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 2020

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General information

Board of Directors	Mr. Karl-Heinz Fleischhacker (Chairman until 25 June 2020, Board member until 23 July 2020) Mrs. Laure Wessemius-Chibrac (Board member until 25 June 2020, Chairwoman since 26 June 2020) Mr. Stefan Hirche Mr. Arthur Sletteberg (until 17 February 2020) Dr. Giuseppe Ballocchi Mr. François Lagier (until 10 June 2020) Mrs. Claudia Huber Mrs. Saumya Kailasapathy (since 24 July 2020)
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 Adviser	Linklaters LLP 35, avenue John F. Kennedy B.P.1107 L-1855 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 2020 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").

COVID-19 sets the stage for 2020
While the COVID-19 pandemic has severely affected sub-Saharan African ("SSA") economies, resulting in a recession (according to the World Bank an estimated -3.3% GDP contraction[1]) in the region for the first time in 20 years, 2020 ultimately proved to be a year of resilience with many countries implementing expansionary fiscal and monetary policies including central bank regulations in support of forbearance, decreasing policy rates, extension of emergency lines of credit and acceleration of a much more digitally-based economy for both clients and financial institutions. Indeed, many financial institutions were relatively well prepared for this sort of crisis due to robust capital bases, as required by a number of central banks in recent years, and mostly adequate liquidity levels[2]. While the pandemic is by no means over, many financial institutions and most of the partner lending institutions (PLIs) with which the Fund works, have begun showing sustained levels of improvement.

Record disbursements in 2020
Despite the economic and social turmoil caused by the advent of COVID-19 early in the year, the Fund ended 2020 with a record level of disbursements, which totalled USD 74.0 million across 46 transactions (up from USD 50.8 million across 39 transactions in 2019). Indeed, the Fund played a critical role in supporting its PLIs during very tumultuous times, providing strong renewal (24) and top up (16) support as PLIs looked to bolster their liquidity positions to weather the uncertain times brought by the pandemic. Although travel was prohibited for most of the year, the Fund was still able to disburse five transactions to new partners this year, two of which were substantial investments (USD 10 million each) to Access Bank Plc Nigeria and KCB Bank Kenya in the form of subordinated debt. This will allow these PLIs to further strengthen their capital structures and expand outreach to their substantial MSME portfolios in these key markets. Accordingly, with this significant boost the Fund's year-end outstanding loan portfolio grew to a record level of USD 136 million (at historical cost) from USD 123 million in 2019. While the Fund did not enter any new economies (REGMIFA was invested in 19 countries at year end 2020 and 2019), the Investment Manager continues to evaluate tangible opportunities in new regions, such as Ethiopia, Togo, Benin and Guinea.

Highlights in 2020
As part of the 10-year anniversary since the Fund's inception, a strategy review was undertaken to assess the suitability and the relevance of the Fund's focus for the next 10 years, given the many economic, social and political changes that occurred in the SSA region over the first decade. While the mission of the Fund has not fundamentally changed, the strategy related to realizing the mission was adapted to better incorporate the current and projected context in which the Fund works. The main changes broadened the definitions of the mission and of the target investees so that the Fund can also support low and middle-income households (LMIHs) with primary goods and services (education, off-grid solar, affordable housing, etc.) and work with different types of financial intermediaries (e.g. holding companies, larger commercial banks), in addition to microfinance institutions and small and middle enterprises (SME) banks.

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[1] https://www.worldbank.org/en/publication/africa-pulse
[2] https://www.theafricareport.com/64063/african-banks-may-wait-til-2024-to-return-to-pre-crisis-revenues-ifc/

Another key development for the Fund was the further strengthening of its liquidity and capital position, which was realized by mobilizing another private investor for USD 1.5 million in Notes and an additional USD 24.4 million in C-shares from BMZ / KfW. This ongoing interest for the Fund via the public private partnership reflects the fact that not only does the Fund support impact in key SSA markets but it is also seen as a solid financial investment.

Outlook for 2021

While the crisis is still not over and the road to recovery remains uncertain and likely uneven across the region (the World Bank is estimating a rebound in GDP growth to +2.1% in 2021 for Sub-Saharan Africa[3]), the rollout of vaccines globally and ongoing economic support in the world's largest economies should ultimately benefit global trade and SSA's role in it. It is undeniable that the most vulnerable citizens in the SSA region have been dealt a massive setback, making the Fund's role in supporting financial inclusivity and outreach even more heightened. Taking into account the aforementioned context, updated strategy and strong support, particularly from the C-share investors, the Investment Manager plans to continue to support existing and new PLIs with liquidity and strategic subordinated debt, and accompany them with targeted Technical Assistance. The focus will not only be on the traditional Tier 2 and Tier 3 PLIs[4] but also on other financial intermediaries that support SMEs and LMIHs. Further geographic expansion may be dependent on the Investment Manager's ability to travel or capacity to identify suitable local consultants to complement online due diligences.

The Fund's financial performance

Notwithstanding high uncertainty and potential for losses in the year the Fund's financial performance in 2020 allowed it to serve the full target dividends for the A and B Share Classes for the tenth year in a row. The Fund did experience a loss of income, the consequence of an interest rate mismatch between the Fund's assets and liabilities, which was due to the precipitous drop of LIBOR in the first half of the year, as well as the change in the accounting method for upfront fees (now amortized over the life of the loan, generating a USD 0.8M deferred revenue). This resulted in the C-Shares being served approximately 60% of their target dividends, all of which were capitalized. While the Net Asset Value (NAV) of C Shares as of year-end 2020 rose in absolute terms to USD 80,981,854 (2019: USD 56,683,511) due to the receipt of USD 24,414,320 of additional capital, the retained earnings position remained stable at a negative USD 5.7 million (2019: negative USD 5.6 million).

Further strengthened capital structure

As mentioned, the Fund has already secured a significant level of new C Shares and has strong leads to source further C Shares from existing and new investors in the coming year. These C shares would not only provide further support to the A and B shareholders, but allow the Fund to leverage its capital structure and increase its funding capacity and outreach. As of year-end, the C Share NAV was 53.9%[5] of the Gross Asset Value (GAV) (2019: 38.8%), which continues to provide a strong first loss buffer to the Fund.

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[3] https://www.worldbank.org/en/publication/africa-pulse

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

[5] Following the change of Issue Document that was voted in June 2020, the provisions relative to stage 1 and stage 2 loans are added back to the NAV of the C-shares for the purpose of the calculation of this risk ratio.

