

## INVESTMENT MANAGER'S COMMENT

The composition of REFFA's education portfolio continued to develop in Q3 2019, adding one new exposure in one new country (Nigeria). Otherwise it largely mirrors the previous quarter both in terms of geographical presence and exposure. The portfolio covered nine investees across eight countries, with an average REFFA exposure per Partner Institution of approximately USD 3 million. Several of the potential investees visited in West Africa signaled interest in receiving technical assistance to develop their education portfolio further. One tender is being launched to identify a suitable consultant who will strengthen the staff capacities for SME and education lending of one of the REFFA investees. Furthermore, the monitoring and reporting framework for education quality and affordability is entering the next phase with country visits to take place in Zambia and Nigeria in November and December.

### Education Finance update

The volume of the overall education finance portfolio grew to USD 150.2 million in Q3 2019. Mounting macroeconomic difficulties in Zambia, where the largest contributor to REFFA education portfolio operates, have prevented a sharper increase in portfolio growth, partially masking what has been a prolific quarter in terms of disbursements: the volume of loans disbursed in Q3 2019 is 132% above Q2 2019 figures. Also, growth remains strong on a YOY basis, as loans to both students and learners from families with a salary caused education finance loans to expand by 93% compared to Q3 2018. REFFA's growing outreach reflects this evolution, with the total number of loans increasing to 153,554 compared to 110,125 for Q3 2018. New loans to students and families with a salary mainly account for this trend, offsetting a slight decrease in the loans granted to education providers.

### Market update

In **Botswana**, real GDP growth is projected at 3.8% for 2019 following both continued strong global demand for Botswana's rough diamonds and the introduction of fiscal stimuli for non-mining industries. With ample fiscal space to do so, President Masisi continues to push deep structural reforms on infrastructure, immigration and energy to steer Botswana away from its over-reliance on diamond and towards a diversified, export-led and FDI-friendly economy.

In **Ghana**, the Cedi depreciation has continued at a slow rate against the backdrop of global trade tension during Q3 2019. In August 2019, the Bank of Ghana declared having completed its financial sector clean-up after revoking more than 400 licenses from microfinance and microcredit institutions.

In anticipation of what will likely be a contested 2020 presidential election in **Ivory Coast**, a new electoral commission was appointed in September 2019 to increase political transparency. Overall, the economy is forecast to expand by more than 7% in 2019 and 2020, placing it among the fastest growing in Africa.

**Nigeria**, Africa's largest economy and most populous country, is a new addition as an investee country to REFFA. Real GDP is projected to grow by 2.3% for 2019 and 2.4% for 2020. The re-elected president is hoping to continue with the diversification of the economy to make it less vulnerable to fluctuations both in global oil prices and output (90% of its FX-earnings are from the oil and gas sector).

In **Tanzania**, improvements to the revenue collection system translated into high tax collections for September 2019 (USD 771 million or 29.5% increase compared to September 2018). Supported by robust infrastructure spending, real GDP growth continued during Q3 2019 and is expected to close at 6.6% for 2019.

After slowing to 1.1% in the first six months of 2019, economic growth in **Tunisia** remains hampered by structural challenges like the persisting trade deficit, high unemployment and the difficulty in implementing socially sensitive spending cuts. The African Development Bank announced it will fund USD 500 million worth of energy, finance and farming sector projects in 2019.

Following downgrades to **Zambia's** long-term rating by Moody's and Fitch in Q2 2019 (to Caa2 and CCC respectively), an over-leveraged government is still struggling to service its debt obligations, which together with wages take up 90% of the budget presented in September 2019. In Q3 2019, the worst drought in over three decades caused crop failure and drastically curbed electricity production from hydropower dams, leading to country-wide energy shortages. Despite the current debt crisis, economic growth is projected to reach 4.2% for 2019.

## FUND FACTS

Net Asset Value (NAV) in USD	<b>39,751,968</b>
Total Assets in USD	<b>42,848,763</b>
Average exposure per PI in USD	<b>2,814,723</b>
Weighted average life (years)	<b>1.22</b>
Number of countries	<b>8</b>
Number of PIs	<b>9</b>
Number of loans outstanding	<b>10</b>
Portfolio as % of Total Assets	<b>59%</b>

PI = Partner Institution

The figures shown reflect the Fund portfolio net of provisioning amount. To date, REFFA has one loan in Kenya fully provisioned.

