

QUARTERLY REPORT – Q1 2018

REGMIFA / REGIONAL MSME INVESTMENT FUND FOR SUB-SAHARAN AFRICA

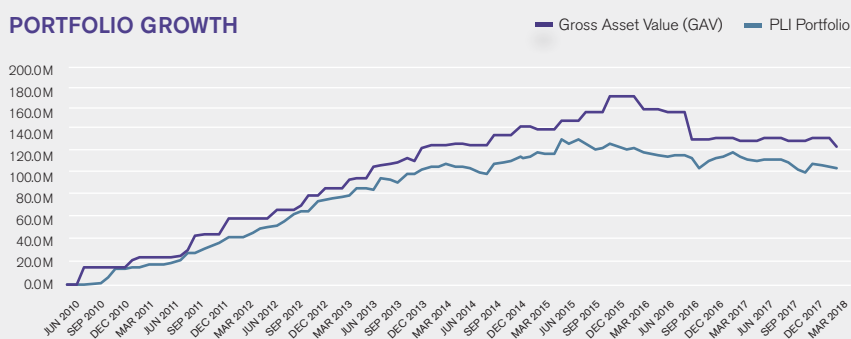
MANAGER'S COMMENT

2018 is expected to be a year of economic recovery across the region. The World Bank has forecasted 3.2% growth in Sub-Saharan Africa as a result of improving commodity prices and economic reforms. The expected leading countries are Ghana (8.3%), Ivory Coast (7.2%), Tanzania (7%) and Senegal (7%). The Fund disbursed 9 investments totaling USD 9.0 million in Q1 2018. Two new PLIs joined the portfolio: Première Agence de Microfinance in Côte d'Ivoire, established by the Aga Khan Agency for Microfinance, and LulaLend, a South African fintech start-up. REGMIFA concluded two investments in Nigeria in Q1, reengaging in the market after two years of challenges. REGMIFA implemented IFRS 9 as of 1 January 2018. Impairments based on factors including country risk and credit deterioration are now assessed for all loans disbursed, rather than only for PLIs in default or identified as workout cases. Although there was substantial progress with the Fund's workout cases in Q1 and positive credit risk trends were identified, an additional impairment of USD 3.0 million was applied directly to the C Share NAV as of Q1 2018. As of Q1, the Fund's income exceeded the level required to meet target dividends and was allocated in line with the income waterfall.

FUND FACTS

GAV	USDm 126
NAV	USDm 114
PLI Portfolio	USDm 106
Senior Debt	97%
Sub Debt	3%
Cash	USDm 32
Number of Countries	21
Number of PLIs	51
Number of Investments	86
Average exposure per PLI	USDm 2.1
Maturity remaining	15.2 months

PORTFOLIO GROWTH



INVESTED PLI INDICATORS*

Total Assets	USDm 44
Gross Loan Portfolio	USDm 34
Number of active borrowers	46 526
Asset Growth	-4%
Debt/Equity Ratio	3.84
Portfolio Yield	46%
OSS	107%
ROE	0%
ROA	1%
PAR > 30	8%
CAR	28%

NUMBER OF LOANS DISBURSED

Since Inception	254
Q1 2018	9

LATEST INVESTMENTS

Since Inception	USDm 323
Q1 2018	USDm 9

IMPACT MEASUREMENT

THEMES

Microfinance	56.5%
SME finance	31.7%
Large enterprises	1.7%
Education	1.3%
Household finance	4.1%
Housing	3.0%
Other	1.8%

SECTORS

Agriculture	8.3%
Production	6.0%
Trade	65.3%
Services	12.6%
Other	7.7%

KEY INDICATORS

154,725 microentrepreneurs reached

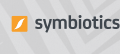
53 % women

31 % rural

1,788 average loan size (USD)