Report of the Board of Directors (continued)

Social Impact in 2020

Travel restrictions and volatile conditions prevented the Investment Manager from sourcing many new Tier 2 and 3 PLIs or in some cases providing renewals to existing PLIs. Deals with Tier 2 and 3 PLIs however still represent 40% of the deals disbursed in 2020. The Fund's investments in the 13 least developed countries (LDC, as defined by the UN) in which it works in the region decreased to USD 57.8 million (2019: USD 66.2 million), with the largest drops in Ghana, Ivory Coast and DRC. However, the strong disbursements, particularly the subordinated debts to the two large banks mentioned above, ensured outreach remains strong. With ongoing recovery in the region, the Fund should be able to increase its support to smaller PLIs in these markets in 2021. In 2020, the REGMIFA TA Facility focused on completing all of the projects under donors' commitments. In terms of KPIs, this translates into 3 projects completed during the year 2020 for a value of EUR 212,967 (121 projects completed from 2011 to date for a total value of EUR 7 million). Additionally, the strategy that the TAF Manager put in place over time, to consolidate the PLIs' ownership of the TA projects, has enabled the TAF to collect a total of EUR 304,800 in co-financing. This amount will finance the 1st edition of the Technical Assistance Package 7 on Crisis Impact Mitigation (TAP-CIM), with a Digital Financial Services ("DFS") focus designed during the year 2020 in response to the COVID-19 pandemic. The DFS are helping to build the capacity of PLIs in responding to the crisis and progressively implementing systems and frameworks not only for business continuity but also expanding their reach to new market segments. The Fund showed continuous support to the mission of the TAF and from the 2019 income contributed USD 417,255 to recapitalize the TAF's assets, which will fund the 2nd edition of the TAP CIM to the benefit of 9 PLIs. In 2021, the TAF is getting ready to have an expanded focus on supporting PLIs better serve SMEs and LMIHs, to match the broadened range of target investees and mission.

Concluding remarks

2020 has been a year of many challenges, especially for the target beneficiaries of the REGMIFA Fund. However in the face of hardship, the Board is humbled not only by the incredible level of resilience that it has witnessed from the partner lending institutions of the Fund but above all by the resilience of their clients: the women and men behind the micro, small and medium enterprises in Sub-Saharan Africa. The Board would like to thank REGMIFA's investors, donors and service providers for their continued support and commitment to the Fund's mission and especially the Investment Manager for their incredible flexibility and well-thought-out strategy in managing the crisis and continued efforts to further improve the Fund's processes and growth. In March 2021, we finally celebrated the delayed 10th anniversary of the Fund's launch in May 2010 "10 years of impact" and the launch of an updated strategy for the 10 years to come. We now look forward to 2021 with REGMIFA maintaining its position as a reliable funder to its partner institutions with a strong focus on its mission.

The Board of Directors

May 2021

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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
L-2180 Luxembourg

Opinion

We have audited the financial statements of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (the "Fund"), which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 the 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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.

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of Board of 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

Aïssata Coulibaly
May 12, 2021

Aïssata Coulibaly

Luxembourg, 12 May 2021

Statement of Financial Position

As at 31 December 2020
(expressed in USD)

	Notes	31/12/2020	31/12/2019
Assets			
Loans to Partner Lending Institutions	4	125,699,380	108,274,941
Interest receivable on loans	4	2,663,818	2,945,965
Derivative financial instruments	5	2,424,283	4,607,248
Other receivables		1,033,984	4,217,304
Prepaid expenses		2,165	6,664
Cash and cash equivalents		29,100,595	26,017,377
Total Assets		**160,924,225**	**146,069,499**
Liabilities			
Bank overdraft		104,419	-
Derivative financial instruments	5	5,954,317	1,579,538
Accrued expenses	9.5	674,558	555,927
Other payables		404,554	84,423
Contribution to the technical assistance facility	11.3	599,017	1,079,842
Notes issued	6	15,782,746	19,824,294
Distribution payable to holders of redeemable shares	11	1,892,079	3,016,183
Net assets attributable to:			
- holders of redeemable Class A shares	7	34,989,808	43,704,908
- holders of redeemable Class B shares	7	19,540,873	19,540,873
Total Liabilities		**79,942,371**	**89,385,988**
Equity			
Share capital	7	86,729,110	62,314,790
Retained earnings		(5,747,256)	(5,631,279)
Total Equity attributable to holders of Class C shares		**80,981,854**	**56,683,511**
Total Liabilities and Equity		**160,924,225**	**146,069,499**

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

Statement of Comprehensive Income

For the year ended 31 December 2020
(expressed in USD)

Income	**Notes**	**2020**	**2019**
Interest income on loans		12,018,521	14,100,619
Interest income on bank deposits		255,035	354,844
Net realised loss on derivative financial instruments		(947,950)	(3,034,930)
Net change in unrealised gain/(loss) on derivative financial instruments		(6,557,744)	944,328
Net realised foreign exchange loss on loans to Partner Lending Institutions		(4,711,664)	(6,771,764)
Net change in unrealised foreign exchange gain/(loss) on loans to Partner Lending Institutions		5,776,272	(1,055,466)
Net change in loan loss allowance	4	(458,535)	3,691,890
Other income		51,748	40,623
Total net investment income		**5,425,683**	**8,270,144**
Expenses			
Management fees	9.1	(2,042,833)	(2,225,256)
Secretary fees	9.3	(235,774)	(94,773)
Legal and audit fees		(119,783)	(142,935)
Administration, custodian and domiciliation fees	9.4	(216,120)	(202,892)
Amortization of placement fees	14	(443,746)	-
Other administrative expenses		(85,264)	47,406
Director and IC member fees		(123,890)	(163,471)
Marketing and promotion expenses		(29,004)	(38,805)
Total operating expenses		**(3,296,414)**	**(2,820,726)**
Operating profit		**2,129,269**	**5,449,418**
Other net foreign exchange gain/(loss)		285,800	(76,070)
Interest expense on notes		(654,071)	(173,877)
Bank charges		(6,788)	(23,346)
Profit before performance allocation		**1,754,210**	**5,176,125**
Distribution to holders of redeemable shares	11.3	(1,892,079)	(3,016,183)
Contribution to the technical assistance facility	11.3	-	(643,978)
Investment Manager incentive bonus	9.2, 11.3	-	(109,476)
Reversal of the Investment Manager incentive bonus 2019	9.2, 11.3	21,895	-
Profit/(loss) before tax		**(115,974)**	**1,406,488**
Taxation		-	-
Profit/(loss) for the year		**(115,974)**	**1,406,488**
Other comprehensive income		-	-
Total comprehensive income for the year		**(115,974)**	**1,406,488**

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

Statement of Cash Flows

For the year ended 31 December 2020
(expressed in USD)

