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

Financial statements as at 31 December 2016, and Independent auditor's report

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General information

Board of Directors	Mr. Ruurd Brouwer *(Chairman)* Dr. Marcel Gérard Gounot Mr. Philippe Serres *(until 10.08.2016)* Mr. Stefan Hirche Mr. Karl-Heinz Fleischhacker Mr. Arthur Sletteberg Dr. Giuseppe Ballocchi *(since 09.03.2016)* Mr. François Lagier *(since 11.08.2016)*
Registered Office	5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Investment Manager and Placing Agent	Symbiotics S.A. 31, rue de la Synagogue CH-1204 Geneva, Switzerland
Custodian	Credit Suisse (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Administrative Agent	Credit Suisse Fund Services (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Independent Auditor	Ernst & Young S.A. 35E, avenue John F. Kennedy L-1855 Luxembourg Grand-Duchy of Luxembourg
Legal Advisers	Linklaters LLP 35, avenue John F. Kennedy B.P.1107 L-1011 Luxembourg Grand-Duchy of Luxembourg

Report of the Board of Directors

We are pleased to submit the annual report for the year ended 31 December 2016 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").

After five years of growth combined with solid portfolio quality, 2016 is the year in which REGMIFA's business and capital model were tested. A combination of challenges, varying from political uncertainties, to macroeconomic instability, to currency volatility and inconvertibility, manifested in the Fund's key markets. A historically low commodity price environment exacerbated difficulties, especially in oil-exporting economies. Nigeria, which represents one of the Fund's largest country exposures and still exhibits strong untapped potential, endured its first full-year recession in fifteen years. While the operational performances of REGMIFA's Nigerian Partner Lending Institutions (PLIs) generally remain solid, hard currency shortages in the economy have prevented Nigerian PLIs from repaying international lenders, including REGMIFA. A large payment backlog remained at the end of the year. However, PLIs' continued efforts to source USD have been succeeding as PLIs gradually reduce their overdue balances with REGMIFA, leading to a cautiously positive outlook going into 2017. Significant political risk reduced the Fund's investment activity in the Democratic Republic of the Congo, the Fund's third largest country exposure. Although Joseph Kabila's term constitutionally ended in December 2016, the electoral body failed to organize elections, citing complexity and costs. The prospects for 2017 are highly uncertain. In West Africa, the Ivory Coast experienced unrest in its army over salary payments, illustrating that the political situation remains fragile, although the country remains one of the continent's growth hotspots.

The effect of the above described market challenges combined with the limits of the Fund's credit risk appetite led to a deliberate slowdown in the Fund's investment activity. The Fund reported an outstanding portfolio of USD 114.7 million[1] at year end, with a continued strong diversification across 52 investees and 20 countries. The Fund continued to expand its footprint, making first-time investments in eight new PLIs and adding three new countries (Sierra Leone, Burkina Faso, and Niger) to the portfolio, testifying to the Fund's continued relevance as a reliable funding partner in the region. The Fund's portfolio of investments remains healthy, resulting in an amount to be distributed to A and B Shareholders of USD 2.04 million. As a result of further impairment allowance on principal of USD 2.28 million, mainly on the exposure in Nigeria, and the foreign exchange losses for the year ended of USD 7.85 million, netted by the gains on derivative financial instruments of USD 1.36 million and the allocation of target dividends of USD 1.03 million, the total negative result of the year of USD 7.73 million refers to the net result attributable to C Shares, according to the waterfall rules of the Issue Document. These effects are unrealized and temporary.

[1] The historical cost as of 31 December 2016 amounts to USD 114.703 million while the carrying value is reported at USD 101.304 million due to a cumulated negative foreign exchange impact of USD 9.742 million and a provision for impairment of USD 3.684 million. Given that the Fund's portfolio is fully hedged for exchange rate and interest rate fluctuations, the decline in the value of the loan portfolio from foreign exchange revaluation effects is offset by the increase in value of the corresponding hedging instruments.

