

INVESTMENT MANAGER'S COMMENT

As of Q3 2018, REFFA was invested in 9 Partner Institutions (PIs) across 7 countries mainly in Sub-Saharan Africa. The average exposure per institution was at USD 2M. During the 3rd quarter, the Fund has disbursed one new investment. In July and August, the REFFA Technical Assistance Facility funded a short but deep assessment at Bayport Ghana to analyze the detailed composition and trends of its education-related lending. It could be confirmed that around USD 45M of the gross loan portfolio was dedicated to education, out of which 37% were disbursed for a REFFA relevant purpose (i.e. to finance school fees). The results of the analysis helped to give the required comfort on building realistic portfolio growth projections for utilization of the REFFA loan to Bayport Ghana. The improvement of the education portfolio indicators is mainly driven by this new investee in the portfolio.

Education Finance update

During Q3 2018, the total outstanding portfolio grew by 133.7% in volume from USD 33.2M in Jun-18 to USD 78.3M in Sep-18 with a total of 110,125 clients served. The growth is a reflection of the seasonal cycle of education loans (accounting for 19.4% of the increase) and of the addition of Bayport Ghana. As the institution focuses on loans to families with salary income and students, these two categories registered the highest growth in Q3 2018, increasing by a multiple of 2.5x and 3x, respectively. ENDA Tamweel experienced the highest growth in volume of 175.9% due to an increase in loans disbursed to families as the school year begun. Advans Cote d'Ivoire also recorded a 162.2% increase in its education portfolio due to the growth in both its recently-launched product targeting education providers and in loans to families with MSME income. Finca Tanzania's portfolio, on the other hand, declined by 23.7% during the quarter due to both cautious lending and reduced demand for credit as the school year comes to an end. On a YOY basis, the total portfolio experienced a significant increase of 212.2% for the period between Sep-17 and Sep-18, due to the additional new exposures. The growth was vastly due to a large increment in school fee loans to families with salary income, which increased from USD 3.6M in Sep-17 to USD 36.8M in Sep-18. This was followed by loans to students, which were reported for the first time in Q4 2017 with the Bayport Tanzania exposure and reached a level of USD 19.4M as of Sep-18.

Market update

During the quarter, increasing prices of commodities and agricultural output supported an upgrade of the GDP growth forecasts for 2018 to 3.4%, despite the difficult global environment. The depreciatory spiral affecting currencies such as the Ghana Cedi (GHS) turned into high volatility while the Tunisian Dinar (TND) experienced the highest depreciatory pressure against the US Dollar in Q3 of 6.7%.

In **Ghana**, the robust GDP growth drives optimism towards a forecasted level of 8.9% YOY for 2018. In September, the Ghana Education Trust Fund secured USD 500M for construction, renovation and expansion of schools in a country with 95% of primary school completion.

In **Cameroon**, increased gas production and oil prices continued to support economic growth. The crisis in the Anglophone areas worsened with no clear solution anticipated on the short term and negative effects on school attendance and their repayment profile.

In **Ivory Coast**, GDP growth is driven by recovered cocoa prices. However, the liquidation of the indigenous cocoa exporter SAF-Cacao is threatening not only the farmers but the banking system as the cocoa sector represents its largest borrower.

In **Congo (DRC)**, the resilient extractive sector in the Ebola-affected East of the country continued to support GDP growth. Private education is increasingly relevant considering the effect of budget limitations on public services.

In **Tanzania**, weaker economic growth and devaluation of the Shilling persisted, lowering GDP growth forecasts for 2018 from 7.2% to 6.0%. Increased infrastructure investment is expected to support the construction sector while the high stock of banks' bad debts represents the main downside risk. The education sector is seeing new opportunities in the area of Dodoma due to the Government's planned relocation to the city.

In **Tunisia**, economic growth remains on an accelerating path with GDP growth expected to reach 2.6% in 2018. The Central Bank continued its effort to contain the depreciation of the dinar and inflationary pressures. Annual inflation decreased from a record high of 7.8% in Jun-18 to 7.4% in Sept-18 although the dinar weakened by 6.73% in Q3.

FUND FACTS

Net Asset Value (NAV) in USD	31,142,600
Total Assets in USD	32,305,778
Average exposure per PI in USD	2,000,273
Number of countries	7
Number of PIs	9
Number of loans outstanding	10
Portfolio as % of Total Assets	56%

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	29,787,125
Q3 2018	4,000,000
Number of loans disbursed	
Since inception	11
Q3 2018	1