	Notes	2020	2019
Operating activities			
Profit/(loss) before tax		(115,974)	1,406,488
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Interest income on loans to Partner Lending Institutions		(12,018,521)	(14,100,619)
Interest expense on notes		654,071	173,877
Distribution to holders of redeemable shares	11.3	1,892,079	3,016,183
Contribution to the technical assistance facility	11.3	-	643,978
Investment Manager incentive bonus	9.2, 11.3	-	109,476
Reversal of the Investment Manager incentive bonus 2019		(21,895)	-
Net change in unrealised foreign exchange loss on loans to Partner Lending Institutions		(5,776,272)	1,055,466
Net change in unrealised (gain)/loss on derivative financial instruments		6,557,744	(944,328)
Net change in loans loss allowance	4	458,535	(3,691,890)
		(8,370,233)	**(12,331,369)**
Working capital adjustments:			
Net decrease/(increase) in other receivables and prepaid expenses		3,187,819	(3,124,004)
Net increase/(decrease) in accrued expenses and other payables		473,672	(1,042,240)
Net cash flows used in operating activities		**(4,708,742)**	**(16,497,613)**
Investing activities			
Net (increase)/decrease in loans to Partner Lending Institutions		(12,106,702)	(2,039,792)
Interest received on loans to Partner Lending Institutions		12,300,668	14,908,062
Cash flows from investing activities		**193,966**	**12,868,270**
Financing activities			
Proceeds from issue of shares	7, 8	24,414,320	16,082,160
Payments on redemption of shares	8	(8,715,100)	(21,611,667)
Proceeds from issue of notes	8	1,282,746	17,200,000
Payments on redemption of notes	8	(5,324,294)	(2,624,294)
Distribution paid to holders of redeemable shares	8	(3,016,183)	(2,740,447)
Contribution paid from the technical assistance facility	8	(480,825)	(47,430)
Interest paid on notes	6	(667,089)	(160,859)
Cash flows from financing activities		**7,493,575**	**6,097,463**
Net (decrease)/increase in cash and cash equivalents		**2,978,799**	**2,468,120**
Cash and cash equivalents at the beginning of the year		**26,017,377**	**23,549,257**
Cash and cash equivalents at the end of the year		**28,996,176**	**26,017,377**

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 2020
(expressed in USD)

	Notes	Class A	Class B	Class C
As at 31 December 2018		**37,704,908**	**31,070,380**	**55,277,023**
Issuance of shares	7	6,000,000	10,082,160	-
Redemption of shares	7	-	(21,611,667)	-
Allocation of net income and capital gains and losses	11.3	1,740,634	1,275,549	1,406,488
Distribution payable to holders of redeemable Class A and Class B shares	11	(1,740,634)	(1,275,549)	-
As at 31 December 2019		**43,704,908**	**19,540,873**	**56,683,511**
Issuance of shares	7	-	-	24,414,320
Redemption of shares	7	(8,715,100)	-	-
Allocation of net income and capital gains and losses	11.3	1,168,641	723,438	(115,977)
Distribution payable to holders of redeemable Class A and Class B shares	11	(1,168,641)	(723,438)	-
As at 31 December 2020		**34,989,808**	**19,540,873**	**80,981,854**

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

Notes to the Financial Statements
As at 31 December 2020
(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”) and low and middle income households ("LMIHs").

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

1.2. Investment objectives

The Fund seeks to invest in a balanced portfolio of regulated and/or non-regulated micro finance institutions and/or local commercial banks and/or other financial institutions, established in Sub-Saharan African countries providing funding to MSMEs and LMIHs (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 as adopted by the EU 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 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 12.

Except as described below, the accounting policies used to prepare these financial statements are consistent with those applied for the year ended 31 December 2019.

2.2.1. New IFRS standard or amendments and potential impacts

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective for the Fund as of 1 January 2020. For the avoidance of doubt, only the new standards, amendments to standards and IFRIC which may have an effect on the Fund's financial statements are mentioned below:

- Amendments to references to the Conceptual Framework in IFRS Standards

  This amendment revises the definitions of an asset and a liability and provide a new guidance on measurement and derecognition, presentation and disclosure.

- Amendments to IAS 1 and IAS 8: Definition of Material

  These amendments clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards themselves.

Note 2 - Significant accounting policies (continued)

2.2. Basis of preparation (continued)

2.2.1. New IFRS standard or amendments and potential impacts(continued)

- Amendments to IFRS 9, IFRS 7 and IAS 39: Interest Rate Benchmark Reform

  The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

These amendments have no material impact on the Fund's financial position or performance.

2.2.2. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted

The Fund has also decided not to early adopt the standards, amendments to standards and interpretations of the IFRIC which have been published but are not applicable for the year ending 31 December 2020. The Fund will adopt these standards on the date of their effective application and when they will be approved by the European Union. For the avoidance of doubt, only the standards, amendments to standards and IFRIC which may have an effect on the Fund's financial statements are mentioned below:

- Annual improvements to IFRSs 2018-2020 Cycle

  These improvements are effective from 1 January 2022 and are not expected to have material impact on the Fund's financial position or performance.
  - Amendments to IFRS 3 Business Combinations
  - Amendments to IAS 16 Property, Plant and Equipment
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

- Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39: Interest Rate Benchmark Reform – Phase 2

  These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. It is effective for periods beginning on or after 1 January 2021 and is not expected to have impact on the Fund's financial position or performance.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

  This amendment provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. It only affects the presentation of liabilities in the statement of financial position, is effective for periods beginning on or after 1 January 2023 and is not expected to have impact on the Fund's financial position or performance.

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

Note 2 - Significant accounting policies (continued)

2.3. Foreign currency translation

2.3.1. Functional currency

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

The Fund's presentation currency is the USD.

2.3.2. Transactions and balances

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

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

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

2.4. Financial instruments

2.4.1. Classification of financial assets

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.

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

2.4.1. Classification of financial assets (continued)

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.

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, contributions to the technical assistance facility, notes issued, distributions to holders of redeemable shares and net assets attributable to holders of redeemable shares.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

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. Loans to PLIs are recognized net of upfront fees.

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.

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.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

2.4.5. Subsequent measurement (continued)

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. Upfront fees on loans to PLIs are amortized over the life of the underlying instrument under the effective interest rate method.

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.

2.4.7. Impairment of financial assets measured at amortized cost

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 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).

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.

Note 2 - Significant accounting policies (continued)

2.4. Financial instruments (continued)

2.4.7. Impairment of financial assets measured at amortized cost (continued)

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.

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.

Note 2 - Significant accounting policies (continued)

2.8. Shares issued (continued)

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.

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 accrual 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.

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.

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

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.

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 Fund'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, 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. 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.

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

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

3.3. Fair value of financial instruments (continued)

The input to these models is taken from observable market data 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.