Report of the Board of Directors (continued)

Financially, 2016 proved the resilience of a blended financial structure in a volatile market environment. Target dividends for the A and B Share Classes could be fully served for the sixth year in a row, while the increased market turbulence was absorbed by the Fund's sizeable first loss C Share layer. The C-share protection remained very strong at over 50% of the Fund's NAV at year end, also thanks to capitalized profits since inception. The Fund's convincing financial and developmental track record encouraged the continued support of its shareholders, with new commitments totaling USD 23 million received from KfW and the European Investment Bank, representing a significant sign of trust and a solid base for continued growth.

In 2016, the TA Facility, which was formed with the objective of complementing the Fund's activities and maximizing its developmental impact, raised EUR 1.9 million in new commitments, with support received from the European Investment Bank, the Government of Luxembourg, and the REGMIFA Fund. This support enabled the TA Facility to prepare and design a total of 25 TA interventions with an aggregate volume of EUR 1.85 million, of which 18 projects totaling EUR 1.2 million were approved by year end.

Two new countries (Sierra Leone and Malawi) were added to its geographical coverage. REGMIFA's TA Facility analyzes and responds to PLIs' diverse needs to ensure interventions provide the highest value possible, as demonstrated by the variety of the projects conceived in 2016: topics include SME lending, agricultural finance, rural lending, digital financial services, savings mobilization, and risk management. In 2017, the TA Facility will support thirteen PLIs in the area of risk management with the launch of a new TA package, which is a proven model that enhances the TA's efficiency and outreach. The statistics since the TA Facility's operational start in 2011 are telling: total commitments have reached EUR 8.1 million; 107 projects totaling EUR 6.9 million have been approved; 88 projects totaling EUR 5.3 million have been contracted; and the TA Facility has reached PLIs operating in 20 countries. Overall, the TA Facility manages an average project size of approximately EUR 65,000, with average cost-sharing by the beneficiaries of 22%.

Finally, the Board would like to recognize all REGMIFA stakeholders, who maintained their strong dedication throughout the year. In this regard the Board specifically would like to mention the Fund Manager, as we experienced a continued delivery of high quality services, also during challenging times. We believe that REGMIFA's results prove that the project has the capacity to continue on its path in 2017 and meet the challenges ahead. As REGMIFA continues to deliver on its ambitious targets, we count on the support and commitment of all REGMIFA's stakeholders.

Board of Directors

08 May 2017

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Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

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

We have audited the accompanying financial statements of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF, which comprise the statement of financial position as at 31 December 2016, 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 ended 31 December 2016, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "*réviseur d'entreprises agréé*", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "*réviseur d'entreprises agréé*" considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Alain Kinsch

Luxembourg, 8 May 2017

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Statement of Financial Position

For the year ended 31 December 2016
(expressed in USD)

	Notes	2016	2015
Assets			
Loans to Partner Lending Institutions	4	101,304,325	113,216,675
Interest receivable on loans	4	4,795,763	4,322,380
Derivative financial instruments	5	10,226,711	19,186,691
Other receivables		749,168	160,537
Prepaid expenses		6,268	6,456
Cash and cash equivalents		16,598,282	24,635,954
Total Assets		**133,680,517**	**161,528,693**
Liabilities			
Derivative financial instruments	5	704,820	358,817
Accrued expenses	8.5	1,006,003	973,765
Other payables		534,137	565,756
Contribution to the technical assistance facility	10	-	732,831
Notes issued	6	10,497,176	13,121,470
Distribution payable to holders of redeemable shares	10	2,041,455	2,171,470
Net assets attributable to:			
- holders of redeemable Class A shares	7	20,704,908	20,704,908
- holders of redeemable Class B shares	7	31,070,380	48,044,238
Total Liabilities		**66,558,879**	**86,673,255**
Equity			
Share capital	7	62,314,790	62,314,790
Retained earnings		4,806,848	12,540,648
Total Equity attributable to holders of Class C shares		**67,121,638**	**74,855,438**
Total Liabilities and Equity		**133,680,517**	**161,528,693**

