

**Regional MSME Investment Fund for  
Sub-Saharan Africa S.A., SICAV-SIF  
5, rue Jean Monnet  
L-2180 Luxembourg**

**R.C.S. Luxembourg : B 150.766**

**Annual Report and Independent Auditor's Report  
as at 31 December 2017**

Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

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Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**General information**

<b>Board of Directors</b>	Mr. Ruurd Brouwer ( <i>Chairman</i> ) Dr. Marcel Gérard Gounot Mr. Stefan Hirche Mr. Karl-Heinz Fleischhacker Mr. Arthur Sletteberg Dr. Giuseppe Balocchi Mr. François Lagier
<b>Registered Office</b>	5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
<b>Investment Manager and Placing Agent</b>	Symbiotics S.A. 31, rue de la Synagogue CH-1204 Geneva Switzerland
<b>Custodian</b>	Credit Suisse (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
<b>Administrative Agent</b>	Credit Suisse Fund Services (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
<b>Independent Auditor</b>	Ernst & Young S.A. 35E, avenue John F. Kennedy L-1855 Luxembourg Grand-Duchy of Luxembourg
<b>Legal Advisers</b>	Linklaters LLP 35, avenue John F. Kennedy B.P.1107 L-1011 Luxembourg Grand-Duchy of Luxembourg

## Report of the Board of Directors

We are pleased to submit the Annual Report for the year ended 31 December 2017 and the related Independent Auditor's Report for the Regional MSME Investment Fund for sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

Following a sharp slowdown in growth across sub-Saharan Africa over the past two years, 2017 has shown signs of recovery, largely driven by rising oil and metals prices. GDP growth in the region is estimated to have strengthened to 2.6%, up from 1.4% in 2016, according to the IMF. The outlook for 2018 points towards a growth pick-up in sub-Saharan Africa with an improved forecast notably for Nigeria. Outlook for South Africa has equally improved, while the impact on medium-term growth of the election of Cyril Ramaphosa as ANC leader is yet to be seen. A growth recovery in Kenya, negatively impacted in 2017 by elections and high food price inflation from a drought, is equally expected, although the further downward impact on credit growth from the 2017 introduced cap on commercial lending rates remains a potential headwind. Meanwhile, the risk of social and political tensions will remain elevated. The prolongation of Joseph Kabila's reign in the Democratic Republic of Congo, alongside a weakening opposition and increasing rebel activity, points towards a deepening political crisis that will need to remain closely watched.

The rebound in 2017 has coincided with a cautious resumption in microfinance markets and REGMIFA's investment activity, which has witnessed an increase in disbursed volume to USD 34.27 million (2016: USD 29.96 million). At the same time, USD 39.48 million in repayments resulted in a net portfolio reduction of USD 5.3 million compared to 2016, ending the year with an outstanding nominal loan portfolio of USD 109.5 million<sup>1</sup>. Despite a reduction in portfolio, the Fund's outreach was strengthened with the addition of five first-time partners to the Fund's portfolio, reaching 53 investees at the end of 2017. The average investment amount per institution remained with USD 2.1 million at the level of previous years, which illustrates the Fund's consistent focus on smaller, less served institutions. Country outreach also broadened, as REGMIFA entered South Africa and Madagascar, testifying to the Fund's continued strong prospection and deal origination capacity, reaching 22 countries at the end of the year.

Arrears in Nigeria and related provisions caused by currency convertibility challenges in 2015 and 2016 were significantly reduced during 2017 due to the successful sourcing of USD and full repayment by three of the Fund's Nigerian partners, setting the ground for discussions on renewed partnerships in 2018, in line with the improving macroeconomic outlook in the country. A series of recovery cases in other countries were equally successfully closed. At the same time, despite these positive developments, the recovery outlook for a series of cases needed to be adjusted during 2017, warranting an overall increase of loan loss provisions to 11.5% of the Fund portfolio as of year-end 2017.

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<sup>1</sup> Reconciliation between the outstanding portfolio value as reported above and as reported on the balance sheet of the Audited Financial Statements: the nominal value of the invested portfolio (exchange rates as of disbursement) stands at USD 109.5 million, negative FX adjustments from revaluing the portfolio at current exchange rates amount to USD 2.5 million and loan loss allowances represent a negative amount of USD 9.8 million, resulting in a carrying value of USD 97.2 million.

### Report of the Board of Directors (continued)

Financially, REGMIFA's layered capital structure has again proven its value as a stabilizing mechanism. Target dividends for the A and B Share Classes were fully served for the seventh year in a row, while the increased market and credit risk observed over the past two years continued to be absorbed by the Fund's first loss C Share layer. Despite two consecutive years within a challenging market environment, the Net Asset Value (NAV) of C Shares as of year-end 2017 has remained above their subscription value, as years of capitalized dividends have created a buffer protecting the C Share capital base. The C Share NAV remained at 47% of the Fund's Gross Asset Value (GAV), which further provides the Fund with a cushion to absorb the introduction of IFRS 9, coming into force on 1 January 2018, and which will result in increased provisioning requirements going forward, with no impact however on the actual realized loss rate. The effect of this new accounting standard as of Q4 2017 has been estimated and disclosed in Note 2.2.2 to the financial statements.

From a social performance perspective, REGMIFA has remained focused on its mission: 45% of the Fund's disbursements in 2017 have been to Least Developed Countries as per the UN classification, and the Fund has continued to focus on relatively small sized PLIs, with 76% of PLIs classified as Tier 2 or Tier 3 institutions at the first disbursement cycle.<sup>2</sup> In 2017, the REGMIFA TA Facility continued to complement the Fund's activities in the developmental impact of the MSME sector in sub-Saharan Africa, thanks to the commitments received in 2016 from the European Investment Bank, the Government of Luxembourg and REGMIFA. The TA Facility deployed 18 TA projects in 14 countries during 2017, valued at EUR 1.2 million. Madagascar was added to the TA Facility's geographical coverage. The REGMIFA TA Facility successfully launched a 4th international tender process aimed at implementing a cross country Risk Management TA Package. This package benefitted 13 PLIs in 9 countries. Since inception in 2011, the REGMIFA TA Facility has amassed a total of EUR 8.69 million in donors' commitments and its track record demonstrates that its raison-d'être as a complementary tool to the Fund delivering capacity-building support to the PLIs is still profound: in cumulative terms, 115 projects have been approved totaling EUR 7.3 million, of which 107 projects totaling EUR 6.6 million have been contracted. The TA Facility footprint has expanded so far to 23 countries in sub-Saharan Africa. The average project size is EUR 74,530 with an average cost sharing of 25%.

Finally, the Board would like to thank REGMIFA's investors and service providers for their commitment and ongoing support to the Fund's mission. We believe that REGMIFA's results, in particular given the challenges presented to it over the last two years, testify to its capacity to withstand turbulences and to remain a reliable funding partner to its partner institutions under a diverse range of circumstances. We look forward to continue our fruitful cooperation in the years ahead.

The Board of Directors

30 May 2018

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<sup>2</sup> REGMIFA defines small (Tier 3) institutions as those with total assets below USD 10 million, medium (Tier 2) institutions as those with total assets between USD 10 and USD 30 million, and large (Tier 1) institutions as those with total assets in excess of USD 30 million.

## Independent Auditor's Report

To the Shareholders of  
Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF  
5, rue Jean Monnet  
L-2180 Luxembourg

### Opinion

We have audited the financial statements of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (the "Fund"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable shares and in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

#### **Responsibilities of the Board of Directors of the Fund and those charged with governance for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

#### **Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.

- Conclude on the appropriateness of Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

Alain Kinsch

Luxembourg, 30 May 2018



Regional MSME Investment Fund for Sub-Saharan  
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**Statement of Financial Position**

As at 31 December 2017

(expressed in USD)

	Notes	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Loans to Partner Lending Institutions	4	97,232,127	101,304,325
Interest receivable on loans	4	3,397,891	4,795,763
Derivative financial instruments	5	5,415,695	10,226,711
Other receivables		1,272,509	749,168
Prepaid expenses		7,136	6,268
Cash and cash equivalents		26,055,359	16,598,282
<b>Total Assets</b>		<b><u>133,380,717</u></b>	<b><u>133,680,517</u></b>
<b>Liabilities</b>			
Derivative financial instruments	5	2,638,766	704,820
Accrued expenses	8.5	905,950	1,006,003
Other payables		-	534,137
Notes issued	6	7,872,882	10,497,176
Distribution payable to holders of redeemable shares	10	2,063,183	2,041,455
Net assets attributable to:			
- holders of redeemable Class A shares	7	25,704,908	20,704,908
- holders of redeemable Class B shares	7	31,070,380	31,070,380
<b>Total Liabilities</b>		<b><u>70,256,069</u></b>	<b><u>66,558,879</u></b>
<b>Equity</b>			
Share capital	7	62,314,790	62,314,790
Retained earnings		<u>809,858</u>	<u>4,806,848</u>
<b>Total Equity attributable to holders of Class C shares</b>		<b><u>63,124,648</u></b>	<b><u>67,121,638</u></b>
<b>Total Liabilities and Equity</b>		<b><u>133,380,717</u></b>	<b><u>133,680,517</u></b>

The accompanying notes form an integral part of these financial statements.



Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**Statement of Comprehensive Income**

For the year ended 31 December 2017

(expressed in USD)

Income	Notes	2017	2016
Interest income on loans		12,894,823	13,017,400
Interest income on bank deposits		169,598	66,196
Net loss on derivative financial instruments	5	(8,718,569)	(5,527,140)
Net foreign exchange gain/(loss) on loans to Partner Lending Institutions		3,073,395	(7,852,570)
Other net foreign exchange gain		47,239	3,539
Loan loss allowance	4	(6,154,139)	(2,278,177)
Other income		41,134	65,399
<b>Total net investment income/(expenses)</b>		<b>1,353,481</b>	<b>(2,505,353)</b>
<b>Expenses</b>			
Management fees	8.1	(2,260,155)	(2,338,683)
Secretary fees	8.3	(123,883)	(124,581)
Legal and audit fees		(147,149)	(187,126)
Administration, custodian and domiciliation fees	8.4	(205,583)	(211,147)
Other administrative expenses		(220,295)	(62,794)
Marketing and promotion expenses		(41,558)	(6,544)
<b>Total operating expenses</b>		<b>(2,998,623)</b>	<b>(2,930,875)</b>
<b>Operating loss</b>		<b>(1,645,142)</b>	<b>(5,436,228)</b>
Interest expense on notes		(237,176)	(236,191)
Bank charges		(51,489)	(19,926)
<b>Loss before performance allocation</b>		<b>(1,933,807)</b>	<b>(5,692,345)</b>
Distribution to holders of redeemable shares	10.3	(2,063,183)	(2,041,455)
<b>Loss before tax</b>		<b>(3,996,990)</b>	<b>(7,733,800)</b>
Taxation		-	-
<b>Loss for the year</b>		<b>(3,996,990)</b>	<b>(7,733,800)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(3,996,990)</b>	<b>(7,733,800)</b>

The accompanying notes form an integral part of these financial statements.



Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**Statement of Cash Flows**  
For the year ended 31 December 2017  
(expressed in USD)

	Notes	<u>2017</u>	<u>2016</u>
<b>Operating activities</b>			
Loss before tax		(3,996,990)	(7,733,800)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>			
Interest income on loans to Partner Lending Institutions		(12,894,823)	(13,017,400)
Interest income on bank deposits		(169,598)	(66,196)
Interest expense on notes		237,176	236,191
Distribution to holders of redeemable shares	10.3	2,063,183	2,041,455
Net change in unrealised foreign exchange (gain)/loss on loans to Partner Lending Institutions		(7,360,493)	(3,355,560)
Net change in unrealised (gain)/loss on derivative financial instruments	5	6,744,962	9,820,530
Loan loss allowance	4	6,154,139	2,278,177
		<u>(9,222,444)</u>	<u>(9,796,603)</u>
<i>Working capital adjustments:</i>			
Net decrease/(increase) in other receivables and prepaid expenses		(524,209)	(1,102,990)
Net (decrease)/increase in accrued expenses and other payables (incl. incentive bonus)		(634,190)	619
<b>Net cash flows used in operating activities</b>		<u><b>(10,380,843)</b></u>	<u><b>(10,898,974)</b></u>
<b>Investing activities</b>			
Net decrease in loans to Partner Lending Institutions		5,278,552	12,989,733
Interest received on loans to Partner Lending Institutions		14,292,695	12,544,017
Interest received on bank deposits		169,598	66,196
Contribution to the technical assistance facility		-	(732,831)
<b>Cash flows from investing activities</b>		<u><b>19,740,845</b></u>	<u><b>24,867,115</b></u>
<b>Financing activities</b>			
Proceeds from issue of shares		5,000,000	26,142
Payments on redemption of shares		-	(17,000,000)
Payments on redemption of notes		(2,624,294)	(2,624,294)
Distribution paid to holders of redeemable shares		(2,041,455)	(2,171,470)
Interest paid on notes		(237,176)	(236,191)
<b>Cash flows from/(used in) financing activities</b>		<u><b>97,075</b></u>	<u><b>(22,005,813)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>9,457,077</b></u>	<u><b>(8,037,672)</b></u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u><b>16,598,282</b></u>	<u><b>24,635,954</b></u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>26,055,359</b></u>	<u><b>16,598,282</b></u>

The accompanying notes form an integral part of these financial statements.



Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**Statement of Changes in Net Assets Attributable to Holders of Redeemable  
Shares (Class A and Class B) and in Equity (Class C)**

For the year ended 31 December 2017

(expressed in USD)

	Notes	Class A	Class B	Class C
<b>As at 31 December 2015</b>		<b>20,704,908</b>	<b>48,044,238</b>	<b>74,855,438</b>
Issuance of shares		-	26,142	-
Redemption of shares		-	(17,000,000)	-
Allocation of distributable income and capital gains and losses	10.3	501,110	1,540,345	(7,733,800)
Distribution to holders of redeemable Class A and Class B shares	10	(501,110)	(1,540,345)	-
<b>As at 31 December 2016</b>		<b>20,704,908</b>	<b>31,070,380</b>	<b>67,121,638</b>
Issuance of shares		5,000,000	-	-
Redemption of shares		-	-	-
Allocation of distributable income and capital gains and losses	10.3	712,720	1,350,463	(3,996,990)
Distribution to holders of redeemable Class A and Class B shares	10	(712,720)	(1,350,463)	-
<b>As at 31 December 2017</b>		<b>25,704,908</b>	<b>31,070,380</b>	<b>63,124,648</b>

The accompanying notes form an integral part of these financial statements.



Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**Supplementary Information**

As at 31 December 2017

<b>Number of Shares Outstanding</b>	<b>2017</b>	<b>2016</b>
Number of shares outstanding at the beginning of the year:		
Class A	207.049	207.049
Class B	1,242.813	1,921.769
Class C	1,117.091	1,117.091
Number of shares issued during the year:		
Class A	50.000	-
Class B	-	1.044
Class C	-	-
Number of shares redeemed during the year:		
Class A	-	-
Class B	-	(680.000)
Class C	-	-
Number of shares outstanding at the end of the year:		
Class A	257.049	207.049
Class B	1,242.813	1,242.813
Class C	1,117.091	1,117.091

**Net Asset Value per Share**

<b>Class of shares</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Class A	100,000.00	100,000.00	100,000.00
Class B	25,000.00	25,000.00	25,000.00
Class C	56,508.06	60,086.10	67,009.26



Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**Notes to the Financial Statements**

As at 31 December 2017  
(expressed in USD)

**Note 1 - Description**

**1.1. Corporate information**

Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (the "Fund") is a closed-ended investment company with variable capital (*société d'investissement à capital variable*), incorporated as a public limited company (*société anonyme*) on 1 December 2009, and organized under the laws of Luxembourg as a specialized investment fund (*fonds d'investissement spécialisé*).

The Fund is registered pursuant the law of 13 February 2007 on specialized investment funds (the "SIF Law").

The Fund was set up for an unlimited duration.

The Fund's financial year starts on 1 January and ends 31 December of each year.

The Articles of Incorporation of the Fund ("Articles") were published in *Mémorial C, Recueil des Sociétés et Associations*. The Fund is registered with the Luxembourg Company Register under Number B 150.766.

The registered office of the Fund is established in Luxembourg, Grand Duchy of Luxembourg and its address is set at 5, rue Jean Monnet L-2180 Luxembourg.

The mission of the Fund is to build a unique public private partnership between donors, development finance institutions and international finance institutions, private investors and African stakeholders to foster economic development and prosperity in Sub-Saharan Africa through the provision of demand-oriented financing to qualified and, to the extent necessary, technically supported Partner Lending Institutions ("PLIs") serving micro, small and medium sized enterprises ("MSMEs").

The Fund is exempt from the scope of the Luxembourg Alternative Investment Fund Managers Law (the "AIFM Law") of 12 July 2013 pursuant to article 2(2) thereof. The exemption is based on the fact that more than 50% of the members of the Board as well as of the members of the Investment Committee, respectively, shall be representatives of/ proposed by Public Institutions that may be subsumed under the entities listed in article 2(2) of the AIFM Law.

**1.2. Investment objectives**

The Fund seeks to invest in a balanced portfolio of regulated and/or non-regulated micro finance institutions and/or local commercial banks and/or other financial institutions, established in Sub-Saharan African countries providing funding to MSMEs (each a PLI).