Note 4 - Loans to Partner Lending Institutions

	31/12/2020	31/12/2019
Gross loans to PLIs	136,524,843	118,641,869
Cumulated loan loss allowance	(10,825,463)	(10,366,928)
Carrying value of loans to PLIs (excluding interests)	**125,699,380**	**108,274,941**
Accrued interests	2,224,918	2,737,285
Interests receivable	438,899	208,680
Carrying value of of loans to PLIs (including interests)	**128,363,197**	**111,220,906**
Fair value of loans to PLIs	**131,935,976**	**125,433,444**

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

	31/12/2020	31/12/2019
Cumulated loan loss allowance as at opening	**10,366,928**	**14,058,818**
Additional/(reversal) of impairment losses recognised during the year	601,395	354,438
Amount written off during the year as uncollectible	(142,860)	(4,046,028)
Cumulated loan loss allowance as at closing	**10,825,463**	**10,366,928**

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.

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

Note 4 – Loans to Partner Lending Institutions (continued)

For the year ended 31 December 2020, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2020, the portion of gross loans to PLIs falling due within one year amounts to USD 39,371,867 (2019: USD 52,072,977).

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

Credit Rating	Stage 1	Stage 2	Stage 3	Carrying Value 31/12/2020
A	9,901,356	-	-	9,901,356
BBB+	2,679,706	8,948,314	-	11,628,020
BBB	15,725,496	-	-	15,725,496
BBB-	18,025,949	5,562,436	-	23,588,385
BB+	9,652,978	9,327,888	-	18,980,866
BB	20,403,430	10,514,353	-	30,917,783
BB-	3,301,927	6,775,597	-	10,077,524
B+	-	1,759,002	-	1,759,002
B	-	-	10,148,995	10,148,995
C	-	-	2,122,157	2,122,157
D	-	-	1,675,259	1,675,259
Grand Total	**79,690,842**	**42,887,590**	**13,946,411**	**136,524,843**

Credit Rating	Stage 1	Stage 2	Stage 3	Carrying Value 31/12/2019
BBB+	10,619,180	-	-	10,619,180
BBB	6,599,149	-	-	6,599,149
BBB-	11,331,241	6,029,336	-	17,360,577
BB+	18,343,975	18,111,471	-	36,455,446
BB	18,949,662	2,000,000	-	20,949,662
BB-	6,998,436	8,547,360	-	15,545,796
B+	1,683,750	1,819,298	-	3,503,048
B	-	-	4,552,425	4,552,425
C	-	-	1,381,165	1,381,165
D	-	-	1,675,420	1,675,420
Grand Total	**74,525,393**	**36,507,466**	**7,609,010**	**118,641,869**

Notes to the Financial Statements (continued)

As at 31 December 2020
(expressed in USD)

Note 4 – Loans to Partner Lending Institutions (continued)

An analysis of changes in the gross carrying amount is as follows:

Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020	74,525,393	36,507,466	7,609,010	118,641,869
New assets purchased	49,346,582	22,648,612	865,568	72,860,762
Assets derecognized or matured*	(30,869,101)	(22,698,517)	(1,410,170)	(54,977,788)
Transfers to Stage 1	4,147,474	(4,147,474)	-	-
Transfers to Stage 2	(16,765,915)	16,765,915	-	-
Transfers to Stage 3	(693,591)	(6,188,412)	6,882,003	-
At 31 December 2020	**79,690,842**	**42,887,590**	**13,946,411**	**136,524,843**

Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2019	63,395,854	43,627,979	10,633,709	117,657,542
New assets purchased	41,107,763	9,562,773	-	50,670,536
Assets derecognized or matured*	(24,953,291)	(18,671,160)	(2,015,729)	(45,640,181)
Transfers to Stage 1	3,771,626	(3,771,626)	-	-
Transfers to Stage 2	(7,179,651)	7,179,651	-	-
Transfers to Stage 3	(1,616,907)	(1,420,151)	3,037,058	-
Amounts written off	-	-	(4,046,028)	(4,046,028)
At 31 December 2019	**74,525,393**	**36,507,466**	**7,609,010**	**118,641,869**

* excluding write-offs

An analysis of changes in the corresponding ECLs is as follows:

ECLs	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020	2,886,789	2,456,425	5,023,714	10,366,928
New assets purchased	832,823	1,031,899	127,845	1,992,567
Assets derecognized or matured*	(1,169,447)	(893,556)	-	(2,063,003)
Transfers to Stage 1	402,435	(402,435)	-	-
Transfers to Stage 2	(462,623)	462,623	-	-
Transfers to Stage 3	(23,507)	(397,591)	421,098	-
Changes in credit risk on assets transferred between stages during the year	(338,759)	(90,139)	2,165,839	1,736,941
Other changes in credit risk, not triggering a transfer between stages	(754,906)	(482,121)	(113,803)	(1,350,830)
Amounts written off	-	-	142,860	142,860
At 31 December 2020	**1,372,805**	**1,685,105**	**7,767,553**	**10,825,463**

ECLs	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2019	2,072,508	3,971,758	8,014,552	14,058,818
New assets purchased	1,341,789	885,470	-	2,227,259
Assets derecognized or matured*	(514,395)	(548,179)	(197,444)	(1,260,018)
Transfers to Stage 1	594,123	(594,123)	-	-
Transfers to Stage 2	(197,742)	197,742	-	-
Transfers to Stage 3	(92,932)	(55,074)	148,006	-
Changes in credit risk on assets transferred between stages during the year	(236,262)	(6,807)	1,435,814	1,192,745
Other changes in credit risk, not triggering a transfer between stages	(80,300)	(1,394,362)	(331,186)	(1,805,848)
Amounts written off	-	-	(4,046,028)	(4,046,028)
At 31 December 2019	**2,886,789**	**2,456,425**	**5,023,714**	**10,366,928**

* excluding write-offs

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 2020 and 2019, there were no transfers between level 1 and level 2 fair value measurements.

5.1. Swap contracts

As at 31 December 2020, the Fund holds 78 cross currency swaps (2019: 90) with notional amount of USD 91,293,081 (2019: USD 101,735,236), which have a positive fair value of USD 2,368,950 and a negative fair value of USD 5,810,474 as at 31 December 2020 (2019: a positive fair value of USD 4,585,521 and a negative fair value of USD 1,579,538).

