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 2018

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General information

Board of Directors	Mr. Ruurd Brouwer *(Chairman)* Dr. Marcel Gérard Gounot Mr. Stefan Hirche Mr. Karl-Heinz Fleischhacker Mr. Arthur Sletteberg Dr. Giuseppe Ballocchi Mr. François Lagier
Registered Office	5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Investment Manager and Placing Agent	Symbiotics S.A. 31, rue de la Synagogue CH-1204 Geneva Switzerland
Custodian	Credit Suisse (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Administrative Agent	Credit Suisse Fund Services (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Independent Auditor	Ernst & Young S.A. 35E, avenue John F. Kennedy L-1855 Luxembourg Grand-Duchy of Luxembourg
Legal Advisers	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 2018 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").

2018 was a year of growth and recovery for Sub-Saharan African economies, with 2018 growth estimated at 3.5% according to the African Development Bank.[1] Some of the world's fastest growing economies in 2018 were in Sub-Saharan Africa (Ghana, Ethiopia and Cote d'Ivoire), with the region's projected GDP growth to be 4.0% in 2019 and 4.1% in 2020.[2] The rebound in commodity prices, improved growth in the global economy, and much needed economic reforms across Sub-Saharan Africa have contributed to this economic improvement. While the region's growth outlook is positive compared to recent years, Africa is host to some of the world's fastest growing populations (Niger, Angola, Uganda, and the Democratic Republic of Congo). Job creation and poverty reduction remain key challenges for African Governments, who will need to prioritise structural transformations to ensure increased labour-absorbing opportunities. The growth of Nigeria and South Africa, the continent's biggest economies, was less than expected at 1.9% and 0.8% respectively.[3] Both countries will hold presidential elections in 2019. As 2018 comes to a close, we begin looking towards 2019 with debt and debt sustainability being a key theme for African economies. Signs of a possible debt crisis in the region need to be closely monitored, with at least 14 economies either in debt distress or at risk of debt distress. Combined with the slowdown in global growth, this could prove challenging with the potential for a knock-on effect in the sectors that REGMIFA operates.[4]

2018 saw funding needs return back to pre-2016 levels, with the highest volume disbursed (USD 58.5 million across 44 transactions) since REGMIFA's inception. The 70% increase in disbursement volume compared to 2017 (USD 34.3 million) is a reflection of general improvement in economic activity across Sub-Saharan Africa, driven by increased agriculture exports, public investments, and rising oil prices. The Fund's year-end outstanding nominal loan portfolio grew to USD 121.4 million[5] (2017: USD 109.5 million). In December alone, USD 11.4 million was invested across eight investments, the highest monthly volume disbursed since REGMIFA's inception. While the Fund did not enter any new economies (REGMIFA invested in 20 countries), the Fund's outreach remained strong with 12 new PLIs added to the portfolio. Of the new PLIs, 5 of these were Tier 2 and 2 of these were Tier 3 institutions.[6] This is a reflection of the Fund's commitment to its developmental objectives; to reach out to small,

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[1] https://www.afdb.org/en/knowledge/publications/african-economic-outlook/
[2] https://www.afdb.org/en/knowledge/publications/african-economic-outlook/
[3] https://qz.com/africa/1522126/african-economies-to-watch-in-2019-and-looming-debt/
[4] https://www.brookings.edu/multi-chapter-report/foresight-africa-top-priorities-for-the-continent-in-2019/
[5] 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 121.4 million, FX adjustments from revaluing the portfolio at current exchange rates amount to – USD 3.7 million and loan loss allowances represent - USD 14.1 million, resulting in a carrying value of USD 103.6 million.
[6] Tier 3: Institutions with total assets below USD 10 million, Tier 2: Institutions with total assets between USD 10 and USD 30 million, Tier 1: Institutions as those with total assets in excess of USD 30 million.

newer institutions with a track record and size not aligned with international lenders' requirements.

Three key developments that took place in 2018 were the resolution of a series of loans in workout status, the full implementation of IFRS 9 loss allowance requirements, and the Fund's first participations in issuances by MSME Bonds, a bond programme sponsored by Symbiotics allowing to facilitate larger financing needs of financial intermediaries. REGMIFA invested in two institutions based in South Africa and Madagascar through the platform. By 2018 year-end, the number of loans in workout status dropped from eleven to five, with an average recovery rate of 90% for workout cases closed during the year. Recoveries ranged from 48%, to over 100% recovery, where substantial amounts of accrued interest were recovered post-default. It must be said though, that the more challenging cases take longer and therefore are still in the portfolio. IFRS 9 standards came into effect on 1st January 2018, replacing IAS 39 standard, and was fully rolled out for REGMIFA in 2018. The implementation of IFRS 9 was a complex task as IFRS 9 differs to IAS 39 standards in two areas. Firstly, it is forward looking where all future principal and interest payments are assessed for losses. Secondly, the full portfolio is considered for impairment, where previously loss allowance was only applied to loans with a significant deterioration in credit quality or payment defaults. The result was a move away from the incurred loss model under IAS 39 to an expected loss model under IFRS 9. Based on the impairment methodology compliant with IFRS 9 standard, the Fund's 2018 year-end total loan loss allowance was USD 14.1 million, which was approximately 11.6% of the outstanding portfolio.

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 eighth year in a row, while the increased market and credit risk observed over the past three years continued to be absorbed by the Fund's first loss C Share layer. The Fund's Net Asset Value (NAV) of C Shares as of year-end 2018 was at USD 55,277,023 and fell below their subscription value of USD 62,314,790 mainly due to the impact of IFRS 9 on loan loss allowance, but also the realisation of capital losses in which we had the write off of two MFIs that were in default status. With regained growth and overcoming extraordinary workout cases, the C shares' subscription value might augment again over time. The C Share NAV remained at 41.2% of the Fund's Gross Asset Value (GAV), which continues to provide a very strong first loss buffer to the Fund.

