

## INVESTMENT MANAGER'S COMMENT

As of Q2 2018, REFFA was invested in 8 Partner Institutions (PIs) across 7 countries mainly in Sub-Saharan Africa. The average exposure per institution was at USD 1.8M. During the 2nd quarter of 2018, the Fund has not disbursed new investments. In May/June, the REFFA Technical Assistance Facility commissioned a study in Côte d'Ivoire to understand the country's private education sector features as well as the potential of education finance. Key findings are the comparably strong participation of the private sector in education provision: Enrolment rates in private schools account for 49.8% in general secondary level. The government contracts private education providers for places in private schools and covers part of the costs if certain academic standards are met, in order to reduce the severe shortage in education offer. Despite this effort, enrolment and drop-out rates are very high. The strong need for education facilities translates into a high potential for REFFA, especially given a general preference for private education and a low degree of adapted financial products to the needs of private education financing.

### Education Finance update

During Q2 2018, the total outstanding portfolio experienced an overall decline of 6.1% in volume from USD 35.4M in March 2018 to USD 33.2M in June 2018 with a total of 50,711 clients served. The decline corresponds to seasonality of education loans which follow the school cycle that begins in September in most invested countries. However, loans to students increased by 12.3% to USD 4.8M, reflecting the need for school fees for borrowers to advance their own education. Advans Cameroun experienced the greatest growth in volume with a 63% increase due to the target focus on education providers. Advans Cote d'Ivoire, a recent REFFA client, also recorded a 17.7% increase in its education provider loans that were introduced in the last quarter. Bayport Tanzania, the newest exposure in REFFA, recorded a 4% increase in its overall outstanding loan portfolio. On a YoY basis, the total portfolio experienced a significant increase of 76% for the period between June 2017 and June 2018. The growth was vastly due to a large increment in school fee loans to families with salary income, which increased from USD 1.2M in June 2017 to USD 10.4M in June 2018. This was followed by loans to families with MSME income, which moved from USD 1.2M in June 2017 to USD 1.7M in June 2018. Loans to education providers maintained the level recorded in Q2 2017 with a variation of less than 1%, while student loans, which were reported for the first time in Q4 2017 with the Bayport Tanzania exposure, increased by 12% in the last quarter.

### Market update

In **Ghana**, the robust GDP growth experienced in Q1 2018 (9.24% YoY) continued in Q2 (9.16% YoY) boosted by the crude oil and gas sector. Hedging costs significantly increased in May and June as a market reaction to the Bank of Ghana's decision to lower its monetary policy rate by a total of 300 basis points between March 2018 and May 2018.

In **Cameroon**, increased gas production continued to support economic growth. Political instability continued with persistent agitation in Anglophone areas and with the postponement of the parliamentary elections to September 2019. The presidential elections are planned to take place in October 2018, with no strong opposition against the long serving incumbent President Biya.

In **Ivory Coast**, a significant increase in cocoa prices positively impacted GDP growth (+0.7% compared to Q4 2017). The IMF completed the third review under its ECF and EFF arrangements, and approved a disbursement of USD 137M. Distrust within the security forces continued to persist but no mutinies have been reported since May 2017.

In **Congo (DRC)**, the resilient extractive sector continued to support GDP growth. Presidential elections postponed from November 2016 are likely to be moved to 2019 posing a continued threat to the fragile stability.

In **Tanzania**, weaker economic growth was observed, due to a slowdown in lending and gold exports, paired with a devaluation of the Shilling. Nevertheless, the country is expected to achieve 7.2% GDP growth in 2018 driven by infrastructure investments.

In **Tunisia**, the Central Bank continued on a tightening path, in order to contain the depreciation of the dinar and inflationary pressures. Social unrest towards austerity measures remained high due to persisting high unemployment rates and local currency inflation. Annual inflation hit a record high of 7.8% in June 2018 as the dinar weakened by 8.49% in Q2 only, making food imports more expensive.

## FUND FACTS

Net Asset Value (NAV) in USD	<b>30,964,029</b>
Total Assets in USD	<b>31,370,012</b>
Average exposure per PI in USD	<b>1,765,154</b>
Number of countries	<b>7</b>
Number of PIs	<b>8</b>
Number of loans outstanding	<b>9</b>
Portfolio as % of Total Assets	<b>45%</b>

PI = Partner Institution

## ACTIVITY REPORT

Total new disbursements	
Since inception	25,787,125
Q2 2018	0
Number of loans disbursed	
Since inception	10
Q2 2018	0

## PI FINANCIAL INDICATORS\*

Asset growth (last 12 months)	19.07%
Portfolio growth (last 12 months)	25.46%
Return on assets (ROA) (last 12 months)	1.21%
Return on equity (ROE) (last 12 months)	6.85%
Portfolio at risk 30 days (PAR 30)	9.14%
Write-offs (last 12 months)	3.62%
Debt/equity ratio	5.56x
Debt/equity ratio (subdebt as equity)	5.03x