Notes to the Financial Statements (continued)

As at 31 December 2020
(expressed in USD)

Note 5 - Derivative financial instruments (continued)

5.2. Forward foreign exchange contracts

As at 31 December 2020, the Fund has the following forward foreign exchange contracts outstanding:

Currency purchased	Currency sold	Amount purchased	Amount sold	Maturity date	Unrealised gain/(loss)
USD	RWF	1,210,205	1,215,204,100	28/09/2021	55,333
USD	EUR	162,452	141,140	15/06/2022	(12,891)
USD	EUR	159,234	137,270	15/06/2023	(12,810)
USD	EUR	4,549	3,932	15/12/2022	(356)
USD	EUR	165,718	145,049	15/06/2021	(12,952)
USD	KES	1,778,518	198,438,139	04/01/2021	(41,426)
USD	XOF	184,572	109,104,159	10/01/2021	(18,672)
USD	UGX	82,552	324,271,500	06/05/2021	(3,391)
USD	ZMW	370,486	8,536,000	10/05/2021	(9,698)
USD	EUR	9,011	7,863	15/12/2021	(715)
USD	UGX	121,259	464,422,500	24/06/2021	(192)
USD	XOF	574,947	327,978,500	31/05/2021	(30,740)
					(88,510)

As at 31 December 2019, the Fund has the following forward foreign exchange contracts outstanding:

Currency purchased	Currency sold	Amount purchased	Amount sold	Maturity date	Unrealised gain
USD	RWF	1,210,205	1,215,204,100	28/09/2021	18,800
USD	ZMW	400,749	5,670,600	10/01/2020	2,927
					21,727

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 2020, the Notes issued by the Fund amount to USD 15,782,746 (2019: USD 19,824,294) and are fully drawn. The portion of Notes issued having a maturity within one year amounts to USD 2,700,000 as of 31 December 2020 (2019: USD 5,324,294). The notes generated interest for an amount of USD 654,070 (2019: USD 173,877).

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

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

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

- The first loss Class C shares (“Class C Shares”), which may be issued in successive series, bear all unrealized/realized capital losses of the Fund (e.g. foreign exchange loss, deterioration in credit quality or defaults with respect to the investments of the Fund) until the Net Asset Value (“NAV”) of Class C Shares has been fully depleted. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class C Shares in the order of priority as detailed in Note 10. 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 10. 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 10. 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 10. 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 10. 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 10.

Notes to the Financial Statements (continued)

As at 31 December 2020
(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 2020, the outstanding and uncalled commitments are as follows:

As at 31 December 2020	Senior Class A Shares	Mezzanine Class B Shares	First Loss Class C Shares
	in USD	in USD	in USD
Total outstanding commitment (USD)	23,000,022	19,540,873	-
Total outstanding commitment (EUR)*	11,989,786	-	86,729,110
Amount called (USD)	(23,000,022)	(19,540,873)	-
Amount called (EUR)*	(11,989,786)	-	(86,729,110)
Uncalled commitment (USD)	**-**	**-**	**-**
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.

In December 2020 a total amount of USD 24,414,320 was subscribed in C-Shares.

In December 2020 a total amount of USD 8,715,100 was redeemed in A-Shares.

As at 31 December 2019, the outstanding and uncalled commitments are as follows:

As at 31 December 2019	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	19,540,873	-
Total outstanding commitment (EUR)*	13,989,786	-	62,314,790
Amount called (USD)	(29,715,122)	(19,540,873)	-
Amount called (EUR)*	(13,989,786)	-	(62,314,790)
Uncalled commitment (USD)	**-**	**-**	**-**
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.

(expressed in USD)

Note 8 - Reconciliation of financing liabilities

	1 January 2020	Cash flows	Non-cash flows	31 December 2020
Bank overdraft	-	104,419 *		104,419
Contribution from the technical assistance facility	1,079,842	(480,825)	-	599,017
Distribution payable to holders of redeemable shares	3,016,183	(3,016,183)	1,892,079	1,892,079
Notes issued	19,824,294	(4,041,548)	-	15,782,746
Net assets attributable to:				
- holders of redeemable Class A shares	43,704,908	(8,715,100)	-	34,989,808
- holders of redeemable Class B shares	19,540,873	-	-	19,540,873

* As of 31 December 2020, the bank overdraft on the cash account in EUR is explained by a slight delay between the payment from a PLI and the settlement of the related hedge instrument.

	1 January 2019	Cash flows	Non-cash flows	31 December 2019
Contribution from the technical assistance facility	483,294	(47,430)	643,978	1,079,842
Distribution payable to holders of redeemable shares	2,740,447	(2,740,447)	3,016,183	3,016,183
Notes issued	5,248,588	14,575,706	-	19,824,294
Net assets attributable to:				
- holders of redeemable Class A shares	37,704,908	6,000,000	-	43,704,908
- holders of redeemable Class B shares	31,070,380	(11,529,507)	-	19,540,873

Note 9 - Expenses

9.1. 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 2,042,833 for the year ended 31 December 2020 (2019: USD 2,225,256).

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

Note 9 - Expenses (continued)

9.2. 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 (as detailed in the waterfall allocation, Note 11.3), 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 10.

The Investment Manager Incentive Bonus accrued for as at 31 December 2020 amounted to a negative amount of USD 21,895 (2019: USD 109,476), corresponding to a reversal of the 2019 residual. No amount was available for the Investment Manager Incentive Bonus in 2020.

9.3. Secretary fees

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

For the year ended 31 December 2020, the secretary fees amount to USD 235,774 (2019: USD 94,773).

9.4. 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 2020, the administration fee amounts to USD 142,528 (2019: USD 132,232).

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 2020, the custodian fee amount to USD 43,592 (2019: USD 40,660).

The Fund pays an annual domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2020, the domiciliation fee amounts to USD 15,000 (2019: USD 15,000).

Note 9 - Expenses (continued)

9.4. Administration, custodian and domiciliation fees (continued)

For the year ended 31 December 2020, the registrar and the compliance monitoring fees amount to USD 15,000 (2019: USD 15,000).

9.5. Accrued expenses

As at 31 December 2020, the accrued expenses mainly relate to Fund management fees and direct operating expenses and amount to USD 674,558 (2019: USD 555,927).

Note 10 - 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 realized and unrealized (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 9.2, 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.

Note 10 - Allocation and distribution waterfalls (continued)

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

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

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

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 2020
(expressed in USD)

Note 10 - Allocation and distribution waterfalls (continued)

In the revised version of the Issue Document which was approved in June 2020 by the Extraordinary General Meeting of Shareholders, the rule regarding the allocation of Complementary Dividends was modified. Article 8.1.3 (ix) now indicates that in case the NAV of the Class C shares is below their Issue Price, the amount available for Complementary Dividends will be fully allocated to Class C Shares until the NAV of the C Shares have reached their Issue Price. If the NAV of the Class C shares is above their issue price, the Complementary Dividends are allocated to the Class A, Class B and Class C shares according to the usual rule described in 8.1.3 (ix).