REGMIFA remained focused on its mission in 2018, with 14 of 20 of the Fund's portfolio countries being Least Developed Countries as per the UN classification. The Fund has continued to focus on relatively small sized PLIs, with 38.8% of PLIs in the Fund's 2018 outstanding portfolio classified as Tier 2 or Tier 3 institutions. In 2018, the REGMIFA TA Facility was active in 14 countries supporting for the first time a PLI in South Africa. During the year, the TAF approved 11 projects for EUR 274,000 benefitting Tier 2 and Tier 3 PLIs mostly. The TAF Manager identified an increased demand for capacity building in the area of digitalization and designed several Digital Finance Service projects during the year. In its 7-year history, the REGMIFA TA Facility has amassed a total of EUR 8.69 million in donors' commitments. In cumulative terms, 126 projects have been approved totaling EUR 7.5 million, of which 111 projects totaling EUR 6.6 million have been contracted and 105 completed.

Report of the Board of Directors (continued)

The Board would like to thank REGMIFA's investors and service providers for their continued support and commitment to the Fund's mission. Especially the fund manager who continued to seek for growth and new opportunities, whilst simultaneously staying on top of a significant number of workout cases. As we reflect on 2018 as a year of recovery and growth, we anticipate a strong 2019 ahead with REGMIFA maintaining its position as a reliable funding partner to its partner institutions with a strong focus on its developmental mission.

The Board of Directors

30 May 2019

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Ernst & Young
Société anonyme

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Independent auditor's report

To the Shareholders of
Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF
5, rue Jean Monnet
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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 2018, 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 2018, 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.

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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.

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- 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 Directors' 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, 16 May 2019

Statement of Financial Position

As at 31 December 2018
(expressed in USD)

	Notes	2018	2017
Assets			
Loans to Partner Lending Institutions	4	103,598,724	97,232,127
Interest receivable on loans	4	3,753,408	3,397,891
Derivative financial instruments	5	3,940,017	5,415,695
Other receivables		1,093,174	1,272,509
Prepaid expenses		6,790	7,136
Cash and cash equivalents		23,549,257	26,055,359
Total Assets		**135,941,370**	**133,380,717**
Liabilities			
Derivative financial instruments	5	1,856,635	2,638,766
Accrued expenses	8.5	1,026,089	905,950
Other payables		534,006	-
Contribution to the technical assistance facility		483,294	-
Notes issued	6	5,248,588	7,872,882
Distribution payable to holders of redeemable shares	10	2,740,447	2,063,183
Net assets attributable to:			
- holders of redeemable Class A shares	7	37,704,908	25,704,908
- holders of redeemable Class B shares	7	31,070,380	31,070,380
Total Liabilities		**80,664,347**	**70,256,069**
Equity			
Share capital	7	62,314,790	62,314,790
Retained earnings		(7,037,767)	809,858
Total Equity attributable to holders of Class C shares		**55,277,023**	**63,124,648**
Total Liabilities and Equity		**135,941,370**	**133,380,717**

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

Statement of Comprehensive Income

For the year ended 31 December 2018
(expressed in USD)

Income	**Notes**	**2018**	**2017**
Interest income on loans		14,160,287	12,894,823
Interest income on bank deposits		383,948	169,598
Net gain/(loss) on derivative financial instruments	5	(3,970,549)	(8,718,569)
Net (loss)/gain on loans to Partner Lending Institutions		(7,427,208)	3,073,395
Other net foreign exchange (loss)/gain		(178,273)	47,239
Net change in loan loss allowance	4	3,332,952	(6,154,139)
Other income		40,208	41,134
Total net investment income		**6,341,365**	**1,353,481**
Expenses			
Management fees	8.1	(2,252,579)	(2,260,155)
Secretary fees	8.3	(129,221)	(123,883)
Legal and audit fees		(158,071)	(147,149)
Administration, custodian and domiciliation fees	8.4	(196,580)	(205,583)
Other administrative expenses		(320,905)	(220,295)
Marketing and promotion expenses		(32,200)	(41,558)
Total operating expenses		**(3,089,556)**	**(2,998,623)**
Operating profit/(loss)		**3,251,809**	**(1,645,142)**
Interest expense on notes		(229,920)	(237,176)
Bank charges		(10,826)	(51,489)
Loss before performance allocation		**3,011,063**	**(1,933,807)**
Distribution to holders of redeemable shares	10.3	(2,740,447)	(2,063,183)
Contribution to the technical assistance facility	10.3	(483,294)	-
Investment Manager incentive bonus	10.3	(82,160)	-
Loss before tax		**(294,838)**	**(3,996,990)**
Taxation		-	-
Loss for the year		**(294,838)**	**(3,996,990)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(294,838)**	**(3,996,990)**

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

Statement of Cash Flows

For the year ended 31 December 2018
(expressed in USD)

