

INVESTMENT MANAGER'S COMMENT

The composition of REFFA's education portfolio remained largely unchanged in Q1 2020, as it mirrors the previous quarter closely both in terms of geographical presence and exposure. It covered 9 investees across 8 countries, while the average REFFA exposure per Partner Institution averaged approximately USD 3.6 million. The REFFA Technical Assistance (TA) year started with a productive workshop at the Bayport Group headquarters in Johannesburg to agree on the core elements of a TA cooperation with the Group. Furthermore, a cooperation to implement a country study in Zambia was closed with Opportunity International. Interviews and data analyses were undertaken in February and March across five different cities in the country. Furthermore, the TA project for FINCA Nigeria was kicked-off end of March; it will focus on intense training to loan officers on enhancing their education lending capacities.

Education Finance update

Q1 2020 saw a challenging environment in all REFFA countries due to the impact of the Covid-19 pandemic that saw most countries order schools to be closed. Advans Cote d'Ivoire appears to be affected the most due to additional effects of seasonality as the education loan portfolio shrank by 47.76% within the quarter. Further effects were seen on the overall education portfolio, which also decreased marginally from USD 145.8m in the previous quarter to USD 145.1m in Q1 2020. Despite the negative market conditions, REFFA acquired a new investee, Izwe Ghana, who has a sizeable education portfolio of learners from families with salary income.

Market update

The first quarter of 2020 saw the arrival of the Covid-19 pandemic in Africa and its subsequent economic consequences. Education institutions in the region were closed in mid-March, many facing challenges to implement online education. REFFA investees will be impacted on portfolio quality, liquidity, and reduced demand for loans as key economic sectors are slowing down in the current context.

In **Botswana**, the economy is adversely affected by weak domestic diamond production (which accounts for 60% of total exports) and waning global diamond demand due to the Covid-19 pandemic. S&P downgraded Botswana to 'BBB+', prompted by weakening fiscal and external accounts, underpinned by the current weak external diamond demand.

In **Eswatini**, a negative economic outlook is expected in 2020 mainly due to the economic downturn in South Africa, its main trading partner. The Central Bank lowered the bank rate by a further 100 bps from 5.5% to 4.5% (second rate cut in 2020), citing volatile economic developments due to the pandemic.

In **Ghana**, the Central Bank lowered its key policy rate in March 2020 by 150 bps to 14.5% -lowest since May 2012- citing an economic slowdown due to Covid-19. The Cedi depreciated by 5.8% against the USD by the end of March due to declined global commodity prices. The IMF approved a USD 1bn disbursement to Ghana to address the Covid-19 pandemic.

Ivory Coast -the world's top cocoa producer- halved its economic growth forecast for 2020 due to the pandemic, putting a pause to the country's 8-year rapid expansion. Concerns of curbed demand in important markets led cocoa prices to decrease since early March. The IMF approved a USD 866m payment to aid in combating the spread of the virus.

Tanzania faces both the Covid-19 pandemic and the East African locust invasion. The locust invasion has resulted in 20% crop reduction recorded in mid-February. Positively, the World Bank approved a USD 500m education loan to Tanzania in March aimed at strengthening quality of education in public schools.

In **Tunisia**, the Covid-19 outbreak is impacting the tourism sector, which constitutes nearly 10% of GDP. The economy estimated to decrease up to 4.3%. The Central Bank cut its reference rate by 100 bps to 6.75%. Following an upgrade of the country's outlook by Moody's in February 2020 to "B2" stable, the rating agency has placed the country under review for a downgrade as it faces weak near-term growth amid the pandemic.

Zambia's sovereign risk profile has further deteriorated in the last months, and the currency has depreciated by approximately 30% since the beginning of the year. The risk will remain should the outbreak of Covid-19 suppress global copper demand beyond current expectations.

FUND FACTS

Net Asset Value (NAV) in USD	39,192,651
Total Assets in USD	41,667,346
Average exposure per PI in USD	3,599,323
Weighted average life (years)	1.51
Number of countries	8
Number of PIs	9
Number of loans outstanding	11
Portfolio as % of Total Assets	78%

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

Total new disbursements	
Since inception	59,521,270
Q1 2020	14,200,327
Number of loans disbursed	
Since inception	19
Q1 2020	2