78 % individual loans

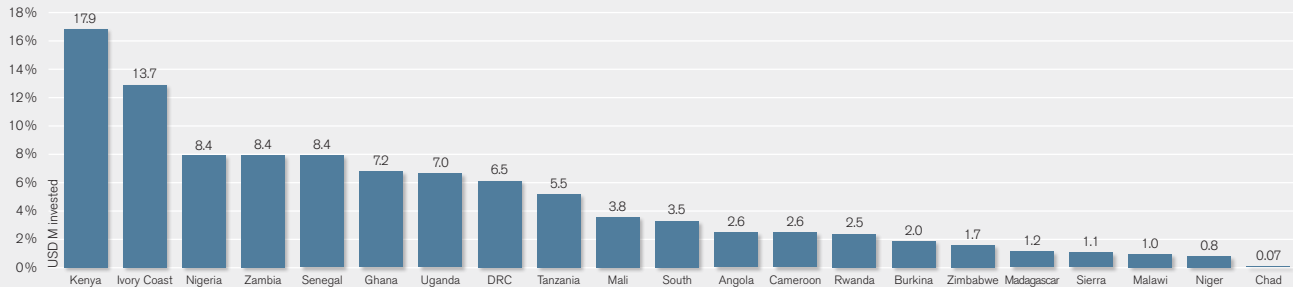
REGMIFA, a development finance initiative supported by



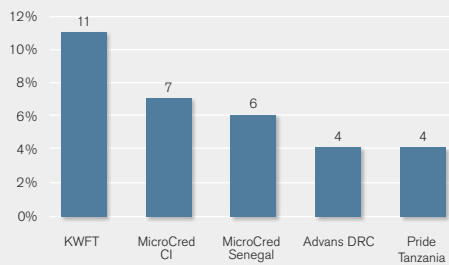
* Data presented are averages across MFIs in the portfolio for period ending the 31 March 2018 from unaudited management reports as provided by MFIs.

PORTFOLIO ANALYSIS

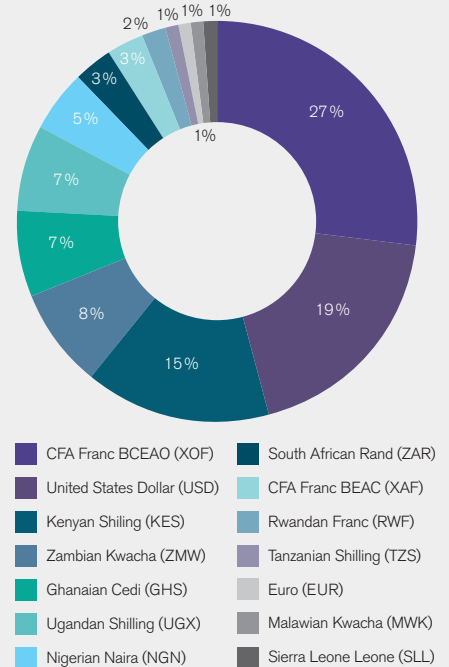
COUNTRY BREAKDOWN (% OF PORTFOLIO)



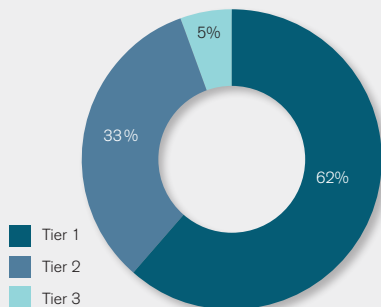
TOP 5 PLI EXPOSURES (% OF PORTFOLIO)



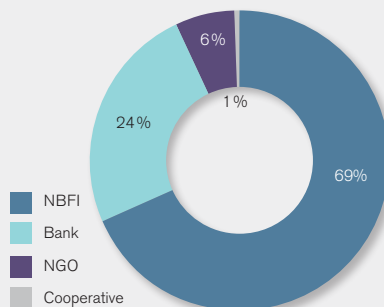
CURRENCY BREAKDOWN (% OF PORTFOLIO)



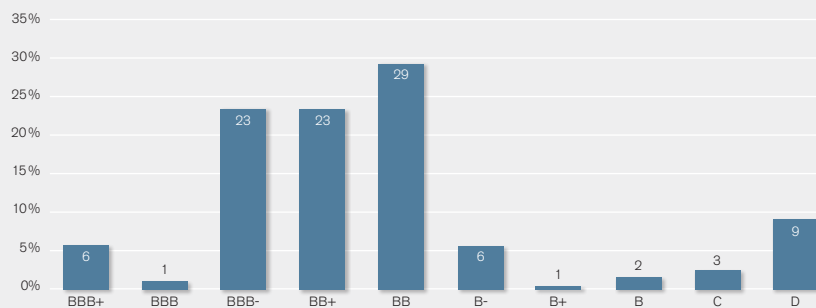
TIER BREAKDOWN (% OF PORTFOLIO)



