

Market update

In the fourth quarter of 2016 major currencies in Sub-Saharan Africa followed a relatively stable trend of mild depreciation. Economic growth in most African countries was subdued on the back of political and economic challenges including in the region's key economies of Nigeria and South Africa.

Ghana elected the opposition leader Mr. Nana Akufo-Addo as their next president through a peaceful election process that was held in December 2016. The Ghanaian economy is expected to resume positively following the peaceful power transition.

In the **Democratic Republic of Congo**, elections that were meant to be held in November 2016 to determine Joseph Kabila's successor were delayed by 15 months to April 2018, following an announcement by the country's electoral authority. This has amplified uncertainty to the country's economy and heightened the political risk.

Nigeria is still grappling with FX shortages, widening fiscal deficit and low oil prices while the Naira has been maintained at a NGN 315/USD during the fourth quarter. The FX shortages continue to adversely affect the operations of banks and MFIs that have USD payments to make abroad (including USD loans). Consequently it is hindering foreign investments including REFFA's disbursement pipeline in the country as investors take a wait and see approach.

On the education front the Ministries of education in the **East African region** (Burundi, Kenya, Rwanda, Tanzania and Uganda) agreed on a draft declaration for the implementation of a harmonized higher education system. Once the declaration is approved by the respective heads of state, the countries will be able recognize academic certificates from higher education institutions across the region, and students will be able to transfer credits marking a positive step towards regional education integration.

Investment manager's comment

The Regional Education Finance Fund for Africa (REFFA or the Fund) is a pioneering initiative in education finance driven by the German Development Bank (KfW) and the German Ministry for Economic Cooperation and development (BMZ). It is the first education fund of its kind targeting the African continent and having as objective to increase access to education, enhance education quality, and focus on the affordability of education services and products.

As of 31 December 2016, REFFA was invested in 7 Financial Institutions (FIs) in 7 different countries (Cameroon, Democratic Republic of Congo, Ghana, Kenya, Senegal, Tanzania and Tunisia) across central, south, west, eastern and Northern Africa. The average exposure per institution amounted at approximately USD 2.4 million.

It was decided to increase the level of provisioning to Chase Bank Kenya, one of the investees of the Fund, as of end December 2016.

In 2017, the Fund will be expanding to new countries in Western (e.g. Ivory Coast) and Eastern Africa and these include both funding and technical assistance activities.

Education finance updates

The number of active loan clients financed under REFFA's loan portfolio increased significantly over this quarter: from 1,230 to 34,608. Consequently, there was an increase in the education portfolio volume by as much as 35%: from USD 13.6 million to USD 18.3 million between September and December 2016. The increase was attributed mainly to loans to learners from families and to the addition of a new Partner Institution (PI) -Enda Tamweel in Tunisia- to REFFA's investee portfolio. Enda's education portfolio is targeted towards learners for families with salary and MSME income. The majority of loans financed are those to families with MSME income, and as of December 2016 Enda had an outstanding education portfolio of USD 5.4 million equivalent in local currency.

There was also an increase in loan portfolio in pre-existing REFFA partners in Ghana and Tanzania where the PIs experienced growth of their local currency loan volumes by 21% and 9%, respectively. However, the overall portfolio in the region reduced due to seasonality, with outstanding loans to education providers decreasing from USD 13.2 million to USD 12.4 million. This was due to schools not borrowing for school improvement purposes while being open for classes during the quarter.

On **Technical Assistance**, REFFA completed its market study on education finance in Nigeria highlighting interesting opportunities that could be explored by the fund. In addition to studying the supply and demand on education, the report touched on education equality and affordability in Nigeria's low-cost private schools.

Fund facts

Net Asset Value (NAV) in USD	26,322,969
Total Assets in USD	26,475,174
Average exposure per PI in USD	2,367,625
Number of countries	7
Number of PIs	7
Number of loans outstanding	8
Portfolio as % of Total Assets	63%

Activity Report

Total new disbursements	
Since inception	19,921,485
Q4 2016	5,500,000
Number of loans disbursed	
Since inception	8
Q4 2016	2

PI Financial indicators*

Asset growth (last 12 months)	20.80%
Portfolio growth (last 12 months)	21.81%
Return on assets (ROA) (last 12 months)	2.19%
Return on equity (ROE) (last 12 months)	9.72%
Portfolio at risk 30 days (PAR 30)	5.66%
Write-offs (last 12 months)	3.48%
Debt/equity ratio	5.12x
Debt/equity ratio (subdebt as equity)	5.12x

*Data presented are medians across MFIs in the portfolio for period ending the 30 September 2016 from unaudited management reports as provided by MFIs.