PI FINANCIAL INDICATORS*

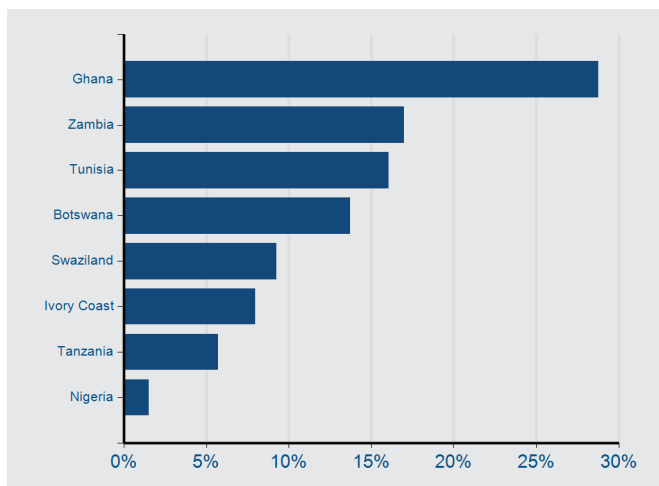
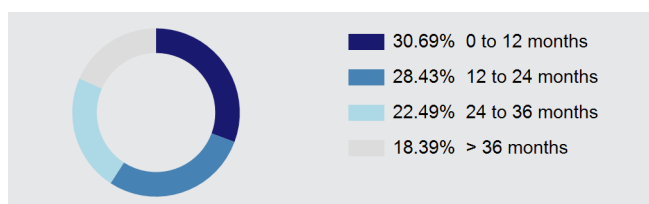
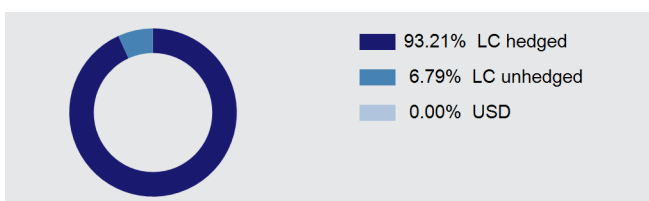
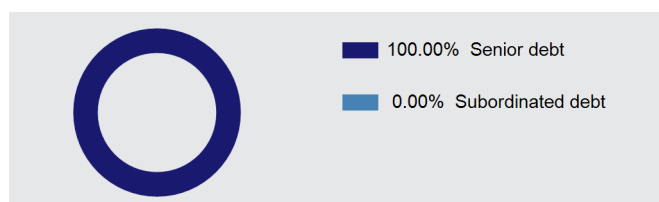
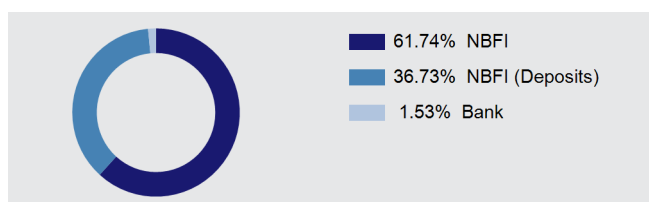
Asset growth (last 12 months)	14.87%
Portfolio growth (last 12 months)	11.50%
Return on assets (ROA) (last 12 months)	1.84%
Return on equity (ROE) (last 12 months)	9.52%
Portfolio at risk 30 days (PAR 30)	12.06%
Write-offs (last 12 months)	2.29%
Debt/equity ratio	5.14x
Debt/equity ratio (subdebt as equity)	1.90x

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

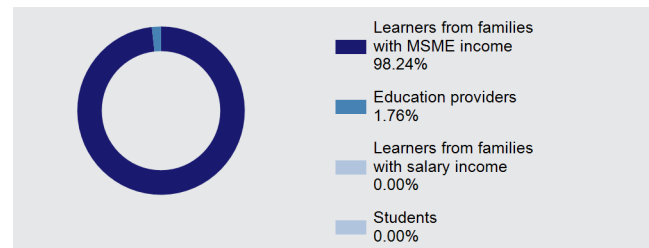
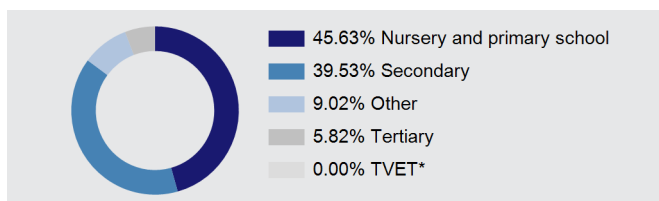
EDUCATION PORTFOLIO INDICATORS*

Total Education Finance Portfolio	145,105,294
Volume in % of total education portfolio	
Education Providers	0%
Learners from families with salary income	65%
Learners from families with MSME income	2%
Students	23%
Outreach	
Education Providers	90
Learners from families with salary income	113,253
Learners from families with MSME income	21,007
Students	26,636
Male borrowers (number)	99,513
Female borrowers (number)	61,383
Male borrowers in % of portfolio to learners and students (volume)	67%
Female borrowers in % of portfolio to learners and students (volume)	33%
Average # of pupils in education providers financed	128
Utilization of loans by educational providers	
Working capital	44%
Investment	56%
Overdraft	0%

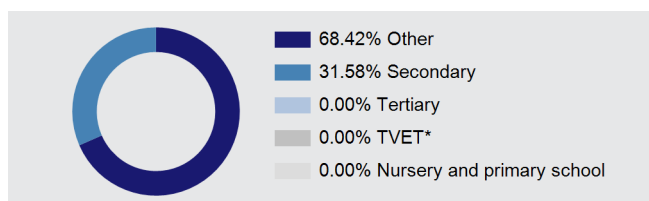
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EXPOSURE
BY COUNTRY (AS % OF PI PORTFOLIO)

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	Exposure (%)
BAYPORT ZAMBIA	Zambia	16.98%
ENDA TAMWEEL	Tunisia	16.05%
IZWE GHANA	Ghana	15.44%
BAYPORT BOTSWANA	Botswana	13.74%
BAYPORT GHANA	Ghana	13.34%

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	21,270.42

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