	Notes	2018	2017
Operating activities			
Loss before tax		(294,838)	(3,996,990)
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Interest income on loans to Partner Lending Institutions		(14,160,287)	(12,894,823)
Interest income on bank deposits		(383,948)	(169,598)
Interest expense on notes		229,920	237,176
Distribution to holders of redeemable shares	10.3	2,740,447	2,063,183
Contribution to the technical assistance facility	10.3	483,294	-
Investment Manager incentive bonus	10.3	82,160	-
Net change in unrealised foreign exchange gain on loans to Partner Lending Institutions		(920,457)	(7,360,493)
Net change in unrealised (gain)/loss on derivative financial instruments	5	693,547	6,744,962
Net change in loans loss allowance	4	(3,332,952)	6,154,139
		(14,863,114)	**(9,222,444)**
Working capital adjustments:			
Net decrease/(increase) in other receivables and prepaid expenses		(360,679)	(524,209)
Net increase/(decrease) in accrued expenses and other payables (incl. incentive bonus)		571,985	(634,190)
Net cash flows used in operating activities		**(14,651,808)**	**(10,380,843)**
Investing activities			
Net (increase)/decrease in loans to Partner Lending Institutions		(9,125,615)	5,278,552
Interest received on loans to Partner Lending Institutions		13,804,770	14,292,695
Interest received on bank deposits		383,948	169,598
Cash flows from investing activities		**5,063,103**	**19,740,845**
Financing activities			
Proceeds from issue of shares		12,000,000	5,000,000
Payments on redemption of notes		(2,624,294)	(2,624,294)
Distribution paid to holders of redeemable shares		(2,063,183)	(2,041,455)
Interest paid on notes		(229,920)	(237,176)
Cash flows from financing activities		**7,082,603**	**97,075**
Net (decrease)/increase in cash and cash equivalents		**(2,506,102)**	**9,457,077**
Cash and cash equivalents at the beginning of the year		**26,055,359**	**16,598,282**
Cash and cash equivalents at the end of the year		**23,549,257**	**26,055,359**

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

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 2018
(expressed in USD)

	Notes	Class A	Class B	Class C
As at 31 December 2016		**20,704,908**	**31,070,380**	**67,121,638**
Issuance of shares		5,000,000	-	-
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)	-
As at 31 December 2017		**25,704,908**	**31,070,380**	**63,124,648**
Loan loss allowance (IFRS9 transition impact)		**-**	**-**	(7,552,787)
Issuance of shares		12,000,000	-	-
Allocation of distributable income and capital gains and losses	10.3	1,051,100	1,689,347	(294,838)
Distribution to holders of redeemable Class A and Class B shares	10	(1,051,100)	(1,689,347)	-
As at 31 December 2018		**37,704,908**	**31,070,380**	**55,277,023**

Notes to the Financial Statements
As at 31 December 2018
(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, or 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).

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 2017.

2.2.1. New and amended standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2018

The nature and the impact of each new standard and amendment relevant to then Fund is described below:

IFRS 9, 'Financial Instruments'

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. Although the classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, comparatives for 2017 have not been restated, and are still reported in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'.

Notes to the Financial Statements (continued)
As at 31 December 2018
(expressed in USD)

Note 2 - Significant accounting policies (continued)

2.2. Basis of preparation (continued)

2.2.1. New and amended standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2018 (continued)

Classification and measurement

The Fund has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively.

Based on that assessment:
- All financial assets previously held at fair value continue to be measured at fair value.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortized cost under IFRS 9.

The following table details the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	Original carrying amount under IAS 39	New classification under IFRS 9	New carrying amount under IFRS 9	Re-measurement impact
Financial assets					
Loans to PLIs	Loans and receivables	97,232,127	Amortized cost	89,679,340	7,552,787
Interest receivable on loans	Loans and receivables	3,397,891	Amortized cost	3,397,891	-
Derivative financial instruments	FVPL	5,415,695	FVPL	5,415,695	-
Other receivables	Loans and receivables	1,272,509	Amortized cost	1,272,509	-
Cash and cash equivalents	Loans and receivables	26,055,359	Amortized cost	26,055,359	-

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. As the Fund has not designated any financial liabilities at FVPL, this requirement has not had an impact on the Fund.

Note 2 - Significant accounting policies (continued)

2.2. Basis of preparation (continued)

2.2.1. New and amended standards and interpretations mandatory for the first time for the financial year beginning on 1 January 2018 (continued)

Impairment

Upon the adoption of IFRS 9, the Fund recognized additional impairment of EUR 7,552,787 on the loans to PLIs which resulted in a decrease in net asset value of the Fund's C Shares of EUR 7,552,787 as at 1 January 2018 (see Note 4).

Hedging

The Fund has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

2.2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted

There are no standards, amendments or interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements which, in the opinion of the Board of Directors, are relevant to the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

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.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments

2.4.1. Classification of financial assets

<u>As from 1 January 2018</u>

The Fund classifies its financial assets as measured at amortized cost or at fair value through profit or loss ("FVPL") on the basis of:

- The business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category the loans to Partner Lending Institutions (PLIs), interest receivable on loans, other receivables and cash and cash equivalents.

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Fund includes in this category derivative financial instruments in an asset position, when the fair value is positive.

<u>Until 31 December 2017</u>

The Fund classified its financial assets as financial assets measured at FVPL, loans and receivables, held-to-maturity financial assets or as available-for-sale financial assets, as appropriate.

The Fund's financial assets consisted of financial assets at FVPL and loans and receivable. Financial assets at FVPL only included derivative financial instruments. Loans and receivables included loans to PLIs, other receivables and cash and cash equivalents. The Fund determined the classification of its financial assets at initial recognition.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

2.4.2. Classification of financial liabilities

The Fund classifies its financial liabilities as measured at amortized cost or measured at FVPL.

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. The Fund includes in the category derivative financial instruments in a liability position, when the fair value is negative.

Financial liabilities measured at amortized cost

This category includes all financial liabilities other than those measured at FVPL. The Fund includes in this category accrued expenses, other payables, notes issued, distributions to holders of redeemable shares and net assets attributable to holders of redeemable shares.

