

## 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 30 June 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 the second half of 2017, the Fund will be expanding to new countries in West Africa (e.g. Nigeria, Ivory Coast), Southern Africa (Namibia, Zimbabwe), Eastern Africa (Uganda) and these include both funding and technical assistance activities. Also, there are planned disbursements to new clients in existing countries.

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 with a June 2017 deadline. Outcome of the process is yet to be communicated and may be delayed due to the upcoming elections planned for August.

### Education finance update

The number of active loan clients financed under REFFA's loan portfolio decreased slightly over this quarter: from 34,452 to 32,981 a 4.3% decline in number. There was an overall increase in the education portfolio volume of 14% from USD 16.5 million to USD 18.8 million between March 2017 and June 2017.

Procredit Congo experienced the greatest growth of USD 3.4 million which was a 35% increase with a large portion disbursed to education providers (schools) despite political instability facing the country.

Enda Tamweel in Tunisia experienced the highest decline of USD. 1.9 million due to the cyclical of the amortizing school fee loan product disbursed from September 2016.

Overall, between June 2016 and June 2017 there has been a significant increase (USD 4 million) in the total loan portfolio to education providers under the REFFA program.

A further increase in Q3 2017 is expected owing to the upcoming peak season for the start of the academic year in September in most investee countries.

### Market Update

African economies continued to experience unequal economic growth in light of challenges such as social and political unrest, tightened foreign aid and drastic changes in regulatory framework. With elections in several countries slated for the year, a slowdown in the economies has been observed.

The West African and Central African francs (XOF and XAF) have been weakened due to large regional trade deficits and downgrading of Gabon's sovereign debt which significantly impacted hedging costs for the region.

**Ghana's** Cedi stabilized significantly backed by increased oil production from new oil well in December 2016.

In **Nigeria**, the central bank introduced different exchange rates for different categories of transactions to address the massive shortage of foreign currency. This move created a market for investment transactions aimed at loan repayments, capital repatriation, remittances and interest payments with the hope of enhancing investor confidence in the economy.

The **Democratic Republic of Congo** continues to face insecurity due to political tensions with elections likely to be pushed to 2018. Despite the difficult context REFFA's PI has maintained steady growth and good performance in its overall and education portfolio.

**Cameroon** continues to experience social unrest in the Anglophone region due to perceived economic marginalization by the majority francophone population and insecurity in the north. Elections are also planned for 2018.

In **Tanzania**, the government has created regulatory uncertainty which has impacted

## FUND FACTS

Net Asset Value (NAV) in USD	<b>24,402,158</b>
Total Assets in USD	<b>24,739,670</b>
Average exposure per PI in USD	<b>1,856,210</b>
Number of countries	<b>7</b>
Number of PIs	<b>7</b>
Number of loans outstanding	<b>8</b>
Portfolio as % of Total Assets	<b>53%</b>

PI = Partner Institution

## ACTIVITY REPORT

Total new disbursements	
Since inception	19,921,485
Q2 2017	0
Number of loans disbursed	
Since inception	8
Q2 2017	0

## PI FINANCIAL INDICATORS\*

Asset growth (last 12 months)	19.25%
Portfolio growth (last 12 months)	10.51%
Return on assets (ROA) (last 12 months)	1.18%
Return on equity (ROE) (last 12 months)	4.70%
Portfolio at risk 30 days (PAR 30)	10.01%
Write-offs (last 12 months)	2.45%
Debt/equity ratio	4.50x
Debt/equity ratio (subdebt as equity)	4.50x

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

## EDUCATION PORTFOLIO INDICATORS\*

Total Education Finance portfolio	18,852,299
Outreach as % of borrowers financed:	
Education providers	1.90%
Learners from families with salary income	43.60%
Learners from families with MSME income	54.50%
Students	0.00%
# of male borrowers	11,220
# of female borrowers	21,134
# of education providers	627
Average # of pupils in education providers financed	667
Utilization of loans by educational providers:	
Working capital	38.67%
Investment	59.17%
Overdraft	2.15%

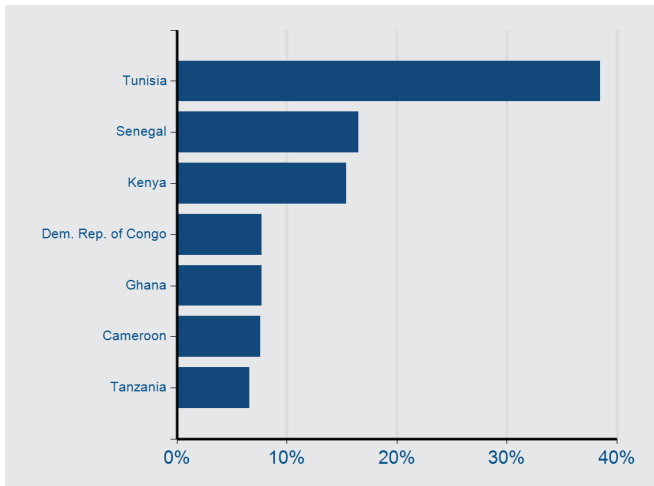
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growth in the private sector. Fiscal reforms saw the government increase taxes on some sectors such as tourism, telecoms and banks, while banning export of gold and copper following a tax dispute.