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

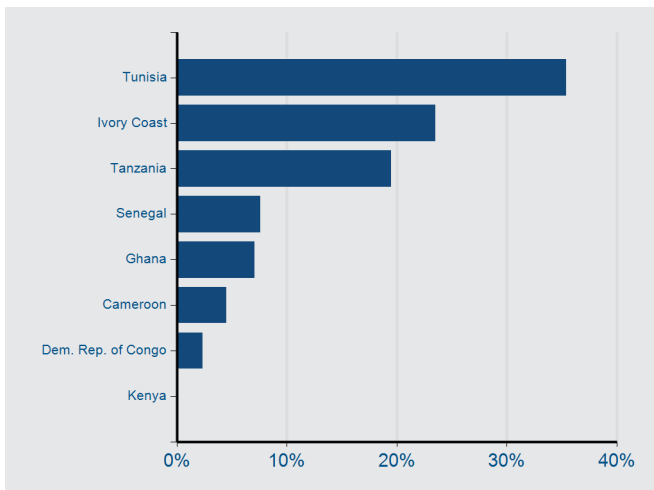
## EDUCATION PORTFOLIO INDICATORS\*

Total Education Finance Portfolio	33,220,124
Volume in % of total education portfolio	
Education Providers	49%
Learners from families with salary income	31%
Learners from families with MSME income	5%
Students	14%
Outreach	
Education Providers	719
Learners from families with salary income	24,486
Learners from families with MSME income	21,448
Students	4,058
Male borrowers (number)	22,593
Female borrowers (number)	27,399
Male borrowers in % of portfolio to learners and students (volume)	68%
Female borrowers in % of portfolio to learners and students (volume)	32%
Average # of pupils in education providers financed	1,117
Utilization of loans by educational providers	
Working capital	44%
Investment	54%
Overdraft	2%

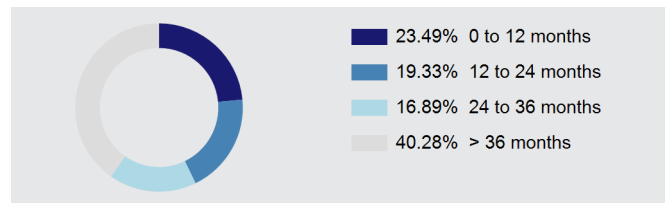
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**EXPOSURE**

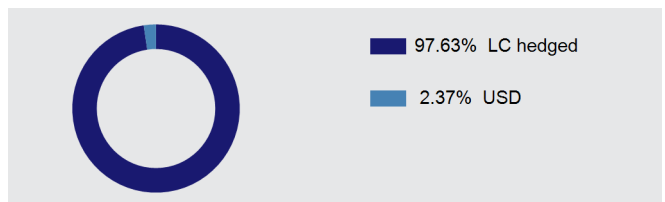
**BY COUNTRY (AS % OF PI PORTFOLIO)**



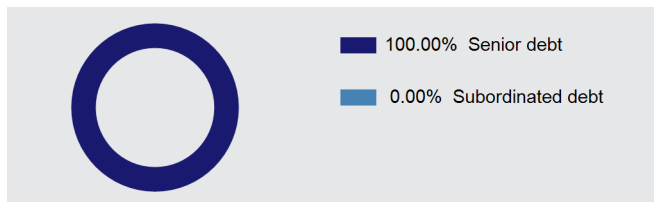
**BY MATURITY (AS % OF PI PORTFOLIO)**



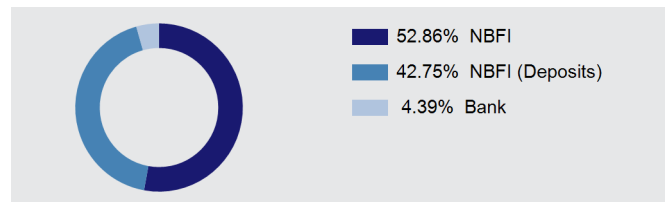
**BY CURRENCY (AS % OF PI PORTFOLIO)**



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



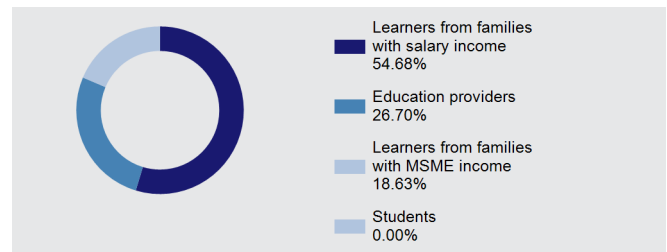
**BY TYPE OF PI (AS % OF PI PORTFOLIO)**



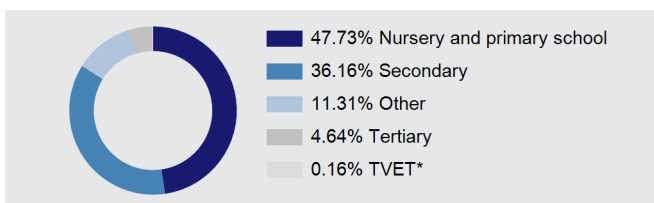
**FIVE LARGEST OUTSTANDING POSITIONS (AS % OF PI PORTFOLIO)**

Position	Country	Percentage
ENDA TAMWEEL	Tunisia	35.41%
ADVANS CI	Ivory Coast	23.53%
BAYPORT TANZANIA	Tanzania	17.46%
ACEP SENEGAL	Senegal	7.61%
ADVANS GHANA	Ghana	7.08%

**EDUCATION FINANCE SAVINGS BREAKDOWN BY CLIENTS**

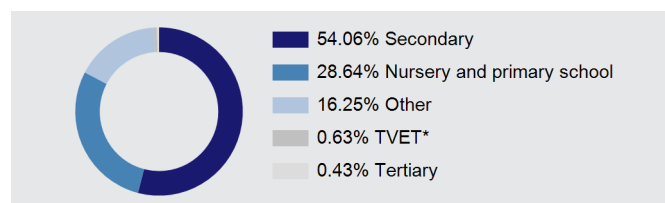


**LOAN PORTFOLIO OUTSTANDING TO FAMILIES AND STUDENTS BY LEVEL OF EDUCATION**



\*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)	na	0.00
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	21,282.39

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