Note 11 - Calculation of distributable income and capital gains and losses

11.1. Calculation of distributable income (income waterfall)

	31/12/2020	**31/12/2019**
Interest income on loans	12,018,521	14,100,619
Interest income on bank deposits	255,035	354,844
Other income	51,748	40,623
Management fees	(2,042,833)	(2,225,256)
Secretary fees	(235,774)	(94,773)
Legal and audit fees	(119,783)	(142,935)
Administration, custodian and domiciliation fees	(216,120)	(202,892)
Amortization of placement fees	(443,746)	-
Other administrative expenses	(85,264)	47,406
Director and IC member fees	(123,890)	(163,471)
Marketing and promotion expenses	(29,004)	(38,805)
Interest expenses on Notes	(654,071)	(173,877)
Bank charges	(6,788)	(23,346)
Net loss on derivative financial instruments (interest portion)	(5,412,699)	(5,674,000)
Reversal of the Investment Manager incentive bonus 2019	21,895	-
Total	**2,977,227**	**5,804,137**

11.2. 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:

	31/12/2020	**31/12/2019**
Net foreign exchange loss on loans to PLIs	1,064,608	(7,827,230)
Other net foreign exchange gain/(loss)	285,800	(76,070)
Net gain/(loss) on derivative financial instruments (notional portion)	(2,092,995)	3,583,398
Loan loss allowance	(458,535)	3,691,890
Total	**(1,201,122)**	**(628,012)**

Notes to the Financial Statements (continued)

As at 31 December 2020
(expressed in USD)

Note 11 - Calculation of distributable income and capital gains and losses (continued)

11.3. Allocation of distributable income and capital gains and losses

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

	31/12/2020	31/12/2019
Target dividend on Class A Shares	1,168,641	1,654,491
Complementary dividends on Class A Shares **	-	86,143
Target dividend on Class B Shares	723,438	1,180,344
Complementary dividends on Class B Shares **	-	95,205
Total dividends distributable to Class A Shares and Class B Shares	**1,892,079**	**3,016,183**
Contribution to the technical assistance facility	**-**	**643,978**
Investment Manager incentive bonus	**-**	**109,476** *
Reversal of the Investment Manager incentive bonus 2019	**(21,895)**	**-**
Target dividend on Class C Shares	1,085,149	1,681,345
Complementary dividends on Class C Shares **	-	353,155
Capital gains and losses specific to Class C Shares	(1,201,123)	(628,012)
Total allocated to Class C Shares	**(115,974)**	**1,406,488**
Profit before performance allocation	**1,754,210**	**5,176,125**

*out of which USD 87,581 was subsequently approved by the Board of Directors.

As a result, for the year ended 31 December 2020, a total amount of USD 1,168,641 is payable to the holders of Class A Shares (2019: USD 1,740,634), a total amount of USD 723,438 is payable to the holders of Class B Shares (2019: USD 1,275,549), and a total negative amount of USD 115,974 has been capitalized to the Class C Shares, pro rata to the NAV and the subscription date of each Series of Class C Shares (2019: positive amount of USD 1,406,488).

**In the revised version of the Issue Document which was approved in June 2020 by the Extraordinary General Meeting of Shareholders, the rule regarding the allocation of Complementary Dividends was modified. Article 8.1.3 (ix) now indicates that in case the NAV of the Class C shares is below their Issue Price, the amount available for Complementary Dividends will be fully allocated to Class C Shares until the NAV of the C Shares have reached their Issue Price. If the NAV of the Class C shares is above their issue price, the Complementary Dividends are allocated to the Class A, Class B and Class C shares according to the usual rule described in 8.1.3 (ix).

Note 12 - 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.

12.1. 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 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.1. 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.

12.1.1. 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.

	31/12/2020	31/12/2019
Statement of financial position		
Loans to PLIs	136,524,843	118,641,869
Derivative financial instruments (*)	2,424,283	4,607,248
Interest receivable on loans to PLIs	4,380,509	3,717,460
Other receivables	1,033,984	4,217,304
Cash and cash equivalents	29,100,595	26,017,377
Total	**173,464,214**	**157,201,258**
Off-balance sheet		
Committed undisbursed amounts on loans to PLIs	-	-
Total	**-**	**-**
Total gross maximum exposure	**173,464,214**	**157,201,258**

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

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.1. Credit risk (continued)

12.1.2. 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 2020 and 2019 is as follows:

31 December 2020	Amounts in USD	%
Top 1	9,928,110	7.27%
Top 3	28,777,780	21.08%
Top 5	40,436,211	29.62%
Top 10	61,432,595	45.00%
Top 20	91,934,471	67.34%
Top 30	113,773,353	83.34%
Top 40	127,778,465	93.59%
Top 50	135,936,094	99.57%
Top 52	136,524,843	100.00%

31 December 2019	Amounts in USD	%
Top 1	9,765,750	8.23%
Top 3	20,384,930	17.18%
Top 5	28,786,175	24.26%
Top 10	48,241,929	40.66%
Top 20	77,642,115	65.44%
Top 30	96,142,250	81.04%
Top 40	110,651,199	93.26%
Top 50	118,404,089	99.80%
Top 51	118,641,869	100.00%

Notes to the Financial Statements (continued)
As at 31 December 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.1. Credit risk (continued)

12.1.2. 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 2020 and 2019:

	31 December 2020		31 December 2019	
	Amounts in USD	**%**	**Amounts in USD**	**%**
South Africa	21,012,775	15.40%	10,259,779	8.65%
Kenya	20,792,813	15.23%	9,814,292	8.27%
Nigeria	20,357,474	14.91%	9,675,420	8.16%
Burkina Faso	11,898,835	8.72%	9,305,525	7.84%
Senegal	10,945,993	8.02%	10,327,004	8.70%
Ivory Coast	10,655,972	7.81%	15,636,459	13.18%
Madagascar	7,262,434	5.32%	11,916,363	10.04%
Mali	6,158,549	4.51%	6,117,625	5.16%
Ghana	5,639,761	4.13%	9,090,386	7.66%
Uganda	5,201,147	3.81%	4,890,723	4.12%
Zambia	4,462,084	3.27%	8,424,662	7.10%
Democratic Republic of Congo	2,981,428	2.18%	4,000,050	3.37%
Tanzania	2,944,339	2.16%	2,241,690	1.89%
Angola	2,401,423	1.76%	2,791,852	2.35%
Rwanda	1,154,690	0.85%	1,381,165	1.16%
Niger	1,095,063	0.80%	378,844	0.32%
Malawi	971,170	0.71%	508,214	0.43%
Sierra Leone	498,144	0.35%	1,000,000	0.84%
Cameroon	90,749	0.06%	881,817	0.74%
Total	**136,524,843**	**100.00%**	**118,641,869**	**100.00%**

The above risk concentrations reflect the Fund's exposures by market and PLI. The portfolio value in the risk concentration tables differs from the portfolio value in the statement of financial position by USD 10,825,463, which consists of the loan loss allowance as of 31 December 2020 (2019: USD 10,366,928).

