balance Sheet Highlights (All numbers in thousands)	Q3 2013 Actual	Q3 2013 Budget	Variance ($)	Variance (%)	FY 2012 Actuals	Change since 12/31/2012 (%)
Cash and Short-Term Investments	39,220	36,313	2,907	8%	44,425	-12%
Total Loans Receivable	66,183	82,094	(15,911)	-19%	61,773	7%
Less: Allowance for Loan Loss	(2,456)	(2,504)	47	-2%	(2,120)	16%
Loans Receivable (net)	63,726	79,590	(15,863)	-20%	59,653	7%
Other Assets	18,755	16,568	2,187	13%	17,106	10%
Total Assets	**121,700**	**132,470**	**(10,770)**	**-8%**	**121,185**	**0%**
Total Notes Payable & Other Debt	79,944	93,145	(13,201)	-14%	81,462	-2%
Other Liabilities	2,867	1,771	1,095	62%	1,408	104%
Total Liabilities	**82,810**	**94,916**	**(12,106)**	**-13%**	**82,870**	**0%**
Total Net Assets	**38,890**	**37,554**	**1,336**	**4%**	**38,315**	**2%**
Total Liabilities & Net Assets	**121,700**	**132,470**	**(10,770)**	**-8%**	**121,185**	**0%**

Key Financial Ratios	Q3 2013 Actual	Q3 2013 Target	Variance (%)	FY 2012 Actual	Change since 12/31/2012 (%)
Debt-to-Equity Ratio	3.76	4.18	-10%	3.82	-2%
Capital Utilization	76.5%	88.4%	-14%	84%	-9%
Current Ratio	4.32	N/A	N/A	4.24	2%

- Root Capital had $121.7M in total assets at the end of Q3. Since year-end 2012, our total debt balance has decreased by $1.5M while our total lending portfolio has increased by $4.4M.
- At the end of September, we held $39.2M in cash, reserves and short-term marketable securities, approximately $2.9M greater than anticipated. Though still above target, this variance has decreased significantly from Q2 at which point cash balances were $18M above target.
- Better utilization of cash and debt has improved our capital utilization ratio to 76.5% from 68.6% at the end of Q2. However, we continue to target an 88% capital utilization rate.
- Our debt-to-equity ratio at quarter-end was 3.76x, less-leveraged than our 4.17x target. We ended the quarter with a current ratio of 4.32x.

APPENDIX: Q3 2013 FINANCIAL STATEMENTS*

**Other social lenders have agreed to participate in a portion of several loans originated by Root Capital. Based on the advice of our external auditors, we recently changed the way we account for these loans, and are now including the full value of the loan receivable and interest earned on our financial statements, with an offsetting loan participation liability and interest expense. The participation portions of those loans are not included in the Lending Performance sections of this report because the other lenders are entitled to the interest revenue for their participation portion of the loan balance, and are liable for any loan losses on that balance. However, loan participation amounts are included in the Operating Results section to represent our Total Outstanding Debt Balance accurately and for calculating our debt-to-equity Ratio. Our total loan participation balance at the end of Q3 2013 was $29,100.*