Regional MSME Investment Fund for Sub-Saharan  
Africa S.A., SICAV-SIF

**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 2 - Significant accounting policies**

**2.1. Statement of compliance**

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB as adopted by the European Union ("EU").

**2.2. Basis of preparation**

The financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the derivative financial instruments that have been measured at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the Board of Directors to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Board of Directors believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates and the differences may be material to the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The Fund presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 11.

Except as described below, the accounting policies used to prepare these financial statements are consistent with those applied for the year ended 31 December 2016.

**2.2.1. New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2017**

During the year, the Fund has adopted a new and amended standard mandatory for the first time for the financial year beginning on or after 1 January 2017. The impact of this being of relevance to the Fund is summarized below:

*Disclosure Initiative – Amendments to IAS 7, 'Statement of Cash Flows'*

These amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017. Application of these amendments did not have any impact on the Fund's financial statements.



**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 2 - Significant accounting policies (continued)**

**2.2. Basis of preparation (continued)**

**2.2.2. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below, except for those standards which, in the opinion of the Board of Directors, are not relevant to the Fund. The Fund intends to adopt these standards, if applicable, when they become effective. The Fund's assessment of the impact of these new standards and interpretations is set out below:

*IFRS 9, 'Financial Instruments'*

In July 2014, the IASB published IFRS 9 'Financial Instruments' with an effective date of 1 January 2018. IFRS 9 replaces the current financial instruments standard IAS 39, setting out new accounting requirements in a number of areas. The principle features of IFRS 9 are as follows:

**Classification and measurement**

There are three classifications for financial assets under IFRS 9:

- Amortized cost - Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model whose objective is to hold financial assets to collect their cash flow are measured at amortized cost.
- Fair value through other comprehensive income - Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model whose objective is achieved by holding financial assets to collect their cash flow and selling them are measured at fair value through other comprehensive income.
- Fair value through profit and loss - Other financial assets are measured at fair value through profit and loss.

The measurement basis of the Fund's financial assets is unchanged on application of IFRS 9.

**Credit impairment**

IFRS 9's credit impairment requirements apply to financial assets measured at amortized cost, to those measured at fair value through other comprehensive income, to lease receivables and to certain loan commitments and financial guarantee contracts. On initial recognition a loss allowance is established at an amount equal to 12-month expected credit losses (ECL) that is the portion of life-time expected losses resulting from probability-weighted default events within the next 12 months. Where a significant increase in credit risk since initial recognition is identified, the loss allowance increases so as to recognize all expected default events over the expected life of the asset. Qualitative and quantitative criteria are used to determine whether the credit risk on a particular instrument has significantly increased from its initial recognition.





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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 2 - Significant accounting policies (continued)**

**2.2. Basis of preparation (continued)**

**2.2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted (continued)**

*IFRS 9, 'Financial Instruments' (continued)*

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, determined by evaluating at the balance sheet date a range of possible outcomes using reasonable and supportable information about past events, current conditions and forecasts of future events. The estimation of ECL also takes into account the time value of money. Recognition and measurement of credit impairments under IFRS 9 are more forward-looking than under IAS 39.

In particular, impairment provisions have to be calculated for all loans upon disbursement, while until the end of 2017 such provisions were only required for loans with manifest deterioration in credit quality or actual payment defaults. Impairment provisions made on loans which were not previously assessed for impairment essentially mirror the risk of the operating environment (country risk).

The Investment Manager implemented the necessary changes in the modelling of credit loss parameters for application as from 1 January 2018, and in the underlying credit management and financial processes. The result is an increase in overall credit impairment provisions on 1 January 2018 when compared with the current basis of measurement under IAS 39 which applies to the financial statements as of 31 December 2017.

**Transition**

The Fund has not early adopted IFRS 9, 'Financial instruments' as of 31 December 2017 but the standard becomes effective as of 1 January 2018.

The classification, measurement and impairment requirements of financial instruments will be applied by adjusting the opening balance sheet at the date of initial application with no requirement to restate comparative periods.

In summary, as a result of the implementation of IFRS 9 impairment methodology, the net asset value of the Fund's C Shares will be reduced by USD 7.6 million as of 1 January 2018, while the classification of financial instruments in accordance with IFRS 9 had no impact on the Fund's net asset value. The increase in impairment provisions and related reduction of the Fund's net asset value results to a large extent from impairment provisions applied to loans which were previously not subject to such provisions in accordance with the standard applicable as of 31 December 2017, while USD 2.1 million of the total impact of USD 7.6 million relate to loans already subject to impairment provisions as of 31 December 2017. There will be no restatement of the financial statements prior to 1 January 2018. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Fund finalizes its financial statements for the year ending 31 December 2018.



Regional MSME Investment Fund for Sub-Saharan  
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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 2 - Significant accounting policies (continued)**

**2.3. Foreign currency translation**

**2.3.1. Functional currency**

The functional currency is the currency of the primary economic environment in which the Fund operates. The Fund's majority of returns are US Dollar (USD) based, the capital is raised in USD and the performance is evaluated and its liquidity is managed in USD. Therefore, the Fund concludes that the USD is its functional currency.

The Fund's presentation currency is the USD.

**2.3.2. Transactions and balances**

Foreign currency transactions are translated, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction.

Assets and liabilities denominated in currencies other than in USD are translated into USD at the exchange rate prevailing at the reporting date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of comprehensive income.

**2.4. Financial assets**

In accordance with IAS 39, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate.

The Fund's financial assets consist of financial assets at fair value through profit or loss and loans and receivable. Financial assets at fair value through profit or loss only include derivative financial instruments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans to Partner Lending Institutions (PLI), other receivables and cash and cash equivalents.

**2.5. Loans and receivables**

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the receivables are derecognised or impaired, as well as through the amortisation process.

The Board of Directors assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment.

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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 2 - Significant accounting policies (continued)**

**2.5. Loans and receivables (continued)**

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Fund transfers substantially all risks and rewards of ownership.

**2.6. Loans to PLIs**

Loans to PLI are recognized when cash is advanced to the PLIs. They are initially recorded at the net disbursed amount which is the fair value of the cash given to originate the loan, including any transaction costs that are directly attributable to the acquisition or issue. Subsequently, they are measured at amortized cost using the effective interest rate method. If collection is expected in one year or less, they are considered as current assets.

**2.7. Cash and cash equivalents**

The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.

**2.8. Derivative financial instruments**

The Fund may engage, for the proportion of its portfolio which is invested in a currency other than USD, in currency hedging operations with a view to manage exposures to foreign currency risk.

These hedging operations are assimilated as economic hedging. The Fund does not apply hedge accounting and the derivative financial instruments are classified as held for trading.

The derivatives financial instruments are measured at fair value through profit and loss and carried as assets when the fair value is positive and as liabilities when the fair value is negative.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 2 - Significant accounting policies (continued)**

**2.9. Notes issued**

Notes issued are recognized initially at fair value including any transaction costs that are directly attributable to their acquisition or issue. Subsequently, they are measured at amortized cost using the effective interest rate method. If redemption is expected in one year or less, notes issued are considered as current liabilities. They are classified as other liabilities in accordance with IAS 39.

**2.10. Shares issued**

**2.10.1. Class A and Class B shares**

The Class A and Class B shares are redeemable at the maturity of the relevant tranches of classes of shares and are classified as financial liabilities. The liabilities arising from these shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

Proposed distributions to the holders of redeemable shares are recognized in the statement of comprehensive income as finance costs.

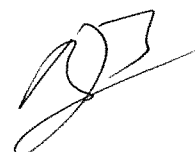
**2.10.2. Class C shares**

The Class C shares are classified as equity instruments for the following reasons:

- the shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- the shares are in the class of instruments that is subordinate to all other classes of instruments;
- all shares in the class of instruments that is subordinate to all other classes of instrument have identical features;
- the shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets;
- the total expected cash flows attributable to the shares over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The net allocation of income and capital gains and losses on Class C shares are accounted for as an increase or a decrease of retained earnings.

The Fund continuously assesses the classification of Class C shares. If Class C shares cease to have all the features, or meet all the conditions as set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 2 - Significant accounting policies (continued)**

**2.11. Accrued expenses and other payables**

Accrued expenses and other payables are recognized initially at fair value and subsequently stated at amortized cost using the effective interest rate method.

**2.12. Interest income and expenses**

Interest income and expenses are recognized in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

**2.13. Expenses**

Expenses, including management fees, are recognized in the statement of comprehensive income on an accruals basis.

**2.14. Taxation**

The Fund is not subject to any tax. In accordance with the "Règlement grand-ducal" dated 14 July 2010, the Fund is exempted from the subscription tax since 23 May 2011.