## ACTIVITY REPORT

<b>Total new disbursements</b>	
Since inception	<b>42,284,363</b>
Q3 2019	<b>497,238</b>
<b>Number of loans disbursed</b>	
Since inception	<b>16</b>
Q3 2019	<b>1</b>

## PI FINANCIAL INDICATORS\*

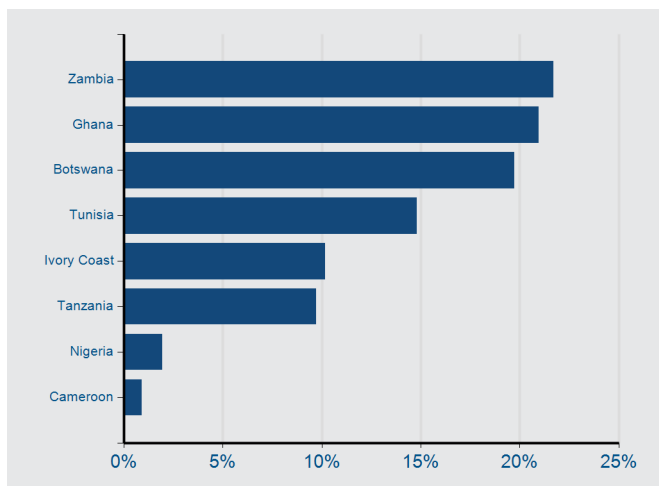
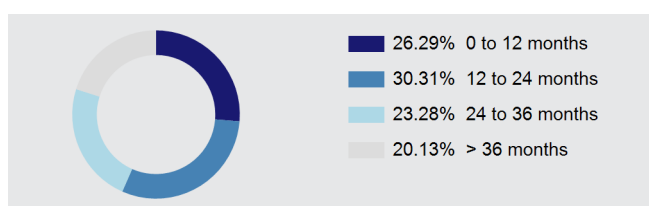
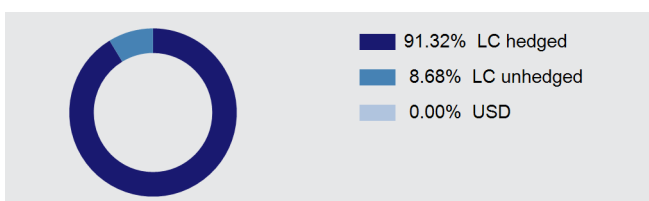
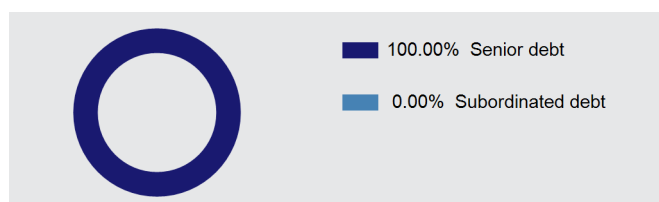
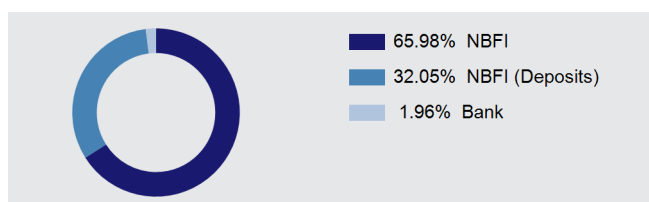
Asset growth (last 12 months)	<b>19.58%</b>
Portfolio growth (last 12 months)	<b>14.25%</b>
Return on assets (ROA) (last 12 months)	<b>1.76%</b>
Return on equity (ROE) (last 12 months)	<b>10.10%</b>
Portfolio at risk 30 days (PAR 30)	<b>9.29%</b>
Write-offs (last 12 months)	<b>3.37%</b>
Debt/equity ratio	<b>4.23x</b>
Debt/equity ratio (subdebt as equity)	<b>2.82x</b>

\*Data based on the latest available data from MFIs in the portfolio - includes some estimates by BlueOrchard