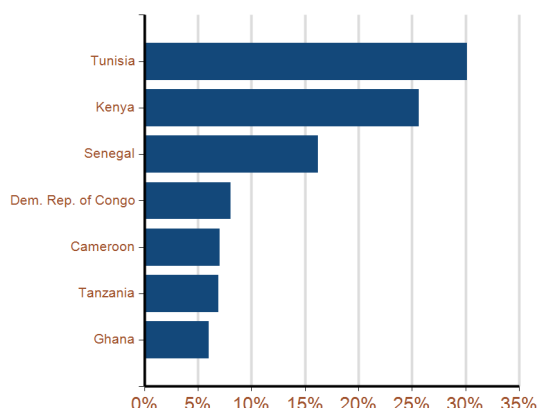
Education portfolio indicators*

Total Education Finance portfolio	18,336,800
Outreach as % of Borrowers financed:	
Education providers	1.58%
Learners from families with salary income	31.34%
Learners from families with MSME income	67.08%
Students	0.00%
# of male borrowers	11,703
# of female borrowers	22,357
# of education providers	548
Average # of pupils in education providers financed	609
Utilization of loans by educational providers:	
Working capital	16.45%
Investment	80.58%
Overdraft	2.97%

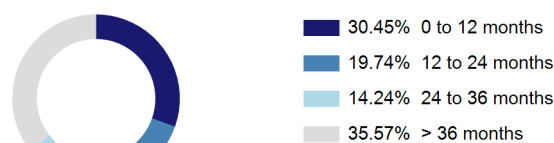
*Data based on the latest available data from MFIs in the portfolio - includes some estimates by BlueOrchard

Exposure

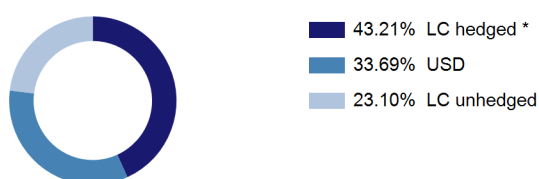
By country (as % of PI portfolio)



By maturity (as % of PI portfolio)

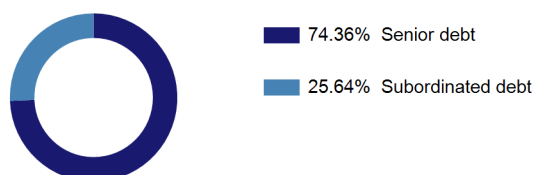


By currency (as % of PI portfolio)

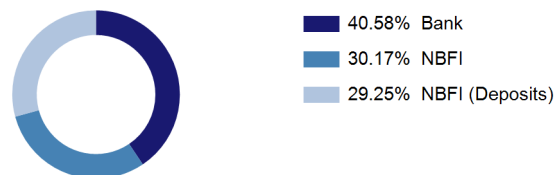


* Loan to ACEP Senegal is only partially hedged

By asset class (as % of PI portfolio)



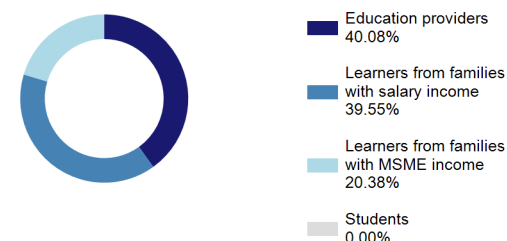
By type of PI (as % of PI portfolio)



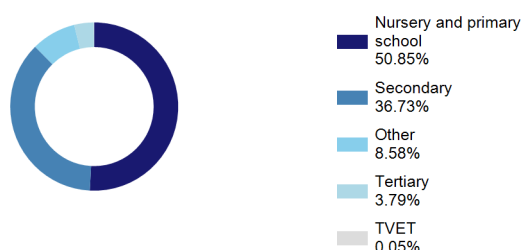
Five Largest Outstanding Positions (as % of PI portfolio)

ENDA TAMWEEL	Tunisia	30.17%
CHASE BANK KENYA LIMITED	Kenya	25.64%
ACEP SENEGAL	Senegal	16.20%
PROCREDIT BANK CONGO	Dem. Rep. of Congo	8.05%
ADVANS CAMEROUN	Cameroon	7.01%

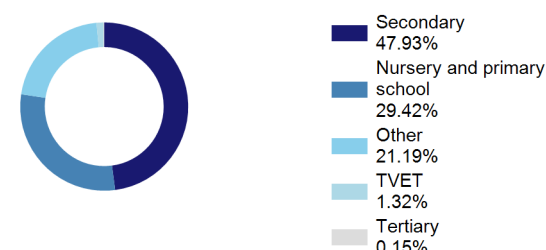
Education finance savings breakdown by clients



Loan portfolio outstanding to families and students by level of education



Loan portfolio outstanding to education providers by level of education



For additional information, please contact:

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