2.4.3. Recognition

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Loans to PLIs are recognized when cash is advanced to the PLIs.

2.4.4. Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognized directly in the statement of comprehensive income.

Financial assets and liabilities, other than those classified as at FVPL, are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Loans to PLIs are measured initially 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.

2.4.5. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVPL at fair value.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

2.4.5. Subsequent measurement (continued)

Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain/(loss) on derivative financial instruments' in the statement of comprehensive income.

Financial assets in the form of debt instruments are measured at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the debt instruments are derecognized or impaired, as well as through the amortization process.

Financial liabilities, other than those classified as at FVPL, are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating and recognizing the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortized cost of the financial liability.

When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.4.6. De-recognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is de-recognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred substantially all of the risks and rewards of the asset.

The Fund de-recognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

2.4.7. Impairment of financial assets measured at amortized cost

As from 1 January 2018
The Fund assesses on a forward looking basis the expected credit losses associated with the debt instruments measured at amortised cost, including loans to PLIs.

The new impairment model applies to all financial assets measured at amortised cost and requires the recognition of loan loss allowance based on expected credit losses (ECL) rather than only incurred credit losses as it was the case under IAS 39.

At each reporting date, the Fund shall measure the loss allowance on loans to PLIs and other financial assets measured at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses.

The Fund measures credit risk and expected credit losses using probability of default (“PD”), exposure at default (“EAD”) and loss given default (“LGD”). The directors consider both historical analysis and forward looking information in determining any expected credit loss based on the models used.

Significant financial difficulties of a debtor, probability that a debtor will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. Regardless of the change in credit rates, if any contractual payment is more than 30 days past due or a counterparty credit rating which has fallen below the lowest rating of the “Investment Grade” category. Any contractual payment which is more than 90 days past due is considered credit impaired. The ECLs are calculated on an individual basis.

Until 31 December 2017
The Fund assessed at each financial position date whether there was objective evidence that a financial asset or group of financial assets was impaired. If there was 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 was tested for impairment. The amount of the loss was measured at 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 was reduced through use of an allowance account. The amount of the loss was recognized in profit or loss.

Notes to the Financial Statements (continued)

As at 31 December 2018
(expressed in USD)

Note 2 - Significant accounting policies (continued)

2.5. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily fixed rate to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

2.6. 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.

2.7. 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.

2.8. Shares issued

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

2.8.2. 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.

Note 2 - Significant accounting policies (continued)

2.8. Shares issued (continued)

2.8.2. Class C shares (continued)

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.

2.9. 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.

2.10. Expenses

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

2.11. 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.

Note 3 - Significant accounting judgements, estimates and assumptions

The preparation of the Fund’s financial statements requires the Board of Directors 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.

Note 3 - Significant accounting judgements, estimates and assumptions (continued)

3.1. Classification of debt instruments

IFRS 9 requires that the classification of debt instruments is determined based on the business models that the Fund has in place for managing those assets.
There are three business models available under IFRS 9:

- “Hold to collect” model;
- “Hold to collect and sell” model;
- Models that do not meet the criteria of either “Hold to collect" or "Hold to collect and sell".

The Board of Directors, upon recommendation of the Investment Manager, determines the business model based on relevant evidence including quantitative factors (e.g., the expected frequency and volume of sales) and qualitative factors such as :

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel;
- the risks that affect the performance of the business model and the financial assets held within that business model, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

For those assets that are not held for trading or managed on a fair value basis, such as the loans to PLIs, a further assessment has been undertaken of the contractual cash flows that were in place at the time of their origination to determine if they are consistent with those of a basic lending arrangement. That is, whether they have cash flows that are solely payments of principal and interest (SPPI). Where the cash flows are consistent with SPPI, assets are classified at amortized cost or at fair value through other comprehensive income (FVOCI).

As the debt instruments of the Fund have SPPI characteristics and are held within a business model whose objective is to hold them to collect contractual cash flows (“Hold to collect” model), the Directors concluded that the debt portfolio meets the conditions to be classified at amortized cost.

3.2. Impairment losses on debt instruments

Expected credit losses (“ECL”) are determined for debt instruments that are classified at amortized cost.

The measurement of impairment losses under IFRS 9 requires judgement, in particular the estimation of the amount and timing of future cash flows and collateral values when determining losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Note 3 - Significant accounting judgements, estimates and assumptions (continued)

3.2. Impairment losses on debt instruments (continued)

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining ECL include:

- the Company's criteria for assessing if there has been a significant increase in credit risk; and
- the development of ECL models, including the choice of inputs relating to macroeconomic variables.

In determining ECL, based on the models used, the directors are required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Going forward, the PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience.

The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions across a number of sectors and geographical areas.

3.3. Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Where the fair values of financial instruments 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, see Note 4 and Note 5.

Notes to the Financial Statements (continued)

As at 31 December 2018
(expressed in USD)

Note 4 - Loans to Partner Lending Institutions

	2018	2017
Gross loans to PLIs	117,657,542	107,071,110
Cumulated loan loss allowance (*)	(14,058,818)	(9,838,983)
Carrying value of PLIs (excluding interests)	**103,598,724**	**97,232,127**
Accrued interests	2,613,309	2,197,013
Interests receivable	1,140,099	1,200,878
Carrying value of PLIs (including interests)	**107,352,132**	**100,630,018**
Fair value of loans to PLIs	**120,247,798**	**107,579,215**

(*) Since 1 January 2018, all PLIs are subject to the expected credit loss model.