Statement of Financial Position as of September 30, 2013

in thousands	September 2013				Sep-13 vs Sep-12		September-13 vs Dec-12	
	Operating	Sustainable Trade Fund	Frontier Portfolios	Total Root Capital	September-12	% Y/Y	December-12	$ Change
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents		13,729	3,295	17,024	12,181	40%	31,940	(14,917)
Cash loan loss reserve (10% of gross loans rec.)		6,345	273	6,618	6,568	1%	6,177	441
Escrow funds		1,580		1,580	35	4470%	119	1,461
Investments	2,704	4,294	7,000	13,998	6,278	123%	6,307	7,691
Current loans receivable, net of allowance for loan losses of $2.4 m and $1.7 m		46,603	2,138	48,740	54,851	-11%	45,319	3,421
Interest receivable, net of allowance for interest losses of $162k and $167k		1,020	78	1,098	1,155	-5%	1,040	59
Collateral on hedge		-		-	21	-100%	21	(21)
Grants receivable and accounts receivable	6,288	5,620	615	12,522	7,992	57%	9,176	3,346
Other current assets	299		-	299	192	56%	271	28
Total current assets	9,290	79,190	13,399	101,879	89,272	14%	100,371	1,508
EQUIPMENT AND IMPROVEMENTS, net	247		-	247	324	-24%	300	(53)
LOANS RECEIVABLE, net of current portion		14,525	461	14,986	9,136	64%	14,334	652
GRANTS RECEIVABLE, net of current portion	2,997	1,115	385	4,497	5,018	-10%	6,096	(1,600)
OTHER NON-CURRENT ASSETS	92		-	92	83	12%	83	9
Total assets	**12,626**	**94,830**	**14,244**	**121,700**	**103,832**	**17%**	**121,185**	**516**
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Notes payable, short term		19,570	-	19,570	18,585	5%	22,267	(2,696)
Notes payable, subordinated		1,250	-	1,250	-	-	100	1,150
Recoverable grant		-		-	-	-	-	-
Loan participation liability		17	-	17	29	-	29	(12)
Escrow funds		1,580	-	1,580	35	4470%	119	1,461
Accounts payable & accrued expenses	207		-	207	261	-21%	260	(53)
Accrued vacation & salary payable	460		-	460	326	41%	250	210
Accrued interest payable		469	41	510	375	36%	628	(118)
Total current liabilities	667	22,886	41	23,593	19,610	20%	23,653	(60)
DEFERRED RENT LIABILITY	111		-	111	160	-31%	151	(40)
NOTES PAYABLE, Long Term		51,507	6,200	57,707	48,969	18%	54,966	2,740
SUBORDINATED DEBT		400	1,000	1,400	4,200	-67%	4,100	(2,700)
Total liabilities	777	74,792	7,241	82,810	72,939	14%	82,870	(59)
NET ASSETS:								
Unrestricted:								
Operating reserve	4,043		-	4,043	3,169	28%	4,043	-
Permanent lending capital - board designated		4,400	569	4,968	2,285	117%	4,968	(0)
Loan loss reserve - board designated		1,879	273	2,152	5,068	-58%	2,711	(559)
Undesignated unrestricted net assets	(522)		34	(488)	807	0%	-	(488)
Total unrestricted	3,521	6,278	876	10,674	11,328	-6%	11,721	(1,047)
Temporarily restricted:								
Purpose and time	8,328	8,109	1,178	17,615	13,931	26%	16,993	622
Permanent lending capital-donor designated		1,184	4,950	6,134	4,134	48%	6,134	0
Loan loss reserve-donor designated		4,467		4,467	1,500		3,467	1,000
Total temporarily restricted	8,328	13,760	6,128	28,216	19,565	44%	26,593	1,622
Total net assets	11,849	20,038	7,003	38,890	30,893	26%	38,315	575
Total liabilities and net assets	**12,626**	**94,830**	**14,244**	**121,700**	**103,832**	**17%**	**121,185**	**517**

**Frontier Portfolios consists of the Innovation, Food Security & Nutrition, Other and Haiti Portfolios. The Innovation Portfolio is a segregated pool of risk-tolerant capital designed to make experimental loans for subsequent replication in our Sustainable Trade Fund. The Food Security & Nutrition Portfolio which is to promote domestic food security and nutrition. The Other consists of a smaller number of loans for buyer financing to companies based in North America and Europe that source from agricultural businesses in Africa and Latin America that are prospective clients for our Sustainable Trade Fund. The Haiti Portfolio consists of loans made to enterprises in Haiti.*