PI FINANCIAL INDICATORS*

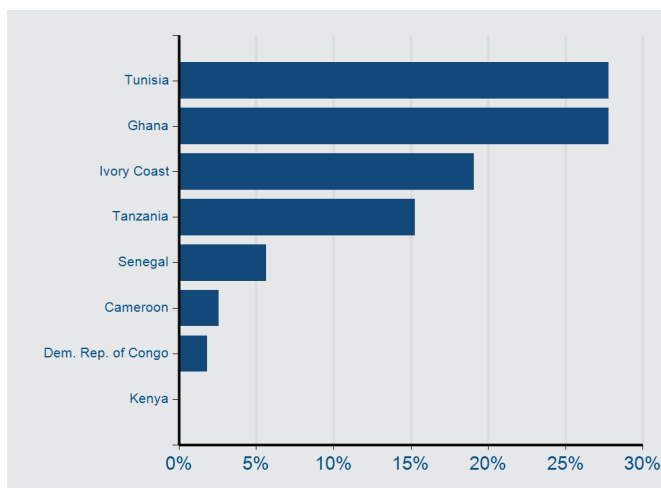
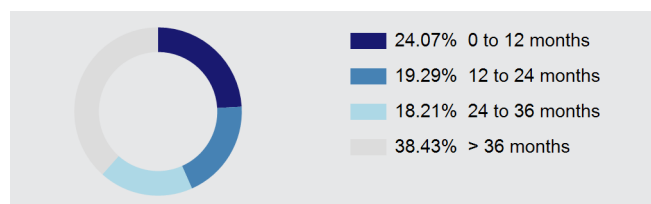
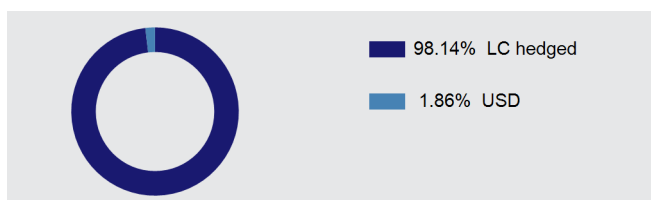
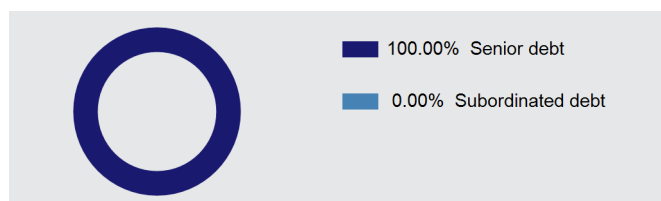
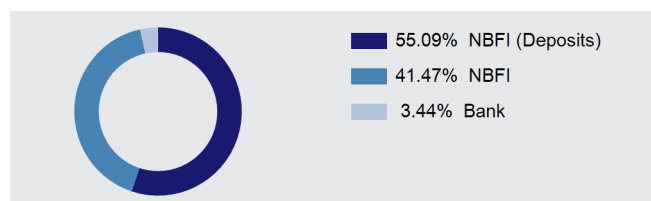
Asset growth (last 12 months)	26.12%
Portfolio growth (last 12 months)	19.68%
Return on assets (ROA) (last 12 months)	0.40%
Return on equity (ROE) (last 12 months)	2.79%
Portfolio at risk 30 days (PAR 30)	9.18%
Write-offs (last 12 months)	2.70%
Debt/equity ratio	4.91x
Debt/equity ratio (subdebt as equity)	3.93x

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

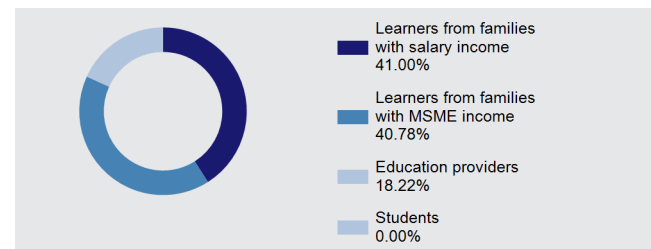
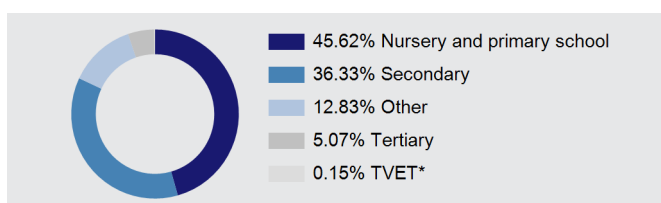
EDUCATION PORTFOLIO INDICATORS*

Total Education Finance Portfolio	78,337,287
Volume in % of total education portfolio	
Education Providers	22%
Learners from families with salary income	47%
Learners from families with MSME income	6%
Students	25%
Outreach	
Education Providers	817
Learners from families with salary income	63,140
Learners from families with MSME income	23,686
Students	22,482
Male borrowers (number)	64,948
Female borrowers (number)	44,360
Male borrowers in % of portfolio to learners and students (volume)	69%
Female borrowers in % of portfolio to learners and students (volume)	31%
Average # of pupils in education providers financed	732
Utilization of loans by educational providers	
Working capital	42%
Investment	55%
Overdraft	3%

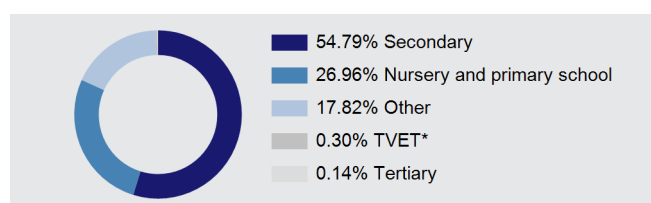
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EXPOSURE
BY COUNTRY (AS % OF PI PORTFOLIO)

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 (%)
ENDA TAMWEEL	Tunisia	27.77%
BAYPORT GHANA	Ghana	22.22%
ADVANS CI	Ivory Coast	19.09%
BAYPORT TANZANIA	Tanzania	13.69%
ACEP SENEGAL	Senegal	5.64%

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	21,452.33

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