Movements in the accumulated impairment losses on loans to PLIs were as follows:

	2018
Accumulated impairment losses as at 31 December 2017	9,838,983
IFRS 9 transition impact as at 1 January 2018	7,552,787
Accumulated impairment losses as at 1 January 2018	17,391,770
Additional/ (reversal) of impairment losses recognised during the year, net	(218,844)
Amount written off during the year as uncollectible	(3,114,108)
Effect of translation to presentation currency	-
Accumulated impairment losses as at 31 December 2018	**14,058,818**

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 2018, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2018, the portion of gross loans to PLIs falling due within one year amounts to USD 45,521,908 (2017: USD 50,264,526).

Notes to the Financial Statements (continued)
As at 31 December 2018
(expressed in USD)

Note 4 - Loans to Partner Lending Institutions (continued)

The table hereafter shows the credit quality and maximum exposure to credit risk per based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Current Credit Rating	Stage 1	Stage 2	Stage 3	Carrying value 31.12.2018
D	-	-	5,904,108	5,904,108
C	-	-	2,799,614	2,799,614
B	-	-	1,929,987	1,929,987
B+	-	1,815,823	-	1,815,823
BB-	404,199	14,101,437	-	14,505,636
BB	9,679,143	23,252,514	-	32,931,656
BB+	25,233,904	4,458,205	-	29,692,109
BBB-	15,282,114	-	-	15,282,114
BBB	6,342,461	-	-	6,342,461
BBB+	6,454,033	-	-	6,454,033
Grand Total	**63,395,854**	**43,627,979**	**10,633,709**	**117,657,542**

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	61,249,409	29,352,234	16,469,469	107,071,112
New assets purchased	49,903,361	6,757,321	-	56,660,682
Assets derecognized or matured (excluding write-offs)	(21,031,720)	(16,085,515)	(5,842,999)	(42,960,234)
Transfer to stage 1	3,203,687	(3,203,687)	-	-
Transfer to stage 2	(29,689,546)	29,689,546	-	-
Transfer to stage 3	(239,337)	(2,881,920)	3,121,257	-
Amounts written off	-	-	(3,114,018)	(3,114,018)
At 31 December 2018	**63,395,854**	**43,627,979**	**10,633,709**	**117,657,542**

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2018	2,078,088	3,349,589	11,964,092	17,391,770
New assets purchased	1,844,838	822,018	-	2,666,857
Assets derecognized or matured (excluding write-offs)	(792,416)	(1,220,725)	(872,650)	(2,885,791)
Transfer to stage 1	68,906	(68,906)	-	-
Transfer to stage 2	(1,126,909)	1,126,909	-	-
Transfer to stage 3	-	(37,127)	37,127	-
Amounts written off	-	-	(3,114,018)	(3,114,018)
At 31 December 2018	**2,072,508**	**3,971,758**	**8,014,552**	**14,058,818**

(expressed in USD)

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.

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 2018 and 2017, there were no transfers between level 1 and level 2 fair value measurements.

5.1. Swap contracts

As at 31 December 2018, the Fund holds 84 cross currency swaps (2017: 85) with notional amount of USD 92,777,958 (2017: USD 114,242,433), which have a positive fair value of USD 3,908,030 and a negative fair value of USD 1,853,865 as at 31 December 2018 (2017: a positive fair value of USD 5,415,695 and a negative fair value of USD 2,638,766).

5.2. Forward foreign exchange contracts

As at 31 December 2018, the Fund has the following forward foreign exchange contracts outstanding:

Currency purchased	Currency sold	Amount purchased	Amount sold	Maturity date	Unrealised gain/(loss)
USD	ZAR	1,334,739	19,500,000	23/04/2019	(2,770)
USD	EUR	1,978,630	1,700,000	07/01/2019	31,987
					29,217

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

(expressed in USD)

Note 5 - Derivative financial instruments (continued)

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

Net gain/(loss) on derivative financial instruments are as follows:

	2018	2017
Net realised loss	(3,277,003)	(1,973,607)
Net change in unrealised loss	(693,546)	(6,744,962)
Total	**(3,970,549)**	**(8,718,569)**

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 2018, the Notes issued by the Fund amount to USD 5,248,588 (2017: USD 7,872,882) 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 2018 (2017: USD 2,624,294).

The floating rate Subordinated Notes are valued at their nominal amounts as of 31 December 2018 and 2017. The credit risk of the Fund having not significantly changed since the issuance of the Subordinated Notes, the fair value of the Subordinated Notes approximates the carrying value as of 31 December 2018.

The Investment Manager considers that the amortized cost of USD 5,248,588 is the best estimate of fair value.

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.

Notes to the Financial Statements (continued)
As at 31 December 2018
(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 2018, the outstanding and uncalled commitments are as follows:

As at 31 December 2018	**Senior Class A Shares**	**Mezzanine Class B Shares**	**First Loss Class C Shares**
	in USD	**in USD**	**in USD**
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)	(23,715,122)	(22,179,443)	-
Amount called (EUR)*	(13,989,786)	(8,890,937)	(62,314,790)
Uncalled commitment (USD)	**6,000,000**	**10,000,000**	**-**
Uncalled commitment (EUR)*	**-**	**-**	**-**

* 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 2017, the outstanding and uncalled commitments are as follows:

As at 31 December 2017	**Senior Class A Shares**	**Mezzanine Class B Shares**	**First Loss Class C Shares**
	in USD	**in USD**	**in USD**
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)
Uncalled commitment (USD)	**18,000,000**	**10,000,000**	**-**
Uncalled commitment (EUR)*	**-**	**-**	**-**

* 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.

Notes to the Financial Statements (continued)
As at 31 December 2018
(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 2,252,579 for the year ended 31 December 2018 (2017: USD 2,260,155).