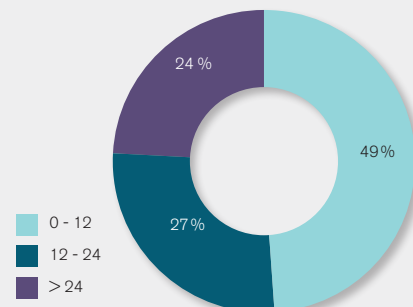
TYPE BREAKDOWN (% OF PORTFOLIO)



CREDIT RISK BREAKDOWN (% OF PORTFOLIO)



REMAINING MATURITY BREAKDOWN (% OF PORTFOLIO)



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MADAGASCAR

MEET MR. ROGER RAZAFINARAMAMBA

ABOUT MADAGASCAR

Located off the southeast coast of Africa, Madagascar is the fourth largest island in the world and the second largest producer of vanilla. Despite many untapped natural resources and tourism linked to the country's unique biodiversity, Madagascar is one of the poorest countries in the world and is highly dependent on foreign aid. Agriculture, including fishing and forestry, accounts for a fourth of total GDP and is the prime source of income for 80% of the Malagasy population. Development is often disrupted by extreme weather events and repeated political instability. The most recent coup took place in 2009 and led to economic sanctions and international condemnations. However, Madagascar's economy has been improving since the democratic elections of late 2013 and its growth has been one of the highest in Sub-Saharan Africa since 2016 (>4%). In terms of microfinance, the first institutions (MFIs) were created in the 1990s, supported by the government and international donors. Today, there are 30 MFIs and some commercial banks operating in the microfinance segment. Most profitable players focus on urban areas whereas cooperatives serve subsistence-level agriculture.

SIPEM

The «Société d'Investissement pour la Promotion des Entreprises à Madagascar» (SIPEM) was created in 1990 by French NGO SIDI and Malagasy business association APEM. With nearly three decades of operations, SIPEM is a trusted microfinance player in Madagascar and one of the country's reference lending institutions for SMEs. It started out as an advisory services firm helping SMEs access funding from commercial banks. In 1997, it transformed into a microfinance institution and received a banking license in 2014. SIPEM is a relatively small bank compared to its peers, with a gross loan portfolio (GLP) of USD 14 million as of March 2018. The bank has over 6,000 borrowers and focuses on serving the upper micro and SME segments through its 20 branches across Madagascar. Apart from business loan products which represent 65% of SIPEM's GLP, the bank also offers specific products for housing and consumption. All the bank's clients are located in urban areas and are mostly involved in trading activities and services (91% of GLP). Growth has amounted to 18% since the end of 2015, in parallel to sound profitability thanks in part to high portfolio quality.

MR. ROGER RAZAFINARAMAMBA

Mr. Roger Razafinaramamba and his family are the owners of a carpenter's shop named "Menuiserie d'Art". He started the business more than 20 years ago, initially designing wooden toys for children. However, the company struggled to compete with cheaper imported toys from Asia. Hence, Mr. Razafinaramamba decided to focus on a different niche by producing wooden furniture for schools and homes. Today, this segment represents over 80% of the company sales revenues. The company has around 85 employees of the neighborhood and produces more than 2,500 desks per month. It comprises of a plant in Andoharanofotsy and a retail shop in Antananarivo. "Menuiserie d'Art" recently received its second SME loan from SIPEM, amounting to approximately USD 35,000 with an 18-month tenor. The loan is meant to buy additional stock and manage the cash flow (salary payments) because the contracts will only pay on delivery. Mr. Razafinaramamba is pleased with the fast loan disbursement of SIPEM compared to traditional banks he worked with in the past. He is also confident that SIPEM's new products and services launched this year (overdraft and checks) will be helpful to boost his activity.

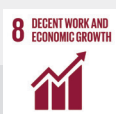
POPULATION
25 MILLION

POP. LIVING IN POVERTY
70.7 %

GDP PER CAPITA
USD 402

HUMAN DEVELOPMENT RANK
158/188

REAL GDP GROWTH
4.2 %



SDGs addressed by the Fund

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