

INVESTMENT MANAGER'S COMMENT

The composition of REFFA's education portfolio remained largely unchanged in Q2 2019, as it mirrors the previous quarter closely both in terms of geographical presence and exposure. It covered nine investees across eight countries, while the average REFFA exposure per Partner Institution averaged approximately USD 3 million. Two exposures to two new countries (Nigeria and Eswatini) were approved during Q2 2019, with disbursements expected during Q3 2019. On the Technical Assistance (TA) side, one new project was approved in Q2, namely for FINCA Nigeria (EUR 68k). The scope of this project covers a general support package to enhance SME lending capacities of this young institution, in addition to a dedicated education finance training program for front office staff. The on-going TA project to design a monitoring and reporting framework for education quality and affordability completed the desk research and expert interviews, the results of which were presented to the REFFA Board. On-site consultant visits to selected REFFA investees were still pending at end of Q2.

Education Finance update

The volume of the overall education finance portfolio was USD 149.5 million in Q2 2019, 11.8% lower than in Q1 2019. This is the result of normal seasonality which was partly accentuated by a deteriorated macroeconomic context in Zambia, where the largest contributor to REFFA education portfolio operates. Portfolio evolution looks brighter from a YOY perspective, as a significant increase in loans to both students and learners from families with a salary caused aggregate education finance loans to grow by 349% compared to Q2 2018. This increase in education finance loans translates into tangible impact on the ground, with the number of overall borrowers growing from 4,058 to 32,915 on a YOY basis. Again, loans granted to students and learners were instrumental in enhancing REFFA outreach, offsetting a slight decline in the number for education providers.

Market update

In **Botswana**, the economy continued on its growth trajectory of 4.5% (preliminary 2018 full-year real GDP), supported by an increase in mining production and sustained strong global diamond demand.

In **Cameroon**, Standard and Poor's has downgraded its credit rating outlook to 'Negative' in April 2019 while Moody's upgraded it to 'Stable' in June 2019. The agencies' opinions differ on the country's resilience regarding fiscal pressures. The World Bank signed an agreement to disburse USD 129 million for education reform.

In **Ghana**, the Cedi depreciation has continued although at a slower pace than in Q1 2019. Bank of Ghana revoked licenses of 347 microfinance companies and 39 microcredit companies as part of its efforts to strengthen the financial sector. Dubai Cares announced the launch of a USD 1.5 million program to improve the effectiveness of tertiary education.

In **Ivory Coast**, the Parliament approved the new investment code that aims to attract FDI and promote priority sectors such as Information and Communication Technology (ICT), agriculture and industry. Teachers have been continuously protesting since the beginning of the year over unpaid allowances and working conditions.

In **Senegal**, President Macky Sall was sworn in for his second mandate in April 2019. The formal employment rate has risen by 1.6% in May 2019, mainly due to the secondary sector of the economy (in particular industry and construction).

In **Tanzania**, the Prime Minister presented the 2019/2020 budget in June 2019 with an expectation to reduce foreign funding to 4% (from 12.5% in 2017/2018). In May, Global Partnership for Education approved a USD 90 million grant aiming at improving the quality of pre-primary, primary and non-formal education by strengthening teacher training and professional development.

In **Tunisia**, frequent strikes can be witnessed, including within the education sector, with teachers protesting for overdue wages and bonuses. The inflation rate has decreased to 6.9% in April 2019. Revenues in tourism increased by 42.5% in H1 2019. The African Development Bank announced that it will fund USD 500 million worth of energy, finance and farming-sector projects in 2019.

Fitch and Moody's has downgraded **Zambia's** long-term rating to CCC (from B-) and Caa2 (from Caa1) respectively, because of a high level of government debt. In Q2 2019, the Kwacha depreciated against the USD by 5.3% with a sharp peak in May 2019 due to escalating US-China trade tensions and Zambian government pressure on certain mining companies. The first National Higher Education Policy was launched, and it aims at improving access and quality of tertiary education.

FUND FACTS

Net Asset Value (NAV) in USD	31,221,261
Total Assets in USD	33,149,564
Average exposure per PI in USD	2,960,276
Number of countries	8
Number of PIs	9
Number of loans outstanding	10
Portfolio as % of Total Assets	80%

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	41,787,125
Q2 2019	0
Number of loans disbursed	
Since inception	15
Q2 2019	0