PLIs may be subject to withholding tax payable on the interest expense made to the Fund. However, the responsibility of such withholding tax payment lies with the PLIs at local level and has thus no impact to the financial statements of the Fund.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 3 - Significant accounting judgements, estimates and assumptions**

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are outlined below:

**3.1. Fair value of financial instruments**

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken by observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The determination of the adequate valuation method and of underlying assumptions requires significant estimation. For further details on the relevant use of judgement and estimate made by the Board of Directors, see Note 4 and Note 5.

As at 31 December 2017 and 2016, the Fund used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures;
- Level 2 – techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**3.2. Impairment losses on loans**

The Fund reviews its problem loans at each reporting date to assess whether an allowance for impairment should be recorded in the financial statements. In particular, judgment by the Board of Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 4 - Loans to Partner Lending Institutions**

	2017	2016
Gross loans to PLIs	107,071,110	104,989,169
Cumulated loan loss allowance <sup>(*)</sup>	(9,838,983)	(3,684,844)
<b>Carrying value of PLIs (excluding interests)</b>	<b>97,232,127</b>	<b>101,304,325</b>
Accrued interests	2,197,013	2,487,070
Interests receivable	1,200,878	2,308,693
<b>Carrying value of PLIs (including interests)</b>	<b>100,630,018</b>	<b>106,100,088</b>
<b>Fair value of loans to PLIs</b>	<b>107,579,215</b>	<b>102,638,687</b>

<sup>(\*)</sup>As at 31 December 2017, the cumulated loan loss allowance on principal relates to 10 PLIs subject to impairment (2016: 12 PLIs). Additional provisions were created during the third quarter of 2017 due to the suspicion of fraud with significant impact in two institutions, challenging their future as going concern. Provisions for these two institutions were increased to 100%.

The fair value of loans is calculated by using valuation techniques based on non-observable data in emerging markets and corresponds to level 3 of IFRS 13 fair value hierarchy. The estimated fair value of loans is based on a discounted cash flow model taking into account the impact from the evolution of (1) foreign exchange rates, (2) changes in local risk-free yield curves (i.e. T-bills and T-bonds) and (3) changes in the internal credit rating on each loan since disbursement date. The impact from the evolution of (1) foreign exchange rates and (2) changes in local yield curves (i.e. T-bills and T-bonds) is estimated based on the valuation of derivatives provided by the Fund's hedge counterparties. Individual discount rates for each loan are based on an estimation of the average reference rate during the remaining lifetime of each loan and a market-based margin taking into account changes in country risk, credit risk, institutional status (bank, non-bank financial institution, cooperative, NGO) and remaining maturity since the disbursement date of each loan.

For the year ended 31 December 2017, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2017, the portion of gross loans to PLIs falling due within one year amounts to USD 50,264,526 (2016: USD 47,391,121).

**Note 5 - Derivative financial instruments**

As part of its asset and liability management, the Fund uses forward foreign exchange contracts and cross currency swaps for the proportion of its loan portfolio which is invested in currencies other than USD in order to simultaneously reduce its exposure to foreign exchange risk.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 5 - Derivative financial instruments (continued)**

The notional amounts of certain types of derivative financial instrument (e.g. futures, swaps and forward contracts) provide a basis for comparison with instruments recognized on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms.

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of forward foreign exchange contracts and cross currency swaps are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles and so involved valuation techniques where all the model inputs are observable (either directly or indirectly) in the market. It corresponds to level 2 of the IFRS 13 fair value hierarchy. The Fund does not apply hedge accounting and therefore the fair value of such derivative financial instruments might result in a mismatch with the value of the related financial assets recognized at amortized cost. This effect is unrealized and temporary.

During the year ended 31 December 2017 and 2016, there were no transfers between level 1 and level 2 fair value measurements.

**5.1. Swap contracts**

As at 31 December 2017, the Fund holds 85 cross currency swaps (2016: 84) with notional amount of USD 114,242,433 (2016: USD 101,113,450), which have a positive fair value of USD 5,415,695 and a negative fair value of USD 2,638,766 as at 31 December 2017 (2016: a positive fair value of USD 10,188,245 and a negative fair value of USD 704,820).

**5.2. Forward foreign exchange contracts**

As at 31 December 2017, the Fund has no forward foreign exchange contracts outstanding.

As at 31 December 2016, the Fund had the following forward foreign exchange contracts outstanding:

Currency purchased	Currency sold	Amount purchased	Amount sold	Maturity date	Unrealised gain
USD	GHS	1,449,950	6,800,266	16/11/2017	33,134
USD	GHS	170,185	744,559	16/05/2017	5,332
					<u>38,466</u>





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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 5 - Derivative financial instruments (continued)**

**5.3. Net gain/(loss) on derivative financial instruments**

	<u>2017</u>	<u>2016</u>
Net realised (loss)/gain	(1,973,607)	4,293,390
Net change unrealised (loss)/gain	<u>(6,744,962)</u>	<u>(9,820,530)</u>
<b>Total</b>	<b><u>(8,718,569)</u></b>	<b><u>(5,527,140)</u></b>

**Note 6 - Notes issued**

The Fund may from time to time issue notes in the form of subordinated notes ("Subordinated Notes") and senior notes ("Senior Notes") (together the "Notes").

The Notes may be issued in successive series, each with its own duration and coupon determined at the discretion of the Board of Directors at the time the relevant series of Notes is being placed:

- The entitlements of holders of Senior Notes to receive interest payments and repayments of principal rank junior to other creditors of the Fund but senior to all Shareholder payment entitlements and senior to all payment entitlements of holders of Subordinated Notes.
- The entitlements of holders of Subordinated Notes to receive interest payments and principal repayments rank junior to other creditors of the Fund and junior to all payment entitlements of holders of Senior Notes but senior to all Shareholder payment entitlements.

As at 31 December 2017, the Notes issued by the Fund amount to USD 7,872,882 (2016: USD 10,497,176) and are fully drawn. The portion of Notes issued having a maturity within one year amounts to USD 2,624,294 as of 31 December 2017 (2016: USD 2,624,294).

The Subordinated Notes receive a semi-annual coupon payment of USD 6 months Libor + 1%. The general level of interest rates, including the 6 month Libor rate, has decreased since the issuance of the floating rate Subordinated Notes, with a corresponding impact on the semi-annual coupon payments. However, the premium of 1% is estimated to continue to reflect market conditions and as such has not changed since the issuance of the Subordinated Notes.

The Investment Manager considers that the amortized cost of USD 7,872,882 is the best estimate of fair value.

Regional MSME Investment Fund for Sub-Saharan  
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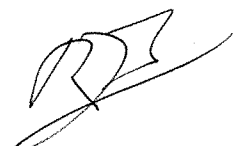
**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 7 - Share capital and net assets attributable to holders of redeemable Class A  
and Class B shares**

The Fund may issue various classes of shares (each a "Class"), each evidencing a different level of risk.

- The first loss Class C shares ("Class C Shares"), which may be issued in successive series, bear all unrealized/realized capital losses of the Fund (e.g. foreign exchange loss, deterioration in credit quality or defaults with respect to the investments of the Fund) until the Net Asset Value ("NAV") of Class C Shares has been fully depleted. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class C Shares in the order of priority as detailed in Note 9. The Class C Shareholders' dividend entitlements rank junior to the dividend entitlements of the Class A and Class B Shareholders as per the waterfall model detailed in Note 9. The NAV of all C Shares must represent at least 33 % of the total assets of the Fund at all times.
- The mezzanine Class B shares ("Class B Shares"), which may be issued in successive series, bear unrealized/realized capital losses of the Fund only if the NAV of the Class C Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class B Shares in the order of priority as detailed in Note 9. The Class B Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class C Shareholders but junior to the dividend entitlements of the Class A Shareholders as per the waterfall model detailed in Note 9. The sum of the NAVs of the C Shares and the B Shares must represent at least 50 % of the total assets of the Fund at all times.
- The senior Class A shares ("Class A Shares"), which may be issued in successive series, are insulated against unrealized/realized capital losses of the Fund, bearing such losses only if the NAV of both the Class C Shares and the Class B Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class A Shares in the order of priority as detailed in Note 9. The Class A Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class B and Class C Shareholders as per the waterfall model detailed in Note 9.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 7 - Share capital and net assets attributable to holders of redeemable Class A and Class B shares (continued)**

As at 31 December 2017, the outstanding and uncalled commitments are as follows:

<b>As at 31 December 2017</b>	<b>Senior Class A Shares in USD</b>	<b>Mezzanine Class B Shares in USD</b>	<b>First Loss Class C Shares in USD</b>
Total outstanding commitment (USD)	29,715,122	32,179,443	-
Total outstanding commitment (EUR)*	13,989,786	8,890,937	62,314,790
Amount called (USD)	(11,715,122)	(22,179,443)	-
Amount called (EUR)*	(13,989,786)	(8,890,937)	(62,314,790)
<b>Uncalled commitment (USD)</b>	<b>18,000,000</b>	<b>10,000,000</b>	<b>-</b>
<b>Uncalled commitment (EUR)*</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Called commitment amounts denominated in EUR are translated into USD at the exchange rate prevailing as of the subscription date. Uncalled commitment amounts denominated in EUR are translated into USD at the exchange rate prevailing as of the statement of financial position date.