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

Statement of Comprehensive Income

For the year ended 31 December 2016
(expressed in USD)

Income	**Notes**	**2016**	**2015**
Interest income on loans		13,017,400	15,121,632
Interest income on bank deposits		66,196	3,770
Net (loss)/gain on derivative financial instruments	5	(5,527,140)	11,924,399
Net foreign exchange loss on loans to Partner Lending Institutions		(7,852,570)	(14,108,314)
Other net foreign exchange gain/(loss)		3,539	(348,298)
Loan loss allowance	4	(2,278,177)	(906,667)
Other income		65,399	33,256
Total net investment (expenses)/income		**(2,505,353)**	**11,719,778**
Expenses			
Management fees	8.1	(2,338,683)	(2,445,066)
Secretary fees	8.3	(124,581)	(77,365)
Legal and audit fees		(187,126)	(125,253)
Administration, custodian and domiciliation fees	8.4	(211,147)	(213,660)
Other administrative expenses		(62,794)	(55,012)
Marketing and promotion expenses		(6,544)	(21,773)
Total operating expenses		**(2,930,875)**	**(2,938,129)**
Operating (loss)/profit		**(5,436,228)**	**8,781,649**
Interest expense on notes		(236,191)	(186,553)
Bank charges		(19,926)	(21,451)
(Loss)/profit before performance allocation		**(5,692,345)**	**8,573,645**
Distribution to holders of redeemable shares	10	(2,041,455)	(2,171,470)
Contribution to the technical assistance facility	10	-	(262,755)
Investment Manager incentive bonus	8.2	-	(126,125)
(Loss)/profit before tax		**(7,733,800)**	**6,013,295**
Taxation		-	-
(Loss)/profit for the year		**(7,733,800)**	**6,013,295**
Other comprehensive income		-	-
Total comprehensive income for the year		**(7,733,800)**	**6,013,295**

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

Statement of Cash Flows

For the year ended 31 December 2016
(expressed in USD)

	2016	2015
Operating activities		
(Loss)/profit before tax	(7,733,800)	6,013,295
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Interest income on loans to Partner Lending Institutions	(13,017,400)	(15,121,632)
Interest income on bank deposits	(66,196)	(3,770)
Interest expense on notes	236,191	186,553
Distribution to holders of redeemable shares	2,041,455	2,171,470
Contribution to the technical assistance facility	-	262,755
Investment Manager incentive bonus	-	126,125
Net change in unrealized foreign exchange (gain)/loss on loans to Partner Lending Institutions	(3,355,560)	5,811,406
Net change in unrealized (gain)/loss on derivative financial instruments	9,820,530	(10,113,407)
Loan loss allowance	2,278,177	906,667
	(9,796,603)	**(9,760,538)**
Working capital adjustments:		
Net increase in other receivables and prepaid expenses	(1,102,990)	(123,745)
Net increase in accrued expenses and other payables (incl. incentive bonus)	619	406,601
Net cash flows used in operating activities	**(10,898,974)**	**(9,477,682)**
Investing activities		
Net decrease/(increase) in loans to Partner Lending Institutions	12,989,733	(11,644,871)
Interest received on loans to Partner Lending Institutions	12,544,017	14,008,884
Interest received on bank deposits	66,196	3,770
Contribution to the technical assistance facility	(732,831)	-
Cash flows from investing activities	**24,867,115**	**2,367,783**
Financing activities		
Proceeds from issue of shares	26,142	18,779,747
Payments on redemption of shares	(17,000,000)	(9,000,000)
Payments on redemption of notes	(2,624,294)	-
Distribution to holders of redeemable shares	(2,171,470)	(1,930,269)
Interest paid on notes	(236,191)	(186,553)
Cash flows (used in)/from financing activities	**(22,005,813)**	**7,662,925**
Net (decrease)/increase in cash and cash equivalents	**(8,037,672)**	**553,026**
Cash and cash equivalents at the beginning of the year	**24,635,954**	**24,082,928**
Cash and cash equivalents at the end of the year	**16,598,282**	**24,635,954**