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.

The Investment Manager Incentive Bonus accrued for as at 31 December 2018 amounted to USD 82,160 (2017: 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 2018, the secretary fees amount to USD 129,221 (2017: USD 123,883).

Notes to the Financial Statements (continued)
As at 31 December 2018
(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 2018, the administration fee amounts to USD 126,921 (2017: USD 129,789).

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 2018, the custodian fee amount to USD 39,658 (2017: USD 45,794).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2018, the domiciliation fee amounts to USD 15,000 (2017: USD 15,000).

For the year ended 31 December 2018, the registrar and the compliance monitoring fees amount to USD 15,000 (2017: USD 15,000).

8.5. Accrued expenses

As at 31 December 2018, the accrued expenses mainly relate to Fund management fees and direct operating expenses and amount to USD 1,026,089 (2017: USD 905,950).

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.

The TA Facility and Investment Manager Incentive Bonus are accrued for throughout the year based on the performance of the Fund and on the remaining amounts available subsequent to the allocation of target dividends. In the context of the preparation of the financial year-end net asset value, the Board of Directors approves the final amounts based on the performance of the Fund during the first meeting subsequent to the financial year-end. The accrual is therefore adjusted accordingly at year-end.

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.

Notes to the Financial Statements (continued)
As at 31 December 2018
(expressed in USD)

Note 9 - Allocation and distribution waterfalls (continued)

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.

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.

Notes to the Financial Statements (continued)
As at 31 December 2018
(expressed in USD)

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

10.1. Calculation of distributable income (income waterfall)

	2018	2017
Interest income on loans	14,160,287	12,894,823
Interest income on bank deposits	383,948	169,598
Other income	40,208	41,134
Management fees	(2,252,579)	(2,260,155)
Secretary fees	(129,221)	(123,883)
Legal and audit fees	(158,071)	(147,149)
Administration, custodian and domiciliation fees	(196,580)	(205,583)
Other administrative expenses	(320,905)	(220,295)
Marketing and promotion expenses	(32,200)	(41,558)
Interest expenses on Notes	(229,920)	(237,176)
Bank charges	(10,826)	(51,489)
Net loss on derivative financial instruments (interest portion)	(5,755,456)	(6,708,370)
Total	**5,498,685**	**3,109,897**

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:

	2018	2017
Net (loss)/gain on loans to PLIs	(7,427,208)	3,073,395
Other net foreign exchange gain	(178,273)	47,239
Net gain/(loss) on derivative financial instruments (notional portion)	1,784,908	(2,010,199)
Loan loss allowance	3,332,952	(6,154,139)
Total	**(2,487,621)**	**(5,043,704)**

Notes to the Financial Statements (continued)

As at 31 December 2018
(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:

	2018	2017
Target dividend on Class A Shares	1,012,201	712,720
Complementary dividends on Class A Shares	38,899	-
Target dividend on Class B Shares	1,599,851	1,350,463
Complementary dividends on Class B Shares	89,496	-
Total dividends distributable to Class A Shares and Class B Shares	**2,740,447**	**2,063,183**
Contribution to the technical assistance facility	**483,294**	**-**
Investment Manager incentive bonus	**82,160**	**-**
Target dividend on Class C Shares	1,920,043	1,046,714
Foreign exchange compensation amount	-	-
Complementary dividends on Class C Shares	272,740	-
Capital gains and losses specific to Class C Shares	(2,487,621)	(5,043,704)
Total allocated to Class C Shares	**(294,838)**	**(3,996,990)**
Profit/(loss) before performance allocation	**3,011,063**	**(1,933,807)**

As a result, for the year ended 31 December 2018, a total amount of USD 1,051,101 is payable to the holders of Class A Shares (2017: USD 712,720), a total amount of USD 1,689,347 is payable to the holders of Class B Shares (2017: USD 1,350,463), and a total negative amount of USD 294,838 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares (2017: negative amount of USD 3,996,990).

Notes to the Financial Statements (continued)
As at 31 December 2018
(expressed in USD)

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 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.

Notes to the Financial Statements (continued)

As at 31 December 2018
(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 lender. 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.

	2018	2017
Statement of financial position		
Loans to PLIs	117,657,542	107,071,110
Derivative financial instruments (*)	3,940,017	5,415,695
Interest receivable on loans to PLIs	5,672,103	5,963,478
Other receivables	1,093,174	1,272,509
Cash and cash equivalents	23,549,257	26,055,359
Total	**151,912,093**	**145,778,151**
Off-balance sheet		
Committed undisbursed amounts on loans to PLIs	-	-
Total	**-**	**-**
Total gross maximum exposure	**151,912,093**	**145,778,151**

(*) *See Note 5 for further details.*

Notes to the Financial Statements (continued)

As at 31 December 2018
(expressed in USD)

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 2018 and 2017 is as follows:

31 December 2018	Amounts in USD	%
Top 1	9,945,404	8.45%
Top 3	24,375,509	20.72%
Top 5	33,973,961	28.88%
Top 10	54,776,611	46.56%
Top 20	81,363,593	69.15%
Top 30	97,413,554	82.79%
Top 40	109,294,596	92.89%
Top 50	117,034,008	99.47%
Top 53	117,657,542	100.00%

31 December 2017	Amounts in USD	%
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%

Notes to the Financial Statements (continued)
As at 31 December 2018
(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 2018 and 2017:

	31 December 2018		**31 December 2017**	
	Amounts in USD	**%**	**Amounts in USD**	**%**
Kenya	16,441,447	13.97%	17,109,051	15.98%
Ivory Coast	16,267,023	13.83%	12,008,000	11.22%
Tanzania	5,453,579	4.64%	9,616,165	8.98%
Senegal	7,356,174	6.25%	9,288,188	8.68%
Ghana	6,705,175	5.70%	7,986,310	7.46%
Zambia	9,856,371	8.38%	7,869,183	7.35%
Democratic Republic of Congo	4,500,000	3.82%	6,750,000	6.30%
Nigeria	11,608,080	9.87%	6,248,649	5.84%
Uganda	4,874,871	4.14%	5,796,572	5.41%
Mali	3,772,395	3.21%	3,962,640	3.70%
South Africa	4,720,352	4.01%	3,307,755	3.09%
Cameroon	1,714,725	1.46%	2,881,920	2.69%
Angola	2,799,614	2.38%	2,799,614	2.61%
Rwanda	1,420,151	1.21%	2,449,440	2.29%
Burkina Faso	6,333,051	5.38%	2,149,432	2.01%
Zimbabwe	-	0.00%	1,686,189	1.57%
Madagascar	10,848,753	9.22%	1,200,800	1.12%
Benin	-	0.00%	1,200,800	1.12%
Sierra Leone	1,172,958	1.00%	1,075,852	1,01%
Malawi	995,171	0.85%	999,737	0.93%
Niger	771,626	0.65%	600,400	0.56%
Tchad	46,028	0.03%	84,413	0.08%
Total	**117,657,542**	**100.00%**	**107,071,110**	**100.00%**

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 14,058,818, which consists of the loan loss allowance as of 31 December 2018 (2017: USD 9,838,983).

Notes to the Financial Statements (continued)
As at 31 December 2018
(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:

Scaling	Qualifier	Rating Grade
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

Notes to the Financial Statements (continued)

As at 31 December 2018
(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 2018 and 2017 based on the Fund's credit rating system:

	31 December 2018		31 December 2017	
	Amounts in USD	**%**	**Amounts in USD**	**%**
AAA	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
BBB	28,078,608	23.87%	39,575,062	36.96%
BB	77,129,402	65.55%	53,251,391	49.73%
B	3,745,810	3.18%	5,324,944	4.97%
CCC	-	-	-	-
CC	-	-	-	-
C	2,799,614	2.38%	4,084,413	3.82%
D	5,904,108	5.02%	4,835,300	4.52%
Total	**117,657,542**	**100.00%**	**107,071,110**	**100.00%**

Credit risk exposure to counterparties from cash deposits

As at 31 December 2018, the Fund holds cash in current accounts of USD 18,538,901 (2017: USD 26,055,359) 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 2018, cash for a total amount of USD 588,111 (2017: USD 617,770) has been pledged as collateral with ICBC Standard Bank rated BBB+ according to Standard & Poor's.

As at 31 December 2018, collateral had been posted with TCX acting as a hedge counterparty with the Fund for USD 3,179,874 (2017: USD 2,455,678), rated A- according to Standard & Poor's, and with Standard Chartered Bank for USD nil (2017: 260,000), rated A- according to Standard & Poor's. At the same date, collateral was posted with ICBC Standard Bank for an amount of USD 1,830,481 (2017: 2,940,481), rated BBB+ according to Standard & Poor's.

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.

Note 11 - Risk management (continued)

11.1. Credit risk (continued)

11.1.3. Credit quality (continued)

Impairment assessment (continued)

The Fund recognizes expected credit losses on loans to PLIs based on its own probability of default model. As at 31 December 2018, loan loss allowance on principal amounts to USD 14,058,818 (2017: USD 9,838,983), which represents 11.95% (2017: 9.19%) of the gross portfolio.

IFRS 9 impairment methodology is forward looking, factoring in all future principal and interest cash flows. The loan loss allowance is applied to the entire portfolio (including non-workout institutions). Partner lending Institutions are separated into Stage 1, 2 and 3 loans depending on changes to credit quality at period-end relative to credit quality at loan's disbursement. As of 31 December 2018, Stage 1 loans, having a loan loss allowance of USD 2,072,508 determined at a 12 month ECL, reflect a stable credit quality. Stage 2 loans, having a loan loss allowance of USD 3,971,758 determined at a lifetime ECL, reflect a deterioration of credit quality, as a result of country risk and institutional risk increase. Stage 3 loans, having a loan loss allowance of USD 8,014,552 (2017: USD 9,838,983) determined at a lifetime ECL, indicate a default situation.

As regards cash and cash equivalents, the policy of the Fund is to book allowance for expected credit loss if the counterparty concerned has a long-term issue credit rating from Standard & Poor's below A and the amount at stake is deemed significant.

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.

Note 11 - Risk management (continued)

11.2. Liquidity risk (continued)

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 16 million as at 31 December 2018 (2017: USD 28 million).

Notes to the Financial Statements (continued)
As at 31 December 2018
(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 2018	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 (*)	17,530,724	43,367,205	77,672,483	4,252,764	-	142,823,176
Other receivables	1,093,174	-	-	-	-	1,093,174
Cash and cash equivalents	23,549,257	-	-	-	-	23,549,257
Total financial assets	**42,173,155**	**43,367,205**	**77,672,483**	**4,252,764**	**-**	**167,465,607**
Undrawn capital commitments	16,000,000	-	-	-	-	16,000,000
Total financial assets and undrawn capital commitments	**58,173,155**	**43,367,205**	**77,672,483**	**4,252,764**	**-**	**183,465,607**
Notes (**)	-	2,778,484	2,701,671	-	-	5,480,155
Derivative financial instruments (**)	2,505,576	8,703,739	9,096,848	-	-	20,306,163
Accrued expenses	1,026,089	-	-	-	-	1,026,089
Other payables	534,009	-	-	-	-	534,009
Distribution payable to holders of redeemable shares	-	2,740,447	-	-	-	2,740,447
Net assets attributable to Class A and Class B Shares	-	24,821,100	43,954,119	-	-	68,75,219
Total financial liabilities	**4,065,674**	**39,043,770**	**55,752,638**	**-**		**98,862,082**
Committed undisbursed amounts on loans to PLIs	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**4,065,674**	**39,043,770**	**55,752,638**	**-**	**-**	**98,862,082**