As at 31 December 2016, the outstanding and uncalled commitments are as follows:

<b>As at 31 December 2016</b>	<b>Senior Class A Shares in USD</b>	<b>Mezzanine Class B Shares in USD</b>	<b>First Loss Class C Shares in USD</b>
Total outstanding commitment (USD)	29,715,122	22,179,443	-
Total outstanding commitment (EUR)*	13,989,786	8,890,937	62,314,790
Amount called (USD)	(6,715,122)	(22,179,443)	-
Amount called (EUR)*	(13,989,786)	(8,890,937)	(62,314,790)
<b>Uncalled commitment (USD)</b>	<b>23,000,000</b>	<b>-</b>	<b>-</b>
<b>Uncalled commitment (EUR)*</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Called commitment amounts denominated in EUR are translated into USD at the exchange rate prevailing as of the subscription date. Uncalled commitment amounts denominated in EUR are translated into USD at the exchange rate prevailing as of the statement of financial position date.

The total outstanding commitment amounts presented above may decrease from one year to another following either the redemption of certain tranches of Class A and Class B shares or the maturity of the uncalled commitment, therefore considered as no longer outstanding.

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**Notes to the Financial Statements (continued)**

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(expressed in USD)

**Note 8 - Expenses**

**8.1. Fund management fees**

In consideration for its services to be provided to the Fund, the Investment Manager is entitled to a management fee payable by the Fund which shall be the aggregate of:

(i) a percentage of the outstanding capital invested by the Fund ("Invested Capital") in PLI Investments as at the end of any calendar month determined as follows:

- 2% per annum for the first USD 50 million of Invested Capital invested in PLI Investments at the end of such calendar month; plus
- 1.75% per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 50 million up to the amount of USD 100 million; plus
- 1.50% per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 100 million up to the amount of USD 200 million; plus
- 1.25% per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 200 million; and

(ii) 0.2% per annum of the amount of Invested Capital invested in Investments other than PLI investments at the end of such calendar month.

The Fund management fee amounted to USD 2,260,155 for the year ended 31 December 2017 (2016: USD 2,338,683).

**8.2. Investment Manager Incentive Bonus**

Depending on the performance of the Fund and the attainment of certain performance targets by each Class of Shares determined by the Board of Directors, the Investment Manager might be entitled to additional performance based remuneration ("Investment Manager Incentive Bonus"), calculated as a percentage of the year-to-date amount remaining available for allocation of the Income Waterfall, as defined in Note 9.

No Investment Manager Incentive Bonus has been accrued for as at 31 December 2017 (2016: nil).

**8.3. Secretary fees**

The secretary fees are paid on a monthly basis upon receipt of the invoice.

For the year ended 31 December 2017, the secretary fees amount to USD 123,883 (2016: USD 124,581).

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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 8 - Expenses (continued)**

**8.4. Administration, custodian and domiciliation fees**

The Fund pays an administration fee to Credit Suisse Fund Services (Luxembourg) S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.10% per annum on the first amount of USD 100 million,
- 0.08% per annum on the next amount of USD 100 million,
- 0.04% per annum on the amount above USD 200 million.

A minimal amount of USD 60,000 of administration fee is applied per annum.

For the year ended 31 December 2017, the administration fee amounts to USD 129,789 (2016: USD 139,812).

The Fund pays a custodian fee to Credit Suisse (Luxembourg) S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.03% per annum on the first amount of USD 100 million,
- 0.02% per annum on the next amount above USD 100 million.

A minimal amount of USD 20,000 of custodian fee is applied per annum.

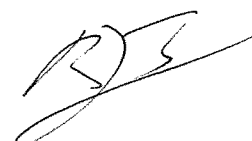
For the year ended 31 December 2017, the custodian fee amount to USD 45,794 (2016: USD 41,335).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2017, the domiciliation fee amounts to USD 15,000 (2016: USD 15,000).

For the year ended 31 December 2017, the registrar and the compliance monitoring fees amount to USD 15,000 (2016: USD 15,000).

**8.5. Accrued expenses**

As at 31 December 2017, the accrued expenses mainly relate to Fund management fees and direct operating expenses and amount to USD 905,950 (2016: USD 1,006,003).



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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 9 - Allocation and distribution waterfalls**

At each date on which a net asset value ("NAV") calculation is made ("NAV Calculation Date"), the year-to-date cumulative net income ("Net Income") of the Fund for the relevant calendar year is determined. The Net Income equals the sum of (i) the Fund's cumulative year-to-date income (received and/or accrued) in the relevant calendar year less the year-to-date cumulative Fund Expenses (including, but not limited to, operating expenses and Management Fees) for the calendar year, plus (ii) any year-to-date interest payments on the Notes for the calendar year. For the purposes of this computation: (i) all realised and unrealised (i.e. accrued) interest owed to the Fund are included in the Fund's Net Income (if any interest is not received by the Fund or if previously accrued interest is not paid to the Fund, such amounts come in deduction of the Fund's Net Income) and (ii) the portion of the value of any related derivative financial instrument which is linked to the accrued interest on any loan is allocated to the Net Income of the Fund.

At each NAV Calculation Date, the year-to-date positive Net Income of the Fund is allocated according to the Fund waterfall mechanism as set forth in the Issue Document, which is designed to compensate investors based on their respective investment risk and provide the necessary funding for the Fund's ongoing operations. The amount of dividend distributable to Class A, B and C Shares at each NAV Calculation Date is limited to a level of target dividend whose determination is defined in the relevant subscription agreements. Operational aspects of the Fund compensated through the waterfall structure include i) the Foreign Exchange Currency ("FX") reserve payment, which is allocated annually to the Class C Shares to protect against an erosion of value due to FX losses; ii) a component of the overall funding for a technical assistance facility ("TA Facility") established in parallel with the Fund to provide technical assistance to PLIs in their development and growth as well as to prepare and to support PLI Investments; and iii) the Investment Manager Incentive Bonus, as described in Note 8.2, included to align the interests of the Investment Manager with those of the Fund's investors.

All amounts exceeding target dividends and contributions to operational aspects are used to pay out complementary dividends to shareholders in accordance with the terms and conditions stated in the Fund's Issue Document.

At each NAV Calculation Date, in case the year-to-date Net Income of the Fund is negative, it will be allocated in the following order of priority:

- Class C Shares up to the total NAV of the Class C Shares, pro rata to the NAV of each Series of Class C Shares,
- Class B Shares up to the total NAV of the Class B Shares, pro rata to the NAV of each Series of Class B Shares,
- Class A Shares up to the total NAV of the Class A Shares, pro rata to the NAV of each Series of Class A Shares.

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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

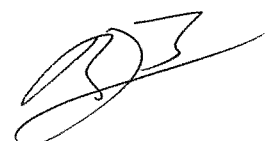
**Note 9 - Allocation and distribution waterfalls (continued)**

In addition, at each NAV Calculation Date, once the allocation of Net Income has been made, the amount available for allocation through the Capital Waterfall of the period is determined as follows:

- any year-to-date write backs on unrealized Investments, plus
- any impairment allowances due to the deterioration in credit quality or defaults with respect to the Investments of the Fund, plus
- any realized and unrealized gains and losses on local currency loans to PLIs due to changes in the value of the local currency, plus
- any other year-to-date realized or unrealized capital gains and losses on foreign exchange (other than on local currency loans to PLIs), plus
- the foreign exchange compensation amount ("FX Compensation Amount"), which protects the C Share class against expected FX depreciation on unhedged investments, plus
- realized and unrealized gains or losses from the value of derivative financial instruments held by the Fund. This is calculated as the portion of the value of derivative financial instruments held by the Fund other than the portion of the value of the related derivative financial instruments which is linked to the accrued interest on the loans (this accounting rule has been defined after the Fund's inception, which explains why no reference to it is made in the Fund's Issue Document).