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 Changes in Equity (Class C)

As at 31 December 2016

(expressed in USD)

	Class A	Class B	Class C
As at 31 December 2014	**23,954,908**	**39,950,000**	**63,906,634**
Issuance of shares	-	13,844,238	4,935,509
Redemption of shares	(3,250,000)	(5,750,000)	-
Allocation of distributable income and capital gains and losses (Note 11.3.)	443,715	1,727,755	6,013,295
Distribution to holders of redeemable Class A and Class B shares	(443,715)	(1,727,755)	-
As at 31 December 2015	**20,704,908**	**48,044,238**	**74,855,438**
Issuance of shares	-	26,142	-
Redemption of shares	-	(17,000,000)	-
Allocation of distributable income and capital gains and losses (Note 11.3.)	501,110	1,540,345	(7,733,800)
Distribution to holders of redeemable Class A and Class B shares	(501,110)	(1,540,345)	-
As at 31 December 2016	**20,704,908**	**31,070,380**	**67,121,638**

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

Supplementary information
As at 31 December 2016

Number of Shares Outstanding	**2016**	**2015**
Number of shares outstanding at the beginning of the year:		
Class A	207.049	239.549
Class B	1,921.769	1,598.000
Class C	1,117.091	1,039.628
Number of shares issued during the year:		
Class A	-	-
Class B	1.044	553.769
Class C	-	77.463
Number of shares redeemed during the year:		
Class A	-	(32.500)
Class B	(680.000)	(230.000)
Class C	-	-
Number of shares outstanding at the end of the year:		
Class A	**207.049**	**207.049**
Class B	**1,242.813**	**1,921.769**
Class C	**1,117.091**	**1,117.091**

Supplementary information (continued)

As at 31 December 2016
(expressed in USD)

Net Asset Value per Share

Class of shares	31 December 2016	31 December 2015	31 December 2014
Class A	100,000.00	100,000.00	100,000.00
Class B	25,000.00	25,000.00	25,000.00
Class C	60,086.10	67.009,26	61,470.67

Notes to the Financial Statements
As at 31 December 2016
(expressed in USD)

Note 1 - Description

1.1. Corporate information

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

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

The Fund was set up for an unlimited duration.

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

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

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

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

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

1.2. Investment objectives

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

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 2 - Significant accounting policies

2.1. Statement of compliance

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

2.2. Basis of preparation

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

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

In these financial statements, certain figures for the year ended 31 December 2015 have been reclassified compared to those reported in the financial statements as of 31 December 2015 to conform to the current year presentation for comparative purpose.

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

Except as described below, the accounting policies used to prepare these financial statements are consistent with those applied for the year ended 31 December 2015.

2.2.1. New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2016

During the year, the Fund has adopted a new and amended standard mandatory for the first time for the financial year beginning on or after 1 January 2016. The impact of this being of relevance to the Fund is summarised below:

Disclosure Initiative - Amendments to IAS 1, 'Presentation of Financial Statements'
These amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statements disclosures can be improved. The amendments further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements and relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

Note 2 - Significant accounting policies (continued)

2.2. Basis of preparation (continued)

2.2.1. New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2016 (continued)

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments. The application of these amendments has not resulted in any impact on the financial performance or the financial position of the Fund.

2.2.2. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted

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

IFRS 9, 'Financial Instruments'

On 24 July 2014, the IASB issued the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. The version of IFRS 9 issued in 2014 supersedes all previous versions and is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Fund plans to adopt the new standard on the required effective date.

<u>Classification and measurement</u>

The Fund does not expect a significant impact on its balance sheet from applying the classification and measurement requirements of IFRS 9. Loans to Partner Lending Institutions are held within a business model whose objective is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9. Upon adoption of IFRS 9, all derivatives will continue to be measured at fair value, with value changes recognized in profit or loss, unless the Fund elects to apply hedge accounting (see below).

