

INVESTMENT MANAGER'S COMMENT

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 March 2017, REFFA was invested in 7 Partner Institutions (PIs) 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 stands at approximately USD 2.2 million.

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

Education finance update

The number of active loan clients financed under REFFA's loan portfolio decreased slightly over this quarter: from 34,608 to 34,452. The decrease was mainly under Enda Tamweel in Tunisia which had a decline of USD. 1.7 million due to the cyclicity of the amortizing school fee loan product disbursed in September 2016.

The number of parents of the other school fee loan programs increased by 187% between March 2016 and March 2017. This growth comes from several REFFA programs which have started to actively address loans to parents with MSME income and parents with salaried income. These programs have reached a total of 1,147 parents.

There was a decrease in the education portfolio volume of 10% from USD 18.3 million to USD 16.5 million between December 2016 and March 2017. Procredit Congo experienced a decrease of USD 0.5 million owing to lower average loan sizes disbursed to education providers, in context of rising political instability facing the country.

There was an increase in loan portfolio of the other four REFFA partners, though growth was still shy in in the first quarter ahead of the upcoming peak season in Q2 and Q3 for loan renewals.

Provisioning on one of the Fund investees -Chase Bank Kenya- was increased over the quarter as the investee remained under receivership. The Central Bank of Kenya called for an expression of interest for the purchase of this bank.

Market Update

African economies continue to evolve in disparate trends, evolving between reduced exports for some, rising fiscal deficits for others, and political tensions in a number of states. **Ghana's** Cedi stabilized significantly, with much local interest rates lowering to their 2012 level. Although this sets hopes for increase in portfolio developments and economic activity, progress is significantly related to the on-going IMF program in the country. The Central African franc (XAF) and West African franc (XOF) remain pegged to the euro, and while this has been reconfirmed following Central Banks quarterly meetings, there are rising outspoken discussions on the legitimacy and advantages of the two monetary unions.

The **Democratic Republic of Congo** faces an increase in security risk due to political tensions and a declining likelihood of a presidential election in 2017. The context has reduced the financial institutions' ability to grow and recover loans. DRC's education loan portfolio is however still performing relatively well compared to market average.

Cameroon continues to experience social unrest in the Anglophone region due to perceived economic marginalization by the majority francophone population. Strikes in the public sector have included Anglophone schools and have disrupted the school year for pupils. Strikes have been on-going since November and the government's handling of a complex and deeply rooted discontent remains distant.

FUND FACTS

Net Asset Value (NAV) in USD	25,078,069
Total Assets in USD	25,252,957
Average exposure per PI in USD	2,164,162
Number of countries	7
Number of PIs	7
Number of loans outstanding	8
Portfolio as % of Total Assets	60%

PI = Partner Institution

ACTIVITY REPORT

Total new disbursements	
Since inception	19,921,485
Q1 2017	0
Number of loans disbursed	
Since inception	8
Q1 2017	0

PI FINANCIAL INDICATORS*

Asset growth (last 12 months)	24.05%
Portfolio growth (last 12 months)	17.14%
Return on assets (ROA) (last 12 months)	1.77%
Return on equity (ROE) (last 12 months)	7.44%
Portfolio at risk 30 days (PAR 30)	7.74%
Write-offs (last 12 months)	3.00%
Debt/equity ratio	4.93x
Debt/equity ratio (subdebt as equity)	4.93x

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

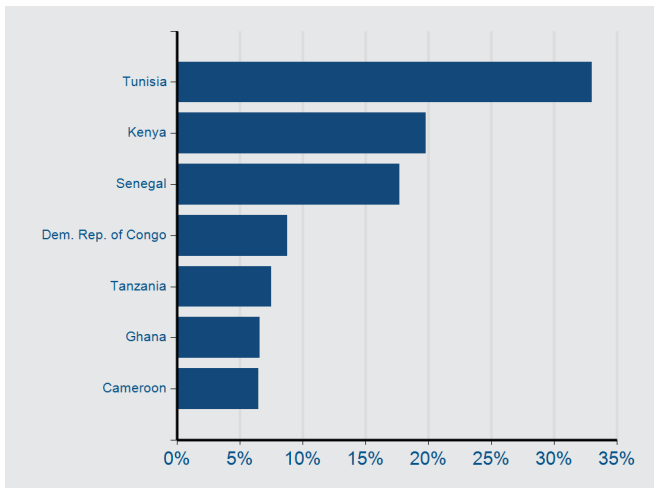
EDUCATION PORTFOLIO INDICATORS*

Total Education Finance portfolio	16,516,570
Outreach as % of borrowers financed:	
Education providers	1.65%
Learners from families with salary income	31.50%
Learners from families with MSME income	66.85%
Students	0.00%
# of male borrowers	22,624
# of female borrowers	11,260
# of education providers	568
Average # of pupils in education providers financed	635
Utilization of loans by educational providers:	
Working capital	19.49%
Investment	78.74%
Overdraft	1.77%