Statement of Activities

September 30, 2013

	September Actual Results			**YTD Actuals vs. YTD Projections Revised**			**YTD Actuals vs. Full-Year Board Approved Budget**		**Y/Y Growth (%)**	
in thousands	**Sustainable Trade Fund**	**Frontier Portfolios**	**Total Root Capital**	**Revised Projections**	**$ Var.**	**%**	**2013 Budget**	**Actuals as % of Budget**	**Sep YTD 2012**	***13 YTD vs 12 YTD***
FINANCE										
Loan interest, net of allow for int losses	4,325	317	4,642	4,622	20	0%	7,674	*60%*	4,801	*-3%*
Fees	763	18	781	733	48	7%	1,307	*60%*	848	*-8%*
Co-lending services									6	*-100%*
Gain (loss) on FX lending	20	(92)	(71)	(53)	(18)	34%	-	*n/a*	(3)	*2519%*
Total earned revenue	**5,108**	**244**	**5,352**	**5,301**	**50**	**1%**	**8,980**	***60%***	**5,652**	***-5%***
Portfolio Yield	*11.1%*	*11%*								
Allowance for loan loss	2,875	(96)	2,779	2,612	167	6%	3,450	*81%*	2,342	*19%*
Less: Revenue on recovered loans and guarantees	(155)	(194)	(349)	(296)	(53)	18%	(316)	*111%*	(420)	*-17%*
Provisioning Expense Ratio	*6%*	*-13%*							-	
Interest expense	1,266	42	1,308	1,439	(131)	-9%	2,050	*64%*	1,222	*7%*
Less: Interest and investment income	(116)	(5)	(121)	(122)	1	-1%	(34)	*350%*	(242)	*-50%*
Net Funding Expense Ratio	*2.5%*	*2%*							-	
FINANCE operating expense	3,635	1,129	4,764	5,006	(242)	-5%	7,083	*67%*	4,601	*4%*
Operating Expense Ratio	*7.9%*	*51%*							-	
FINANCE surplus / (deficit)	**(2,397)**	**(633)**	**(3,030)**	**(3,338)**	**309**	**-9%**	**(3,252)**	***93%***	**(1,851)**	***64%***
STF Operational Self Sufficiency	*68%*			*61%*			*82%*		*80%*	
			-							
ADVISE and CATALYZE										
ADVISE operating expense			3,411	3,225	186	6%	4,363	*78%*	1,998	*71%*
CATALYZE operating expense			1,998	2,441	(442)	-18%	3,740	*53%*	1,468	*36%*
ADVISE and CATALYZE			**5,410**	**5,666**	**(256)**	**-5%**	**8,103**	***67%***	**3,466**	***56%***
Contributions			**7,392**	7,735	(342)	-4%	11,430	*65%*	5,641	*31%*
Net Operating Surplus / (Deficit)			**(1,047)**	**(1,270)**	**223**	**-18%**	**76**	***-1378%***	**324**	***-424%***

***All comparisons of Actual to Budget refer to Total Root Capital results (Sustainable Trade Fund + Frontier Portfolios)*

Temporarily Restricted Revenue: YTD Results	LLR	PLC	Time & Purpose	**Total**
New T/R revenue	400		7,246	**7,646**
T/R revenue released for opex			(6,024)	**(6,024)**
LLR released	1,000		(1,000)	**-**
Change in T/R Net Assets	1,400	-	222	**1,622**

Total Contribution Goal: Budget vs Actual	Actual	Board Approved Budget	Var. %
Unrestricted Operating Contributions	7,392	11,430	65%
PLC and LLR Grants	1,400	3,467	40%
Total	8,792	14,897	59%

Use of Annual Operating Surplus	Actuals	Board Approved Budget	Var. $
Operating Reserve	(488)	777	(1,265)
Board Designated Loan Loss Reserve	(559)	(1,160)	601
Board Designated PLC	(0)	459	(459)
Operating Surplus	**(1,047)**	**76**	(1,123)

Disclosure
Interim financial data is deemed accurate, but is not audited. Annual audited financial statements will be provided to the Board of Directors, donors and investors. In the event of material differences, a reconciliation will also be provided.
Additionally, past performance is not indicative, nor a guaranty, of future results, and no assurances can be given that the Notes will be repaid.

For additional information, please go to www.rootcapital.org or email info@rootcapital.org.