(*) *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 2018
(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
Total financial assets	**41,359,882**	**53,443,103**	**59,827,356**		**-**	**154,630,341**
Undrawn capital commitments	28,000,000	-	-	-	-	28,000,000
Total financial assets and undrawn capital commitments	**69,359,882**	**53,443,103**	**59,827,356**	**-**	**-**	**182,630,341**
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
Total financial liabilities	**3,352,638**	**11,234,349**	**67,138,713**	**1,739,019**	**-**	**83,464,719**
Committed undisbursed amounts on loans to PLIs	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**3,352,638**	**11,234,349**	**67,138,713**	**1,739,019**	**-**	**83,464,719**

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

(**) *Including interest expenses*

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 2018, 81.1% (2017: 79.8%) 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). 19.03% of the portfolio is denominated in USD (2017: 18.37%), 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 in 2017.

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.

Notes to the Financial Statements (continued)
As at 31 December 2018
(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).

	31 December 2018		31 December 2017	
Increase (in bps)	**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	16,313	0.60%	15,829	0.80%
50	81,564	3.00%	79,145	4.00%
100	163,128	6.00%	158,290	8.10%

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 2018, all of the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2017: 100%). 19.03% of the Fund's PLI investments are denominated in USD (2017: 18.37%), 81.1% are denominated in local currency and hedged for both currency and interest rate risk (2017: 79.8%), and nil are denominated in EUR and unhedged (2017: 0.1%).

As at 31 December 2018, the Fund's total unhedged open currency exposure amounts to USD 54,504 (2017: USD 95,158) (exchange rate as of disbursement) representing 0.0% (2017: 0.1%) of the PLI loan portfolio.

The table below indicates the currencies to which the Fund had significant exposure at 31 December 2018 and 2017 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.

	31 December 2018		31 December 2017	
Currency	**Change in currency rate**	**Effect on the net assets/ net equity**	**Change in currency rate**	**Effect on the net assets/ net equity**
EUR	10%	(447,573)	10%	(128,521)
EUR	5%	(223,787)	5%	(64,261)

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 2018
(expressed in USD)

Note 11 - Risk management (continued)

11.3. Market risk (continued)

11.3.2. Currency risk (continued)

As at 31 December 2018 and 2017, the split of the loan portfolio by currency is as follows:

			As at 31 December 2018				As at 31 December 2017
	Number of loans	Total amount (*) USD	% of net assets		Number of loans	Total amount (*) USD	% of net assets
XOF	21	31,785,288	25.62%	XOF	19	28,008,658	23.36%
USD	19	23,607,694	19.03%	USD	25	22,022,631	18.37%
KES	11	16,441,447	13.25%	KES	10	15,109,054	12.60%
ZMW	9	9,856,371	7.95%	MGA	-	-	-
MGA	4	9,705,603	7.82%	ZMW	8	7,869,182	6.56%
GHS	6	6,705,175	5.41%	GHS	6	7,986,310	6.66%
UGX	5	4,874,871	3.93%	UGX	6	5,796,573	4.83%
ZAR	6	4,720,352	3.81%	ZAR	3	3,307,755	2.76%
EUR	6	4,475,735	3.61%	EUR	2	1,285,213	1.07%
TZS	1	1,453,579	1.17%	TZS	3	5,416,361	4.52%
RWF	1	1,420,151	1.14%	RWF	2	2,449,440	2.04%
XAF	1	1,143,150	0.92%	XAF	4	4,082,720	3.41%
MWK	1	995,171	0.80%	MWK	1	999,737	0.83%
SLL	2	472,958	0.38%	SLL	2	525,852	0.44%
NGN	-	-	-	NGN	3	2,211,624	1.84%
	93	**117,657,542**	**94.46%**		**94**	**107,071,110**	**89.29%**

(*) net of the effect of the forward exchange transactions as of 31 December 2018. No forward exchange transactions were outstanding as at 31 December 2017.

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 2018, an amount of USD 20,392 of travel expenses was reimbursed to the Directors (2017: USD 24,979). 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

Notes to the Financial Statements (continued)
As at 31 December 2018
(expressed in USD)

Note 14 - Approval of the financial statements

On 13 May 2019, the Board of Directors resolved to authorize the issuance of the financial statements of the Fund for the year ended 31 December 2018 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.

Supplementary Information
As at 31 December 2018

Number of Shares Outstanding	**2018**	**2017**
Number of shares outstanding at the beginning 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
Number of shares issued during the year:		
Class A	120.000	50.000
Class B	-	-
Class C	-	-
Number of shares redeemed during the year:		
Class A	-	-
Class B	-	-
Class C	-	-
Number of shares outstanding at the end of the year:		
Class A	**377.049**	**257.049**
Class B	**1,242.813**	**1,242.813**
Class C	**1,117.091**	**1,117.091**

Net Asset Value per Share

Class of shares	**31 December 2018**	**31 December 2017**	**31 December 2016**
Class A	100,000.00	100,000.00	100,000.00
Class B	25,000.00	25,000.00	25,000.00
Class C	49,483.07	56,508.06	60,086.10