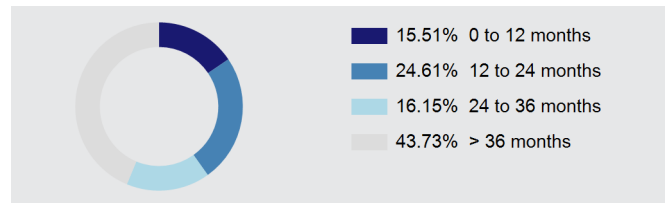
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EXPOSURE

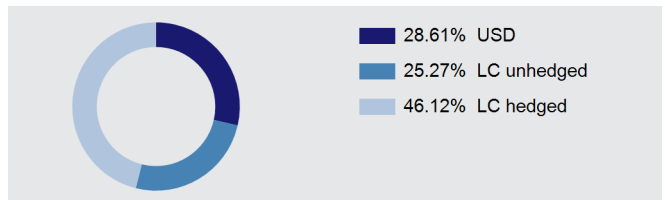
BY COUNTRY (AS % OF PI PORTFOLIO)



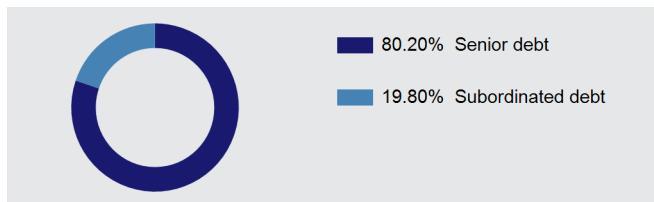
BY MATURITY (AS % OF PI PORTFOLIO)



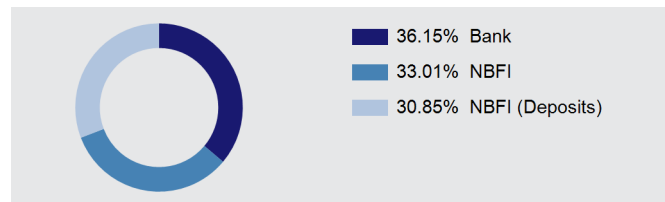
BY CURRENCY (AS % OF PI PORTFOLIO)



BY ASSET CLASS (AS % OF PI PORTFOLIO)



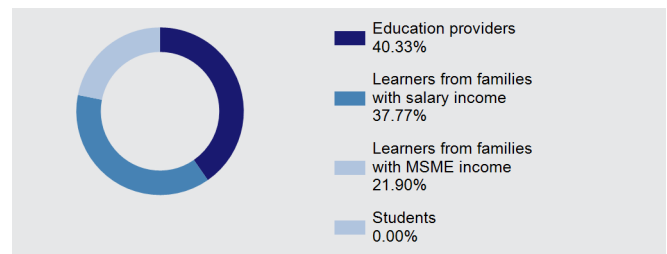
BY TYPE OF PI (AS % OF PI PORTFOLIO)



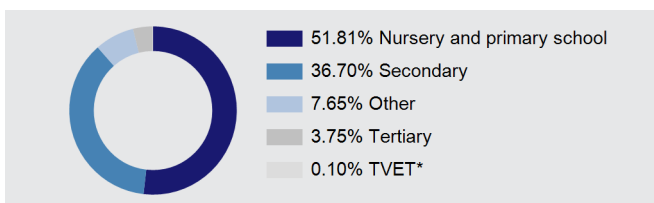
FIVE LARGEST OUTSTANDING POSITIONS (AS % OF PI PORTFOLIO)

Entity	Country	Percentage
ENDA TAMWEEL	Tunisia	33.01%
CHASE BANK KENYA LIMITED	Kenya	19.80%
ACEP SENEGAL	Senegal	17.73%
PROCREDIT BANK CONGO	Dem. Rep. of Congo	8.81%
FINCA TANZANIA	Tanzania	7.54%

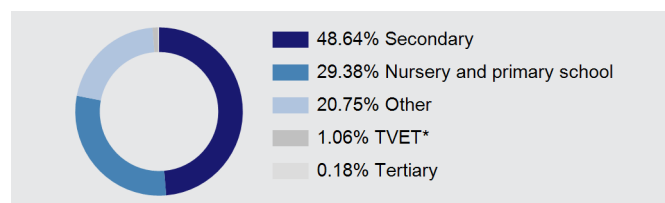
EDUCATION FINANCE SAVINGS BREAKDOWN BY CLIENTS



LOAN PORTFOLIO OUTSTANDING TO FAMILIES AND STUDENTS BY LEVEL OF EDUCATION



LOAN PORTFOLIO OUTSTANDING TO EDUCATION PROVIDERS BY LEVEL OF EDUCATION



*Technical Vocational Education and Training

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