The Capital Waterfall is allocated in the following order of priority:

- if positive Capital Waterfall, first to Class A Shares showing a positive difference between the issue price and their NAV (the "NAV Deficiency") at period ends,
- if positive Capital Waterfall, then to Class B Shares showing a NAV Deficiency at period ends,
- further and either positive or negative Capital Waterfall, to Class C Shares pro rata to their NAV at period ends.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 10 - Calculation of distributable income and capital gains and losses**

**10.1. Calculation of distributable income (income waterfall)**

	2017	2016
Interest income on loans	12,894,823	13,017,400
Interest income on bank deposits	169,598	66,196
Other income	41,134	65,399
Management fees	(2,260,155)	(2,338,683)
Secretary fees	(123,883)	(124,581)
Legal and audit fees	(147,149)	(187,126)
Administration, custodian and domiciliation fees	(205,583)	(211,147)
Other administrative expenses	(220,295)	(62,794)
Marketing and promotion expenses	(41,558)	(6,544)
Interest expenses on Notes	(237,176)	(236,191)
Bank charges	(51,489)	(19,926)
Net loss on derivative financial instruments (interest portion)	(6,708,370)	(6,888,441)
<b>Total</b>	<b>3,109,897</b>	<b>3,073,562</b>

**10.2. Calculation of capital gains and losses specific to Class C Shares (capital waterfall)**

In addition to the above, capital gains and losses are allocated only to Class C Shares, pro rata to the NAV of each Series of Class C Shares as follows:

	2017	2016
Net foreign exchange gain/(loss) on loans to PLIs	3,073,395	(7,852,570)
Other net foreign exchange gain	47,239	3,539
Net (loss)/gain on derivative financial instruments (notional portion)	(2,010,199)	1,361,301
Loan loss allowance	(6,154,139)	(2,278,177)
<b>Total</b>	<b>(5,043,704)</b>	<b>(8,765,907)</b>





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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 10 - Calculation of distributable income and capital gains and losses (continued)**

**10.3. Allocation of distributable income and capital gains and losses**

As a result of the above-mentioned calculation, the total allocation waterfall is as follows:

	2017	2016
Target dividend on Class A Shares	712,720	501,110
Complementary dividends on Class A Shares	-	-
Target dividend on Class B Shares	1,350,463	1,540,345
Complementary dividends on Class B Shares	-	-
<b>Total dividends distributable to Class A Shares and Class B Shares</b>	<b>2,063,183</b>	<b>2,041,455</b>
<b>Contribution to the technical assistance facility</b>	-	-
<b>Investment Manager incentive bonus</b>	-	-
Target dividend on Class C Shares	1,046,714	1,032,107
Foreign exchange compensation amount	-	-
Complementary dividends on Class C Shares	-	-
Capital gains and losses specific to Class C Shares	(5,043,704)	(8,765,907)
<b>Total allocated to Class C Shares</b>	<b>(3,996,990)</b>	<b>(7,733,800)</b>
<b>Loss before performance allocation</b>	<b>(1,933,807)</b>	<b>(5,692,345)</b>

As a result, for the year ended 31 December 2017, a total amount of USD 712,720 is payable to the holders of Class A Shares (2016: USD 501,110), a total amount of USD 1,350,463 is payable to the holders of Class B Shares (2016: USD 1,540,345), and a total negative amount of USD 3,996,990 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares (2016: negative amount of USD 7,733,800).



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**Notes to the Financial Statements (continued)**

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**Note 11 - Risk management**

The Fund is mainly exposed to credit risk, market risk (which includes mainly currency risk and interest rate risk) and liquidity risk arising from the financial instruments its holds.

**11.1. Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund.

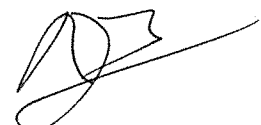
The insolvency or other business failure of any one or more of the PLIs in which the Fund has invested could have a material and adverse effect on the Fund's performance and ability to achieve its objectives.

The Fund also runs the risk of any one or more of the PLIs defaulting on their borrowings from the Fund. Such PLIs may default on their interest and/or on their principal repayment. The Fund mitigates this risk by carefully selecting the PLIs and then by closely monitoring them on a quarterly basis.

Prior to submitting a PLI Investment to the Fund's Investment Committee, the Investment Manager, through its Sub Saharan Africa-based team, performs a detailed country analysis, a PLI credit risk assessment, a PLI social responsibility evaluation, a PLI monthly monitoring report and an Anti-Money Laundering assessment. The outcomes of all above checks are reported in a detailed report presented to the Investment Committee.

In addition in order to be selected as suitable PLIs financial institutions should meet a number of criteria at the time of investment by the Fund (in each case as reasonably determined by the Investment Committee upon recommendation by the Investment Manager). Such criteria relate to a wide array of PLI dimensions, but not limited to the legal, operational, social, governance, and environmental aspects.

On the monitoring side, the Investment Manager reviews on a monthly basis the credit quality and financial reporting of each PLI based on the monthly financial data that is reported by the PLI directly in the Investment Manager's information system at the end of each month. In addition, the Investment Analysis team of the Investment Manager performs an in-depth and on-site review of each PLI on an annual basis (or more frequently in case of material change). Each analyst remains in constant interaction with the PLI through its monthly processes and signals any material change to the Investment Services team which could affect any given transaction with such PLI, similarly at the country level. Portfolio valuation and covenant monitoring is performed on an ongoing basis. This close monitoring of the financial performance of investees enables the team to detect as early as possible any negative trend that would negatively impact the PLI's ability to reimburse a loan or enter into a breach of covenants. In addition, the Investment Manager performs the legal risk management process, reviewing each loan covenant of each given transaction on a monthly basis.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.1. Credit risk (continued)**

For all outstanding investments in the loan portfolio, the Investment Manager performs the following:

- Legal and financial covenants monitoring: The Investment Services team reviews all legal covenants and obligations related to each transaction for material events on a monthly basis, validating their compliance and reporting to the client. Any material event triggers a risk management process for the underlying obligation which involves challenging and questioning by the Investment Analysis team over and beyond the monthly and annual monitoring.
- Quarterly Investment valuation: Pursuant to the legal covenant review and risk management process, the Investment Services team proposes quarterly valuation guidance for each transaction to the Investment Manager based on predefined rules and criteria.
- Payment collection: On each payment date, the Investment Services team sends out reminders and confirmation receipts to the PLI and custodian bank. The team supervises and assists throughout the payment collection process.

**11.1.1. Maximum exposure to credit risk**

The table below shows the maximum exposure to credit risk of the Fund. The maximum exposure is shown gross, before the effect of mitigation through the use of collaterals and loan loss allowance.

	<b>2017</b>	<b>2016</b>
<b>Statement of financial position</b>		
Loans to PLIs	107,071,110	104,989,169
Derivative financial instruments <sup>(*)</sup>	5,415,695	10,226,711
Interest receivable on loans to PLIs	5,963,478	5,692,079
Other receivables	1,272,509	749,168
Cash and cash equivalents	26,055,359	16,598,282
<b>Total</b>	<b>145,778,151</b>	<b>138,255,409</b>
<b>Off-balance sheet</b>		
Committed undisbursed amounts on loans to PLIs	-	-
<b>Total</b>	-	-
<b>Total gross maximum exposure</b>	<b>145,778,151</b>	<b>138,255,409</b>

<sup>(\*)</sup> See Note 5 for further details.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
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**Note 11 - Risk management (continued)**

**11.1. Credit risk (continued)**

**11.1.2. Risk concentration of loan portfolio to credit risk**

*Risk concentration by PLI*

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolio by PLI as of 31 December 2017 and 2016 is as follows:

<b>31 December 2017</b>	<b>Amounts in USD</b>	<b>%</b>
Top 1	11,058,193	10.33%
Top 3	25,419,761	23.74%
Top 5	33,919,761	31.68%
Top 10	49,336,533	46.08%
Top 20	73,019,106	68.20%
Top 30	90,160,125	84.21%
Top 40	101,296,092	94.61%
Top 50	106,536,895	99.50%
Top 53	107,071,110	100.00%

<b>31 December 2016</b>	<b>Amounts in USD</b>	<b>%</b>
Top 1	11,127,146	10.60%
Top 3	23,033,746	21.94%
Top 5	33,292,680	31.71%
Top 10	51,502,639	49.06%
Top 20	74,133,911	70.61%
Top 30	90,476,766	86.18%
Top 40	99,854,691	95.11%
Top 50	104,621,935	99.65%
Top 52	104,989,169	100.00%



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.1. Credit risk (continued)**

**11.1.2. Risk concentration of loan portfolio to credit risk (continued)**

*Risk concentration by geographical regions*

The table below shows the credit risk analysis of the Fund's gross loan portfolio per geographical region as of 31 December 2017 and 2016:

	31 December 2017		31 December 2016	
	Amounts in USD	%	Amounts in USD	%
Kenya	17,109,051	15.98%	16,003,801	15.24%
Ivory Coast	12,008,000	11.22%	4,983,693	4.75%
Tanzania	9,616,165	8.98%	8,839,961	8.42%
Senegal	9,288,188	8.68%	9,028,659	8.60%
Ghana	7,986,310	7.46%	6,347,610	6.05%
Zambia	7,869,183	7.35%	9,206,828	8.77%
Democratic Republic of Congo	6,750,000	6.30%	10,750,000	10.24%
Nigeria	6,248,649	5.84%	12,671,992	12.07%
Uganda	5,796,572	5.41%	4,680,069	4.46%
Mali	3,962,640	3.70%	1,265,700	1.21%
South Africa	3,307,755	3.09%	-	-
Cameroon	2,881,920	2.69%	5,906,599	5.63%
Angola	2,799,614	2.61%	3,500,000	3.33%
Rwanda	2,449,440	2.29%	3,625,131	3.45%
Burkina Faso	2,149,432	2.01%	1,888,002	1.80%
Zimbabwe	1,686,189	1.57%	2,000,000	1.90%
Madagascar	1,200,800	1.12%	-	-
Benin	1,200,800	1.12%	2,109,500	2.01%
Sierra Leone	1,075,852	1.01%	700,000	0.67%
Malawi	999,737	0.93%	819,831	0.78%
Niger	600,400	0.56%	527,375	0.50%
Tchad	84,413	0.08%	134,418	0.13%
<b>Total</b>	<b>107,071,110</b>	<b>100.00%</b>	<b>104,989,169</b>	<b>100.00%</b>

The above risk concentrations reflect the Fund's exposures by market and PLI, including amounts that are currently impaired for which recovery efforts are ongoing. The portfolio value in the risk concentration tables differs from the portfolio value in the statement of financial position by USD 9,838,983, which consists of the loan loss allowance as of 31 December 2017 (2016: USD 3,684,844).