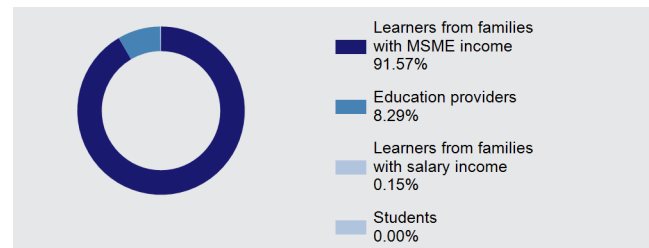
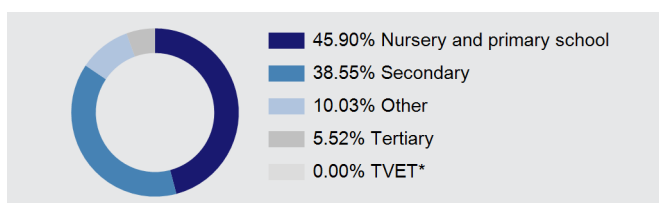
## EDUCATION PORTFOLIO INDICATORS\*

Total Education Finance Portfolio	<b>150,211,222</b>
Volume in % of total education portfolio	
Education Providers	<b>2%</b>
Learners from families with salary income	<b>65%</b>
Learners from families with MSME income	<b>3%</b>
Students	<b>30%</b>
Outreach	
Education Providers	<b>319</b>
Learners from families with salary income	<b>98,193</b>
Learners from families with MSME income	<b>23,323</b>
Students	<b>31,719</b>
Male borrowers (number)	<b>95,455</b>
Female borrowers (number)	<b>57,780</b>
Male borrowers in % of portfolio to learners and students (volume)	<b>67%</b>
Female borrowers in % of portfolio to learners and students (volume)	<b>33%</b>
Average # of pupils in education providers financed	<b>367</b>
Utilization of loans by educational providers	
Working capital	<b>11%</b>
Investment	<b>87%</b>
Overdraft	<b>2%</b>

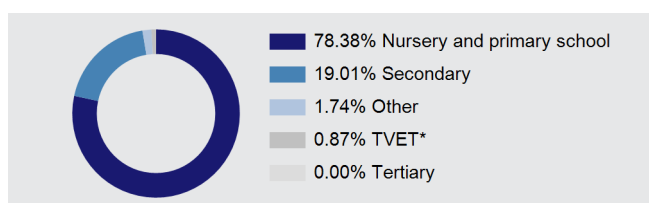
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**EXPOSURE**
**BY COUNTRY (AS % OF PI PORTFOLIO)**

**BY MATURITY (AS % OF PI PORTFOLIO)**

**BY CURRENCY (AS % OF PI PORTFOLIO)**

**BY ASSET CLASS (AS % OF PI PORTFOLIO)**

**BY TYPE OF PI (AS % OF PI PORTFOLIO)**

**FIVE LARGEST OUTSTANDING POSITIONS (AS % OF PI PORTFOLIO)**

Position	Country	Percentage
BAYPORT ZAMBIA	Zambia	21.71%
BAYPORT GHANA	Ghana	19.97%
BAYPORT BOTSWANA	Botswana	19.74%
ENDA TAMWEEL	Tunisia	14.80%
ADVANS CI	Ivory Coast	10.18%

**EDUCATION FINANCE SAVINGS BREAKDOWN BY CLIENTS**

**LOAN PORTFOLIO OUTSTANDING TO FAMILIES AND STUDENTS BY LEVEL OF EDUCATION**


\*Technical Vocational Education and Training

**LOAN PORTFOLIO OUTSTANDING TO EDUCATION PROVIDERS BY LEVEL OF EDUCATION**


Currency	Tranche	ISIN	NAV/share
USD	Senior (A1)	LU1548990578	100,000.00
USD	Senior (A2)	LU1828991866	100,000.00
USD	Senior (A3)	LU1829058525	100,000.00
USD	Mezzanine (B1)	LU1548990735	50,000.00
USD	Mezzanine (B2)	LU1829076188	50,000.00
USD	Mezzanine (B3)	LU1829076774	50,000.00
USD	Junior (C)	LU1548990818	21,802.69

**For additional information, please contact:**

BlueOrchard Finance Ltd.  [investor@blueorchard.com](mailto:investor@blueorchard.com)  +41 44 441 55 51