(expressed in USD)

Note 12 - Risk management (continued)

12.1. Credit risk (continued)

12.1.3. 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

In March 2020, additional guidelines were implemented as part of the Credit Risk Rating analysis, to reflect the new risks created by the pandemic.

In June 2020, new financial indicators (related to loans subject to payment moratorium, cash collection and cash disbursement rates) were implemented and incorporated in the Credit Risk Rating analysis.

(expressed in USD)

Note 12 - Risk management (continued)

12.1. Credit risk (continued)

12.1.3. Credit quality (continued)

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2020 and 2019 based on the Fund's credit rating system:

	31 December 2020		31 December 2019	
	Amounts in USD	**%**	**Amounts in USD**	**%**
AAA	-	-	-	-
AA	-	-	-	-
A	9,901,356	7.25%	-	-
BBB	50,941,901	37.31%	34,578,906	29.15%
BB	59,976,172	43.93%	72,950,904	61.49%
B	11,907,998	8.73%	8,055,473	6.79%
CCC	-	-	-	-
CC	-	-	-	-
C	2,122,157	1.55%	1,381,165	1.16%
D	1,675,259	1.23%	1,675,420	1.41%
Total	**136,524,843**	**100.00%**	**118,641,869**	**100.00%**

Credit risk exposure to counterparties from cash deposits

As at 31 December 2020, the Fund holds cash in current accounts of USD 21,845,201 (2019: USD 23,048,430) 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 2020, cash for a total amount of USD 629,474 (2019: USD 577,487) has been pledged as collateral with ICBC Standard Bank rated BBB+ according to Standard & Poor's and presented as other receivables.

As at 31 December 2020, collateral had been posted with TCX acting as a hedge counterparty with the Fund for USD 4,890,975 (2019: USD 2,968,947), rated A- according to Standard & Poor's. As at 31 December 2020, collateral was posted with ICBC Standard Bank for an amount of USD 2,260,000, rated BBB+ according to Standard & Poor's. The account with ICBC Standard Bank has been closed during 2019.

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 12 - Risk management (continued)

12.1. Credit risk (continued)

12.1.3. 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 2020, loan loss allowance on principal amounts to USD 10,825,463 (2019: USD 10,366,928), which represents 7.93% (2019: 8.74%) 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 year-end relative to credit quality at loan's disbursement. As of 31 December 2020, Stage 1 loans, having a loan loss allowance of USD 1,372,805 (2019: USD 2,886,789) determined at a 12 month ECL, reflect the stable credit quality. Stage 2 loans, having a loan loss allowance of USD 1,685,105 (2019: USD 2,456,425) 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 7,767,553 (2019: USD 5,023,714) determined at a lifetime ECL, indicate a default situation.

The ECL model is sensitive to the determined staging of each PLI. Should all PLIs be reallocated from stage 1 to stage 2, the negative impact on credit loss allowance would amount to USD 4.1 million (2019 USD 1.4 million).

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.

12.2. 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 12 - Risk management (continued)

12.2. 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 of Directors and the 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. There were no existing uncalled commitments from Shareholders to the Fund as at 31 December 2020 (2019: none).

Notes to the Financial Statements (continued)

As at 31 December 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.2. Liquidity risk (continued)

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

31 December 2020	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 (*)	22,928,418	50,184,868	72,099,073	22,638,497	-	167,850,856
Other receivables	1,033,984	-	-	-	-	1,033,984
Cash and cash equivalents	29,100,595	-	-	-	-	29,100,595
Total financial assets	**53,062,997**	**50,184,868**	**72,099,073**	**22,638,497**	**-**	**197,985,435**
Undrawn capital commitments	-	-	-	-	-	-
Total financial assets and undrawn capital commitments	**53,062,997**	**50,184,868**	**72,099,073**	**22,638,497**	**-**	**197,985,435**
Bank overdraft	104,419	-	-	-	-	104,419
Notes (**)	76,180	2,932,773	13,885,499	-	-	16,894,452
Derivative financial instruments (**)	1,022,687	2,723,515	3,703,380	-	-	7,449,582
Accrued expenses	674,558	-	-	-	-	674,558
Other payables	404,554	-	-	-	-	404,554
Distribution payable to holders of redeemable shares	-	1,892,079	-	-	-	1,892,079
Net assets attributable to Class A and Class B Shares	-	17,340,881	27,189,800	10,000,000	-	54,530,681
Total financial liabilities	**2,282,398**	**24,889,248**	**44,778,679**	**10,000,000**	**-**	**81,950,325**
Committed undisbursed amounts on loans to PLIs	-	-	-	-	-	-
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**2,282,398**	**24,889,248**	**44,778,679**	**10,000,000**	**-**	**81,950,325**

(*) *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 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.2. Liquidity risk (continued)

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

31 December 2019	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 (*)	18,672,695	74,803,943	76,577,979	-	-	170,054,617
Other receivables	3,639,816	577,487	-	-	-	4,217,303
Cash and cash equivalents	26,017,377	-	-	-	-	26,017,377
Total financial assets	**48,329,888**	**75,381,430**	**76,577,979**	**-**	**-**	**200,289,297**
Undrawn capital commitments	-	-	-	-	-	-
Total financial assets and undrawn capital commitments	**48,329,888**	**75,381,430**	**76,577,979**	**-**	**-**	**200,289,297**
Notes (**)	-	6,025,058	13,198,143	2,796,246	-	22,019,447
Derivative financial instruments (**)	4,077,390	15,752,086	12,911,908	-	-	32,741,384
Accrued expenses	555,927	-	-	-	-	555,927
Other payables	84,423	-	-	-	-	84,423
Distribution payable to holders of redeemable shares	-	3,016,183	-	-	-	3,016,183
Net assets attributable to Class A and Class B Shares	-	8,715,100	44,530,681	10,000,000	-	63,245,781
Total financial liabilities	**4,717,740**	**33,508,427**	**70,640,732**	**12,796,246**	**-**	**121,663,145**
Committed undisbursed amounts on loans to PLIs	-	-	-	-	-	-
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**4,717,740**	**33,508,427**	**70,640,732**	**12,796,246**	**-**	**121,663,145**

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

(**) *Including future interest expenses*

Note 12 - Risk management (continued)

12.3. Market risk

12.3.1. 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 2020, 79.4% (2019: 89.4%) 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). 14.6% of the portfolio is denominated in USD (2019: 10.6%), the functional currency of the Fund, yielding a fixed USD rate.