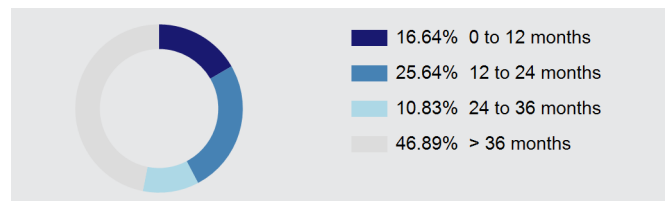
In **Kenya**, the elections planned for August 2017 are expected to result in a slow month for businesses given the political uncertainty. It is hoped that there would not be a repeat of violence should people doubt the integrity of the electoral process as it happened back in 2013. The results will decide who leads East Africa's dominant economy for the next five years.

## EXPOSURE

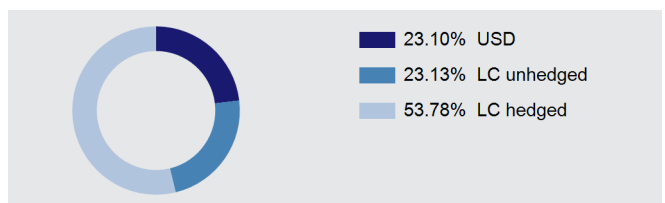
### BY COUNTRY (AS % OF PI PORTFOLIO)



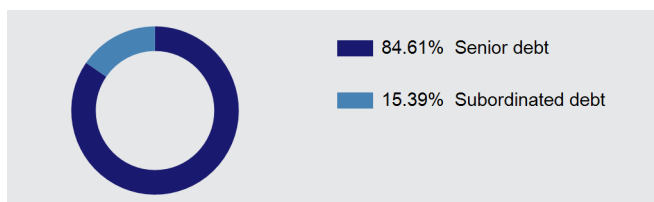
### BY MATURITY (AS % OF PI PORTFOLIO)



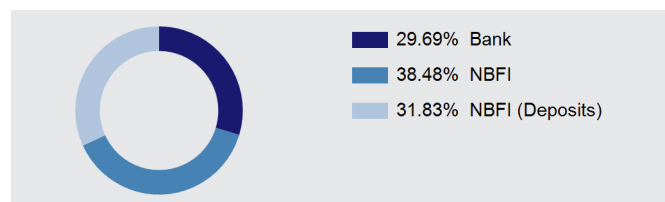
### BY CURRENCY (AS % OF PI PORTFOLIO)



### BY ASSET CLASS (AS % OF PI PORTFOLIO)



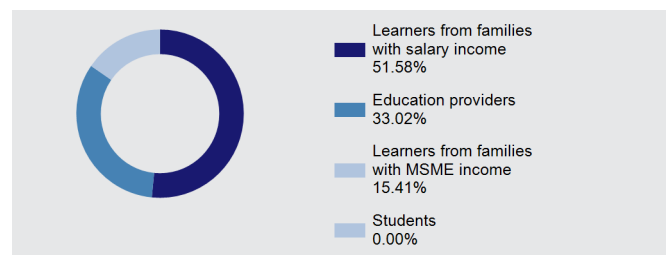
### BY TYPE OF PI (AS % OF PI PORTFOLIO)



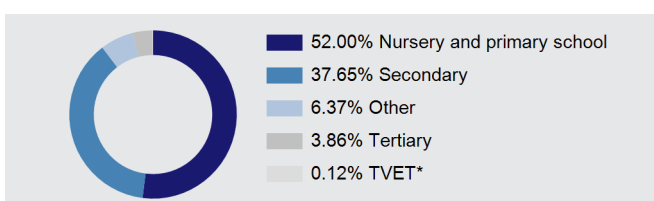
### FIVE LARGEST OUTSTANDING POSITIONS (AS % OF PI PORTFOLIO)

Entity	Country	Exposure (%)
ENDA TAMWEEL	Tunisia	38.48%
ACEP SENEGAL	Senegal	16.54%
CHASE BANK KENYA LIMITED	Kenya	15.39%
PROCREDIT BANK CONGO	Dem. Rep. of Congo	7.70%
ADVANS GHANA	Ghana	7.70%

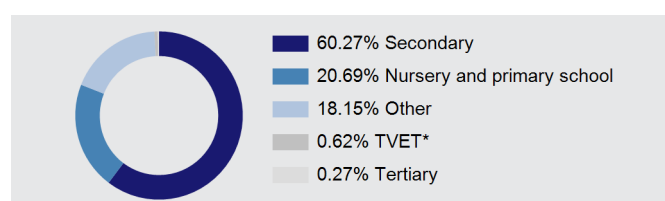
### EDUCATION FINANCE SAVINGS BREAKDOWN BY CLIENTS



### 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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