PI FINANCIAL INDICATORS*

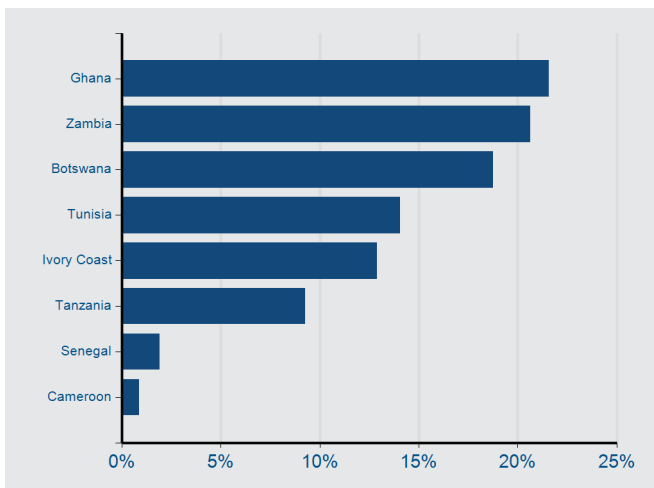
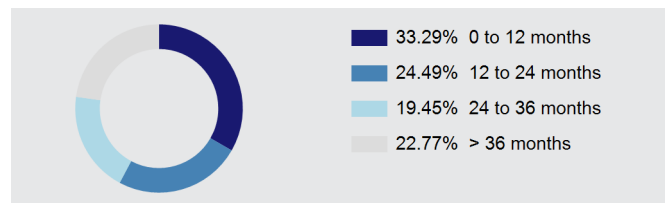
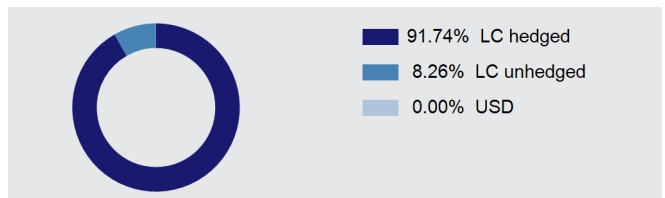
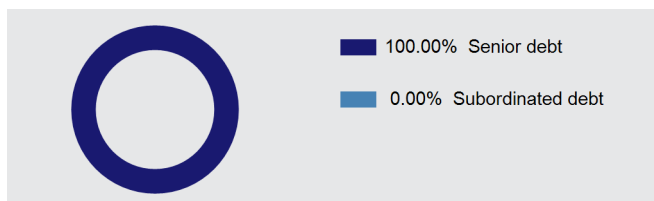
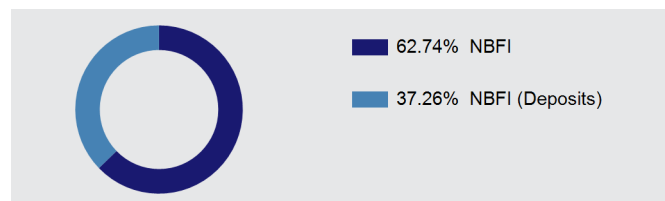
Asset growth (last 12 months)	11.82%
Portfolio growth (last 12 months)	17.60%
Return on assets (ROA) (last 12 months)	2.91%
Return on equity (ROE) (last 12 months)	8.53%
Portfolio at risk 30 days (PAR 30)	10.11%
Write-offs (last 12 months)	2.42%
Debt/equity ratio	4.29x
Debt/equity ratio (subdebt as equity)	2.89x

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

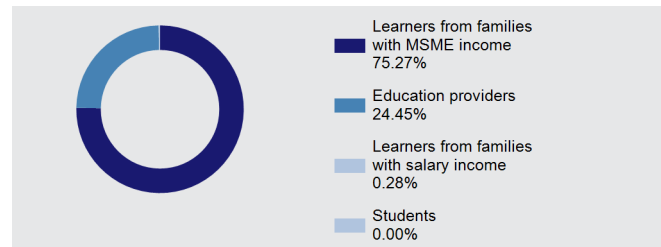
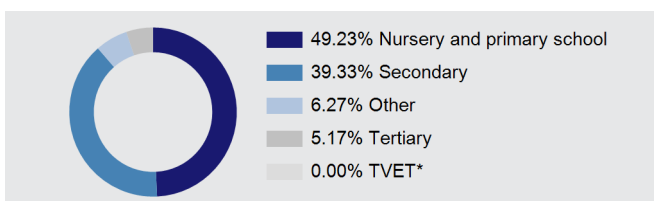
EDUCATION PORTFOLIO INDICATORS*

Total Education Finance Portfolio	149,479,787
Volume in % of total education portfolio	
Education Providers	2%
Learners from families with salary income	66%
Learners from families with MSME income	1%
Students	31%
Outreach	
Education Providers	587
Learners from families with salary income	100,607
Learners from families with MSME income	17,756
Students	32,915
Male borrowers (number)	96,289
Female borrowers (number)	54,989
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	356
Utilization of loans by educational providers	
Working capital	6%
Investment	92%
Overdraft	2%

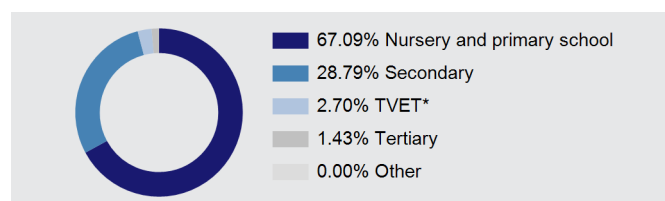
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EXPOSURE
BY COUNTRY (AS % OF PI PORTFOLIO)

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 GHANA	Ghana	20.64%
BAYPORT ZAMBIA	Zambia	20.64%
BAYPORT BOTSWANA	Botswana	18.77%
ENDA TAMWEEL	Tunisia	14.08%
ADVANS CI	Ivory Coast	12.90%

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	21,527.18

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