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 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.3. Market risk (continued)

12.3.1. 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 2020		31 December 2019	
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	18,789	1.19%	17,957	0.90%
50	93,946	5.95%	89,787	4.60%
100	187,892	11.90%	179,574	9.20%

12.3.2. 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 2020, all of the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2019: 100%). 29.5% of the Fund's PLI investments are denominated in USD (2019: 16.70%), 70.5% are denominated in local currency and hedged for both currency and interest rate risk (2019: 83.30%), and nil are denominated in EUR and unhedged.

As at 31 December 2020, the Fund's total unhedged open currency exposure amounts to USD nil (2019: nil).

The table below indicates the currencies to which the Fund had significant exposure at 31 December 2020 and 2019 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 2020		31 December 2019	
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%	(52,506)	10%	(256,556)
EUR	5%	(26,253)	5%	(128,278)
ZAR	10%	(83,347)	10%	(30,022)
ZAR	5%	(41,673)	5%	(60,045)

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 2020
(expressed in USD)

Note 12 - Risk management (continued)

12.3. Market risk (continued)

12.3.2. Currency risk (continued)

As at 31 December 2020 and 2019, the split of the loan portfolio by currency is as follows:

	As at 31 December 2020				As at 31 December 2019		
	Number of loans	**Total amount (*) USD**	**% of net assets**		**Number of loans**	**Total amount (*) USD**	**% of net assets**
USD	27	42,748,439	31.55%	XOF	28	41,765,456	34.83%
XOF	29	40,754,412	30.07%	USD	22	20,330,963	16.95%
ZAR	13	21,012,775	15.51%	MGA	5	10,232,613	8.53%
KES	5	5,922,765	4.37%	ZAR	9	10,259,779	8.55%
GHS	3	5,639,762	4.16%	GHS	7	9,090,386	7.58%
UGX	10	5,201,147	3.84%	KES	7	8,814,292	7.35%
MGA	2	3,743,118	2.76%	ZMW	9	7,942,186	6.62%
EUR	5	3,610,065	2.66%	UGX	6	4,890,723	4.08%
TZS	2	2,944,339	2.17%	EUR	2	2,565,567	2.14%
ZMW	5	2,822,161	2.08%	TZS	1	2,241,690	1.87%
RWF	1	1,154,690	0.85%	MWK	1	508,214	0.42%
MWK	2	971,170	0.72%	RWF	-	-	-
	104	**136,524,843**	**100.74%**		**97**	**118,641,869**	**98.93%**

(*) net of the effect of the forward exchange transactions as of 31 December 2020 and 2019.

Note 12 - Risk management (continued)

12.3. Market risk (continued)

12.3.3. 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 13 - 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 14 - 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 2020, an amount of USD 7,968 of travel expenses was reimbursed to the Directors (2019: USD 25,710). Directors' and IC member fees for the year ended 31 December 2020 amounted to USD 123,890 (2019: USD 163,471). 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 9.1, 9.2, 10 and 11 for further details.

Note 14 - Related party transactions (continued)

Placement fees

During the year ended 31 December 2020, there were a recognition of placement fees of USD 443,746 (2019: USD nil).

Note 15 - Approval of the financial statements

On 12 May 2021, the Board of Directors resolved to authorize the issuance of the financial statements of the Fund for the year ended 31 December 2020 and decided to submit them to the Annual General Meeting of Shareholders for approval.

Note 16 - Coronavirus COVID-19

The coronavirus disease 2019 (COVID-19) was first identified in December 2019 in Wuhan, the capital of China's Hubei province. Since that time COVID-19 spread across China and the world and on 11 March 2020 the World Health Organization (WHO) officially declared COVID-19 a pandemic.

With a few exceptions, the spread of the disease through the sub-Saharan African (SSA) countries where the Fund invests has been more restrained relative to other regions of the world and by the end of the year 2020, most countries had lifted the most onerous restrictions around group gatherings, business operations and international travel as all borders have re-opened. The impact of the pandemic on the economies of the countries where the Fnd invests have nevertheless been significant, with varying degrees depending on the dependency of the local economies to oil exports, tourism, cash crops, etc.

As disclosed within Note 2.4.7 and Note 3 the Fund assesses on a forward-looking basis the expected credit losses (ECLs), which are composed of the probability of default (PD), loss given default (LGD) and exposure at default (EAD) taking into account several different factors related to credit risk and country risk relative to the underlying debt instruments.

Since the second quarter 2020, the expected impact of the pandemic on the PLIs has been assessed through stress tests which have been taken into account in the choice of the calculation of the PD and LGD. Given the conservative provisioning of the Fund prior to the crisis, additional provisioning was not necessary. As a result of the various measures taken across the region to control the spread of the disease, during 2020 six PLIs (approximately USD 9.6 million in principal) have been moved to Stage 3. Out of these six PLIs, two (of USD 2.3 million in principal) were eventually able to honor their principal payments on due date in 2020. Two others, holding multiple loans in the Fund, followed the payment schedule (for loans representing USD 3.4 million), but requested extensions for some of their maturing instalments (USD 0.9 million). Finally, two other institutions (representing USD 3 million) defaulted their expected principal payments. All of the six PLIs that were moved to Stage 3 in 2020 were however able to continue serving their interest obligations.

Many of the countries and PLIs are still in recovery and have to cope with the overall effect the disease has on the global economy. They could be negatively affected by a second or third wave of the disease, the impact of which is not factored into the provisions for now.

Note 16 - Coronavirus COVID-19 (continued)

Further refinements were made to the provisioning model at the end of the third quarter to better reflect the experience of the Investment Manager since IFRS 9 was implemented in 2018, as well as adjustments that were made to the credit risk monitoring tools to adapt to the impact of COVID-19 and to integrate guidance from the auditors and other industry bodies.

Note 17 - Subsequent events

There are no material transactions subsequent to the year end.

Supplementary Information

As at 31 December 2020

Number of Shares Outstanding	**31/12/2020**	**31/12/2019**
Number of shares outstanding at the beginning of the year:		
Class A	437.049	377.049
Class B	781.632	1,242.813
Class C	1,117.091	1,117.091
Number of shares issued during the year:		
Class A	-	60.000
Class B	-	403.286
Class C	488.286	-
Number of shares redeemed during the year:		
Class A	(87.151)	-
Class B	-	(864.467)
Class C	-	-
Number of shares outstanding at the end of the year:		
Class A	**349.898**	**437.049**
Class B	**781.632**	**781.632**
Class C	**1,605.377**	**1,117.091**

Net Asset Value per Share

Class of shares	**31 December 2020**	**31 December 2019**	**31 December 2018**
Class A	100,000.00	100,000.00	100,000.00
Class B	25,000.00	25,000.00	25,000.00
Class C1 to C4	50,638.69	50,742.13	49,483.07
Class C5	49,999.04	-	-