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.1. Credit risk (continued)**

**11.1.3. Credit quality**

*Credit risk exposure for each internal risk rating*

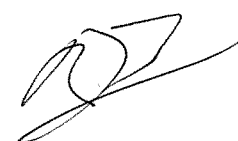
The institutional risk of PLIs is closely monitored by the Investment Manager's professional, independent central and local risk experts using internal credit ratings.

The current methodology takes into account quantitative and qualitative factors, the degree of maturity of the PLI, as well as monthly monitoring and annual visits. The methodology is based both on a credit risk and performance assessment. The performance assessment reviews three years of past audited and operational quantitative information, divided into three analytical dimensions: operational efficiency, financial results, and social impact, and about thirty indicators.

The credit risk assessment is focused on future outlook; there are five key dimensions, divided into about twenty five qualitative indicators: strategy and governance, people and organization, products and services, financial management, and control and systems. The outcome of the scoring methodology is a credit risk scoring and rating grade that reflects the specific risk of an institution. It does not include any systematic risk aspects (i.e. industry, currency, political risk among others). The rating scale grades from AAA to D, subdivided into 10 levels, each divided into three subsets of plus (+), neutral and minus (-).

The Fund rating's categories are as follows:

<b>Scaling</b>	<b>Qualifier</b>	<b>Rating Grade</b>
97% - 100%	Extremely strong repayment capacity	AAA
88% - 97%	Very strong repayment capacity	AA
79% - 88%	Strong repayment capacity	A
70% - 79%	Moderate repayment capacity	BBB
61% - 70%	Questionable repayment capacity	BB
52% - 61%	Weakened repayment capacity	B
43% - 52%	Vulnerable to non-payment	CCC
37% - 43%	High vulnerable to non-payment	CC
31% - 37%	Very high vulnerable to non-payment	C
0% - 31%	Payment default	D



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.1. Credit risk (continued)**

**11.1.3. Credit quality (continued)**

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2017 and 2016 based on the Fund's credit rating system:

	31 December 2017		31 December 2016	
	Amounts in USD	%	Amounts in USD	%
AAA	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
BBB	39,575,062	36.96%	54,529,996	51.94%
BB	53,251,391	49.73%	49,909,173	47.54%
B	5,324,944	4.97%	550,000	0.52%
CCC	-	-	-	-
CC	-	-	-	-
C	4,084,413	3.82%	-	-
D	4,835,300	4.52%	-	-
<b>Total</b>	<b>107,071,110</b>	<b>100.00%</b>	<b>104,989,169</b>	<b>100.00%</b>

*Credit risk exposure to counterparties from cash deposits*

As at 31 December 2017, the Fund holds cash in current accounts of USD 26,055,359 (2016: USD 16,598,282) and is mainly exposed to the credit risk with Credit Suisse, whose rating is P-1 according to Moody's and A-1 according to Standard & Poor's.

As at 31 December 2017, cash for a total amount of USD 617,770 (2016: USD 542,632) has been pledged as collateral with ICBC Standard Bank rated BBB+ according to Standard & Poor's.

As at 31 December 2017, collateral had been posted with TCX acting as a hedge counterparty with the Fund for USD 2,455,678 (2016: USD 5,520,946), rated A- according to Standard & Poor's, and with Standard Chartered Bank for USD 260,000 (2016: nil), rated A- according to Standard & Poor's. At the same date, collateral was posted with ICBC Standard Bank for an amount of USD 2,940,481 (2016: nil).



**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 11 - Risk management (continued)**

**11.1. Credit risk (continued)**

**11.1.3. Credit quality (continued)**

*Impairment assessment*

The Investment Manager monitors on a monthly basis whether each investee of the Fund is in compliance with all financial and non-financial covenants per the respective loan contract. In case of a breach of financial covenant with no perspective of resolution through improvement of the situation over the next quarter, the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation. In case of payment default (as defined in each loan agreement), the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation if the carrying amount of the relevant loan exceeds its recoverable amount. As at 31 December 2017, loan loss allowance on principal amounts to USD 9,838,983 (2016: USD 3,684,844), which represents 9.19% (2016: 3.51%) of the gross portfolio.

**11.2. Liquidity risk**

The Fund may invest in loans or other debt instruments issued by PLIs most of which will neither be listed on a stock exchange nor dealt in on another regulated market. The issuance of such instruments may not be subject to any control, review or oversight by a regulatory authority. In most cases there is no secondary market for the trading of the debt instruments issued by PLIs. Thus, such instruments will generally be illiquid. Such illiquidity may affect the Fund's ability to vary its portfolio or dispose or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic or other conditions and this could have an adverse effect on the Fund's financial condition and results of operations.

In order to manage the liquidity of the Fund and address the above risks, the following rules are applied:

- Excess cash liquidity is temporarily deposited with international investment grade banks or invested in money-market instruments.
- The Investment Manager shall strive to maintain cash on hand that represents the greater of 5% of the Fund Total Assets or a 120% of the Fund's projected 30-day liabilities. As soon as liquidity falls below this percentage, the Investment Manager shall notify the Board and Investment Committee immediately.
- In addition, the Fund may at any time draw down from existing commitments on Class A Shares and Class B Shares or Notes and on a quarterly basis on Class C Shares. The existing uncalled commitments from Shareholders to the Fund amounted to USD 28 million as at 31 December 2017 (2016: USD 23 million).





**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.2. Liquidity risk (continued)**

The following table demonstrates the forecasted cash flows of the Fund per maturity band:

31 December 2017	Less than 3 months (in USD)	3 months to 1 year (in USD)	1 year to 5 years (in USD)	More than 5 years (in USD)	Undefined maturity (in USD)	Total (in USD)
Loans to PLIs (*)	14,032,014	53,443,103	59,827,356	-	-	127,302,473
Other receivables	1,272,509	-	-	-	-	1,272,509
Cash and cash equivalents	26,055,359	-	-	-	-	26,055,359
<b>Total financial assets</b>	<b>41,359,882</b>	<b>53,443,103</b>	<b>59,827,356</b>	-	-	<b>154,630,341</b>
Undrawn capital commitments	28,000,000	-	-	-	-	28,000,000
<b>Total financial assets and undrawn capital commitments</b>	<b>69,359,882</b>	<b>53,443,103</b>	<b>59,827,356</b>	-	-	<b>182,630,341</b>
Notes (**)	-	2,812,702	5,418,175	-	-	8,230,877
Derivative financial instruments (**)	2,446,688	6,358,464	6,684,269	-	-	15,489,421
Accrued expenses	905,950	-	-	-	-	905,950
Distribution payable to holders of redeemable shares	-	2,063,183	-	-	-	2,063,183
Net assets attributable to Class A and Class B Shares	-	-	55,036,269	1,739,019	-	56,775,288
<b>Total financial liabilities</b>	<b>3,352,638</b>	<b>11,234,349</b>	<b>67,138,713</b>	<b>1,739,019</b>	-	<b>83,464,719</b>
Committed undischursed amounts on loans to PLIs	-	-	-	-	-	-
<b>Total financial liabilities and committed undischursed amounts on loans to PLIs</b>	<b>3,352,638</b>	<b>11,234,349</b>	<b>67,138,713</b>	<b>1,739,019</b>	-	<b>83,464,719</b>

(\*) Based on principal amounts at historical cost, considering hedging with derivative financial instruments, and including future interest income

(\*\*) Including future interest expenses

**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.2. Liquidity risk (continued)**

The following table demonstrates the forecasted cash flows of the Fund per maturity band:

