

INVESTMENT MANAGER'S COMMENT

The composition of REFFA's education portfolio remained largely unchanged in Q4-19, as it mirrored the previous quarter closely both in terms of geographical presence and exposure. It covered eight investees across eight countries, with an average REFFA exposure of approximately USD 3m per Partner Institution. The last quarter of 2019 was an important time for the REFFA Technical Assistance Facility: two essential field visits were conducted in order to develop a monitoring and reporting framework on education quality and affordability. The expert team visited Bayport Zambia and FINCA Nigeria to assess the investees' current education lending, data collection and reporting practices. Highly relevant insights were gained through interviews with staff as well as with selected clients (both parents and school owners). As a result, a set of concrete suggestions on what data should be collected by REFFA investees is being prepared. Furthermore, initial agreements on the scope of TA projects were made with BA Bank in Zambia as well as with Izwe Ghana.

Education Finance update

In line with the seasonal downswing experienced in many REFFA countries, the overall education portfolio predictably decreased from USD 150.2m in the previous quarter to USD 145.8m for Q4-19. Although macroeconomic conditions were prohibitive in key REFFA markets like Zambia, the education portfolio decrease was comparatively soft, cushioned by the addition of Select Eswatini's sizeable education portfolio. REFFA's overall outreach is poised to grow again once the school year cycle speeds up. Furthermore, the structure of the investee portfolios has continued its shift towards being more inclusive of women - both in terms of the number and volume of loans granted: Q4-19 saw the number of loans granted to women increase to 39% (previously 37.5%), while the volume of loans given to women now constitutes 34% of all loans disbursed (32.5% in the previous quarter).

Market update

A challenging Q4-19 saw **Botswana's** economy decelerate against a backdrop of weak global demand for diamonds, which account for 20% of the country's GDP. However, growth is set to increase to 4.1% in 2020 on the back of an expected jump in exports.

Eswatini is a new addition to the REFFA investee countries. Eswatini boasts a well-diversified economy which includes agriculture, mining and manufacturing industries. Moody's Investors Service issued a first-time sovereign credit rating to Eswatini in Oct-17, and the economy is projected to expand by 2.3% in 2020. At approximately 17%, a significant fraction of the government budget is allocated to education, placing Eswatini above its Sub-Saharan African peers.

Q4-19 in **Ghana** was supported by strong domestic demand and favorable prices for key commodity exports. Ghana's economy is poised to expand by a strong 6.2% in 2020. On top of that, Q4-19 saw Ghana secure financing for crucial projects such as the USD 600m loan agreement between the African Development Bank and Credit Suisse designed to improve cocoa productivity.

Ivory Coast, the largest economy in francophone West Africa, is set to maintain its growth momentum in 2020, with their GDP projected to expand by 7%. In a bid to ease cocoa farmer poverty, Ivory Coast and Ghana, who jointly provide 60% of the global supply, aim to impose a minimum price floor on chocolate manufacturers.

Tanzania's economy is projected to expand by a strong 6.6% in 2020. On the education front, Q4-19 saw Tanzania taking steps to close the skill gap in the labour market with the launch of a Technical and Vocational Education Department and a commitment to build 43 new Technical Colleges around the country.

In **Tunisia**, a record year for tourism with over 9m visitors partially compensated for weak economic growth in Q4-19. An expansionary 2020 budget is estimated to take growth to 2.3% in 2020. On the education front, Tunisia became the first country in the Arab world to introduce sex education at schools in Dec-19.

Since exiting its recent economic downturn in 2018, **Nigeria** is back on a growth trajectory, with real GDP set to increase by 2.4% for 2020. On the education front, Nigeria plans to earmark the proceeds from a value-added tax increase for school and health related spending.

The macroeconomic context in **Zambia** remains difficult. The ruling party needs an IMF-facility to help restructure its mounting debt, but remains reluctant over fears that politically sensitive austerity measures could imperil President Lungu's 2021 re-election. Zambia's economy remains on course for a 2.4% expansion in 2020.

FUND FACTS

Net Asset Value (NAV) in USD	39,765,504
Total Assets in USD	41,797,052
Average exposure per PI in USD	3,210,488
Weighted average life (years)	1.20
Number of countries	8
Number of PIs	8
Number of loans outstanding	9
Portfolio as % of Total Assets	61%

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	45,320,944
Q4 2019	3,000,000
Number of loans disbursed	
Since inception	17
Q4 2019	1

PI FINANCIAL INDICATORS*

Asset growth (last 12 months)	17.99%
Portfolio growth (last 12 months)	17.00%
Return on assets (ROA) (last 12 months)	2.35%
Return on equity (ROE) (last 12 months)	12.79%
Portfolio at risk 30 days (PAR 30)	7.16%
Write-offs (last 12 months)	1.37%
Debt/equity ratio	3.95x
Debt/equity ratio (subdebt as equity)	1.95x

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

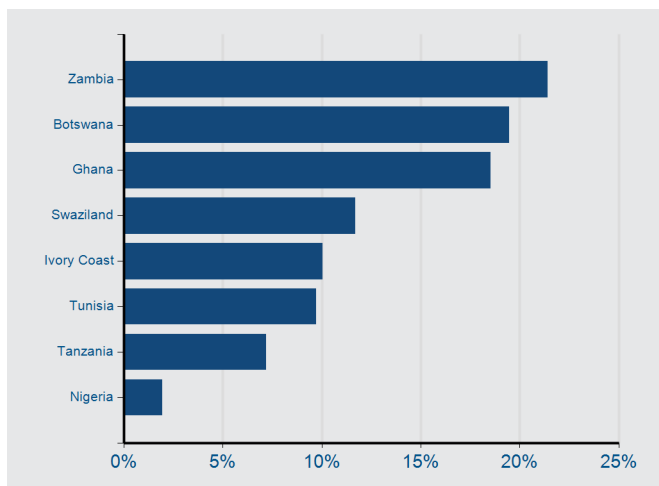
EDUCATION PORTFOLIO INDICATORS*

Total Education Finance Portfolio	145,836,448
Volume in % of total education portfolio	
Education Providers	0%
Learners from families with salary income	68%
Learners from families with MSME income	4%
Students	28%
Outreach	
Education Providers	73
Learners from families with salary income	97,073
Learners from families with MSME income	23,194
Students	29,276
Male borrowers (number)	92,759
Female borrowers (number)	56,784
Male borrowers in % of portfolio to learners and students (volume)	66%
Female borrowers in % of portfolio to learners and students (volume)	34%
Average # of pupils in education providers financed	126
Utilization of loans by educational providers	
Working capital	42%
Investment	58%
Overdraft	0%

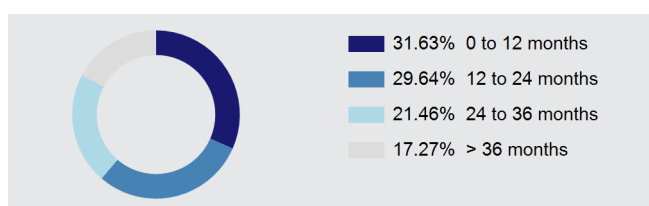
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EXPOSURE

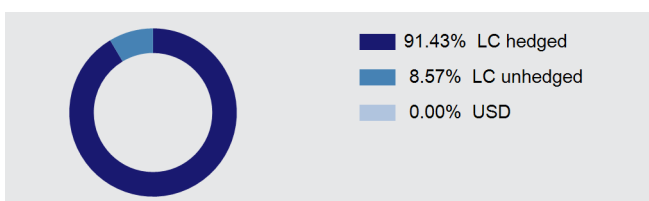
BY COUNTRY (AS % OF PI PORTFOLIO)



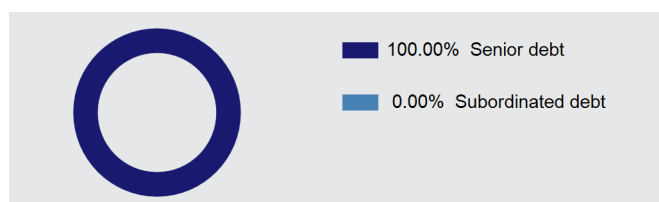
BY MATURITY (AS % OF PI PORTFOLIO)



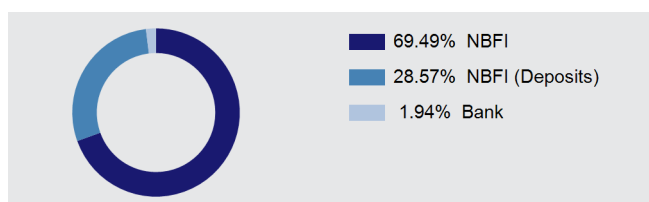
BY CURRENCY (AS % OF PI PORTFOLIO)



BY ASSET CLASS (AS % OF PI PORTFOLIO)



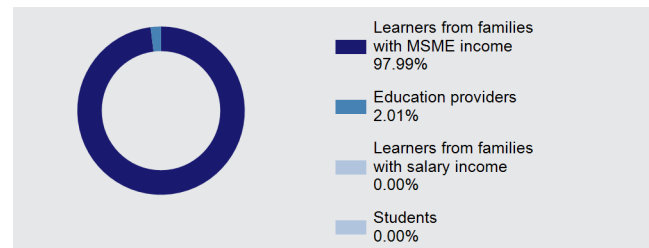
BY TYPE OF PI (AS % OF PI PORTFOLIO)



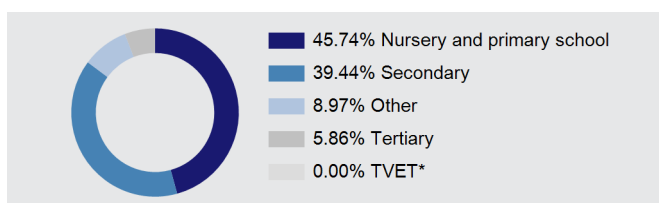
FIVE LARGEST OUTSTANDING POSITIONS (AS % OF PI PORTFOLIO)

Position	Country	Percentage
BAYPORT ZAMBIA	Zambia	21.41%
BAYPORT BOTSWANA	Botswana	19.47%
BAYPORT GHANA	Ghana	18.53%
SELECT ESWATINI	Swaziland	11.68%
ADVANS CI	Ivory Coast	10.04%

EDUCATION FINANCE SAVINGS BREAKDOWN BY CLIENTS

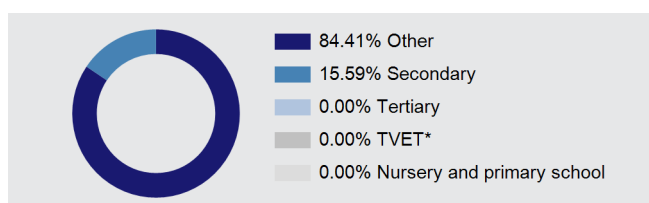


LOAN PORTFOLIO OUTSTANDING TO FAMILIES AND STUDENTS BY LEVEL OF EDUCATION



*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	21,815.56

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