31 December 2016	Less than 3 months (in USD)	3 months to 1 year (in USD)	1 year to 5 years (in USD)	More than 5 years (in USD)	Undefined maturity (in USD)	Total (in USD)
Loans to PLIs (*)	7,431,780	51,350,890	79,123,256	-	-	137,905,926
Other receivables	749,168	-	-	-	-	749,168
Cash and cash equivalents	16,598,282	-	-	-	-	16,598,282
<b>Total financial assets</b>	<b>24,779,230</b>	<b>51,350,890</b>	<b>79,123,256</b>	-	-	<b>155,253,377</b>
Undrawn capital commitments	23,000,000	-	-	-	-	23,000,000
<b>Total financial assets and undrawn capital commitments</b>	<b>47,779,230</b>	<b>51,350,890</b>	<b>79,123,256</b>	-	-	<b>178,253,377</b>
Notes (**)	-	2,839,876	8,165,337	-	-	11,005,212
Derivative financial instruments (**)	1,797,121	6,091,802	7,070,107	-	-	14,959,030
Accrued expenses	1,006,003	-	-	-	-	1,006,003
Other payables	534,137	-	-	-	-	534,137
Distribution payable to holders of redeemable shares	-	2,041,455	-	-	-	2,041,455
Net assets attributable to Class A and Class B Shares	-	-	47,585,483	4,189,805	-	51,775,288
<b>Total financial liabilities</b>	<b>3,337,261</b>	<b>10,973,133</b>	<b>62,820,926</b>	<b>4,189,805</b>	-	<b>81,321,125</b>
Committed undisbursed amounts on loans to PLIs	-	-	-	-	-	-
<b>Total financial liabilities and committed undisbursed amounts on loans to PLIs</b>	<b>3,337,261</b>	<b>10,973,133</b>	<b>62,820,926</b>	<b>4,189,805</b>	-	<b>81,321,125</b>

\*) Based on principal amounts at historical cost, considering hedging with derivative financial instruments, and including future interest income  
(\*\*) Including interest expenses

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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.3. Market risk**

**11.3.1. Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments.

The Fund may be exposed to interest rate risks to the extent that the rate basis for its assets and liabilities do not fully match. The Fund seeks to reduce this risk and to match the rate basis on its assets and liabilities. As of 31 December 2017, 79.8% (2016: 70.2%) of the portfolio yields floating interest rates with USD 6-month Libor as the rate basis (local currency denominated loans hedged for both currency and interest rate risk). 20.1% of the portfolio is denominated in USD (2016: 29.2%), the functional currency of the Fund, yielding a fixed USD rate. 0.1% of the portfolio is denominated in EUR and not hedged for currency and interest rate risk (2016: 0.6%).

Investor returns for Notes and redeemable shares are based on floating interest rates with USD 6-month Libor as the rate basis, with the exception of the Class C Shares. Due to the structure of the Fund and the unlimited maturity of Class C Shares, perfect matches are not achievable by the Fund.

Investors must also be aware that changes in interest rates will affect the relative value of the Fund's investments. In general, if interest rates increase, it is expected that the relative value of the Fund's existing investments will decrease, and conversely, if interest rates decrease, it is expected that such relative value will increase.

The level of prevailing interest rates also may affect the economies of the target countries and any applicable markets outside of the target countries, and, in turn, the value of the Fund's investments.

Interest rate risk also arises from the possibility that changes in interest rates will affect future cash flows of financial instruments as well as the Fund's profitability.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017

(expressed in USD)

**Note 11 - Risk management (continued)**

**11.3. Market risk (continued)**

**11.3.1. Interest rate risk (continued)**

The following table illustrates the sensitivity of the Fund's net income before tax (as per the income waterfall) to various upward parallel shifts in the US yield curve for a time period of 180 days (base-case scenario = risk free rates do not fluctuate). It is also worth noting that downward shifts in the US yield curve would produce the same results, but in the opposite direction (negative impacts).

Increase (in bps)	31 December 2017		31 December 2016	
	Effect on profit before tax (in USD)	Effect on profit before tax (in %)	Effect on profit before tax (in USD)	Effect on profit before tax (in %)
10	15,829	0.80%	15,102	0.80%
50	79,145	4.00%	75,510	4.00%
100	158,290	8.10%	151,020	8.00%

**11.3.2. Currency risk**

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. As at 31 December 2017, all of the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2016: 100%). 20.1% of the Fund's PLI investments are denominated in USD (2016: 29.2%), 79.8% are denominated in local currency and hedged for both currency and interest rate risk (2016: 70.2%), and 0.1% are denominated in EUR and unhedged (2016: 0.6%).

As at 31 December 2017, the Fund's total unhedged open currency exposure amounts to USD 95,158 (2016: USD 694,360) (exchange rate as of disbursement) representing 0.1% (2016: 0.6%) of the PLI loan portfolio.



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**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.3. Market risk (continued)**

**11.3.2. Currency risk (continued)**

The table below indicates the currencies to which the Fund had significant exposure at 31 December 2017 and 2016 on its PLIs investments. The analysis calculates the effect of a reasonably possible movement of the currency rates against the USD on the net assets and the net equity, with all other variables held constant.

Currency	31 December 2017		31 December 2016	
	Change in currency rate	Effect on the net assets/ net equity	Change in currency rate	Effect on the net assets/ net equity
EUR	10%	(128,521)	10%	(66,179)
EUR	5%	(64,261)	5%	(33,090)

An equivalent increase would have resulted in an equivalent but opposite impact.

The possible 5% and 10% shift in currency rates represent management's best estimate, having regards to historical volatility.

**Notes to the Financial Statements (continued)**

As at 31 December 2017  
(expressed in USD)

**Note 11 - Risk management (continued)**

**11.3. Market risk (continued)**

**11.3.2. Currency risk (continued)**

As at 31 December 2017 and 2016, the split of the loan portfolio by currency is as follows:

	As at 31 December 2017		As at 31 December 2016	
	Number of loans	Total amount (*) USD	Number of loans (**)	Total amount (*) USD
XOF	19	28,008,658	18	19,275,554
USD	25	22,022,631	32	31,980,926
KES	10	15,109,054	10	14,003,801
GHS	6	7,986,310	5	6,386,076
ZMW	8	7,869,182	11	9,206,828
UGX	6	5,796,573	6	4,680,069
TZS	3	5,416,361	2	4,042,410
XAF	4	4,082,720	4	5,906,599
ZAR	3	3,307,755	-	-
RWF	2	2,449,440	4	3,625,131
NGN	3	2,211,624	8	4,438,616
EUR	2	1,285,213	2	661,793
MWK	1	999,737	1	819,831
SLL	2	525,852	-	-
	<b>94</b>	<b>107,071,110</b>	<b>103</b>	<b>105,027,634</b>
		<b>89.29%</b>		<b>88.30%</b>

(\*) net of the effect of the forward exchange transactions as of 31 December 2016, as no forward exchange transactions were outstanding as at 31 December 2017.

(\*\*) 99 loans were outstanding as of 31 December 2016, in addition to these 99 loans, 3moverdue amortizations have been separated from the on-time portion of outstanding NGN loans and reclassified as USD loans. Similarly, 1 additional loan with 2 separate overdue amortizations has been split into 2 USD loans according to the NGN/USD exchange rates fixed at the payments' due dates.

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**Notes to the Financial Statements (continued)**

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(expressed in USD)

**Note 11 - Risk management (continued)**

**11.3. Market risk (continued)**

**11.3.3. Operational risk**

Operational risk is the risk of loss arising from systems failures, human errors, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Fund is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**Note 12 - Capital management**

The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase and resale of shares.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques.
- To maintain sufficient liquidity to meet the expenses of the Fund and fulfill all financial obligations.
- To maintain sufficient size to make the operation of the Fund cost efficient.

**Note 13 - Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund.

**Board of Directors**

During the year ended 31 December 2017, an amount of USD 24,979 of travel expenses was reimbursed to the Directors (2016: USD 20,242). The listing of the members of the Board of Directors is shown on page 3 of the annual report.

**Investment Manager**

**Management fee and Incentive Bonus**

Symbiotics S.A. serves as the Investment Manager of the Fund. The Investment Manager is entitled to a management fee. In addition, depending on the performance of the Fund, the Investment Manager might be entitled to additional performance based remuneration. See Note 8.1, 8.2, 9 and 10 for further details.



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**Notes to the Financial Statements (continued)**


As at 31 December 2017  
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**Note 14 - Approval of the financial statements**

On 30 May 2018, the Board of Directors resolved to authorize the issuance of the financial statements of the Fund for the year ended 31 December 2017 and decided to submit them to the Annual General Meeting of Shareholders for approval.

**Note 15 - Subsequent events**

There is no event subsequent to the year ended that requires a disclosure in these financial statements.

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.A smaller, stylized handwritten signature in black ink, similar in style to the one above, with a long horizontal stroke.