Note 2 - Significant accounting policies (continued)

2.2. Basis of preparation (continued)

2.2.2. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted (continued)

Impairment
As opposed to incurred credit losses under IAS 39, IFRS 9 requires the Fund to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

In relation to the loans to Partner Lending Institutions, whether lifetime or 12-month expected credit losses should be recognised would depend on whether there has been a significant increase in credit risk of these items from initial recognition to the date of initial application of IFRS 9.

Hedge accounting
The Fund has not applied hedge accounting under IAS 39 and does not plan to apply hedge accounting under IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Given that the majority of revenue streams of the Fund, being interest, dividends and other income arising from financial instruments, fall outside of the scope of IFRS 15, preliminary impact assessments made during 2016 indicate minimal impact arising on the adoption of this standard.

Disclosure Initiative – Amendments to IAS 7, 'Statement of Cash Flows'
These amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Fund.

Note 2 - Significant accounting policies (continued)

2.2. Basis of preparation (continued)

2.2.2. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 (including those pending EU endorsement) and not early adopted by the Fund as far as permitted (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

2.3. Foreign currency translation

2.3.1. Functional currency
The functional currency is the currency of the primary economic environment in which it 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 USD.

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

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

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

Note 2 - Significant accounting policies (continued)

2.4. Financial assets

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

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

2.5. Loans and receivables

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

The Board of Directors assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

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

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

2.6. Loans to PLIs

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

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 2 - Significant accounting policies (continued)

2.7. Cash and cash equivalents

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

2.8. Derivative financial instruments

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

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

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

2.9. Notes issued

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

2.10. Shares issued

2.10.1. Class A and Class B shares

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

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

Note 2 - Significant accounting policies (continued)

2.10. Shares issued (continued)

2.10.2. Class C shares (continued)

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.

2.11. Accrued expenses and other payables

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

2.12. Interest income and expenses

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

2.13. Expenses

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

2.14. Taxation

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

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

Note 3 - Significant accounting judgements, estimates and assumptions

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

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

3.1. Fair value of financial instruments

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

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

As at 31 December 2016 and 2015, the Fund used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

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

3.2. Impairment losses on loans

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

Notes to the Financial Statements (continued)

As at 31 December 2016
(expressed in USD)

Note 4 - Loans to Partner Lending Institutions

	2016	2015
Gross loans of PLIs	104,989,169	114,623,342
Cumulated loan loss allowance (*)	(3,684,844)	(1,406,667)
Carrying value of PLIs (excluding interests)	**101,304,325**	**113,216,675**
Accrued interests	2,487,070	3,322,765
Interests receivable	2,308,693	999,615
Carrying value of PLIs (including interests)	**106,100,088**	**117,539,055**
Fair value of PLIs	**102,638,687**	**106,432,851**

(*)As at 31 December 2016, the cumulated loan loss allowance relate to 12 PLIs subject to partial impairment (2015: 3 PLIs).

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

For the year ended 31 December 2016, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2016, the portion of gross loans of PLIs falling due within one year amounts to USD 47,391,121 (2015: USD 55,849,517).

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.

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 5 - Derivative financial instruments (continued)

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

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

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

During the year ended 31 December 2016 and 2015, there were no transfers between level 1 and level 2 fair value measurements.

5.1. Swap contracts

As at 31 December 2016, the Fund holds 84 cross currency swaps (2015: 91) with notional amount of USD 100,061,214 (2015: USD 113,515,373), which have a positive fair value of USD 10,188,245 and a negative fair value of USD 704,820 as at 31 December 2016 (2015: a positive fair value of USD 18,888,701 and a negative fair value of USD 341,397).

5.2. Forward foreign exchange contracts

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

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

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 5 - Derivative financial instruments (continued)

5.2. Forward foreign exchange contracts (continued)

As at 31 December 2015, the Fund had the following forward foreign exchange contracts outstanding:

Currency purchased	Currency sold	Amount purchased	Amount sold	Maturity date	Unrealised gain/ (loss)
EUR	XOF	378,938	263,677,768	27/06/2016	(14,367)
USD	EUR	519,479	378,905	27/06/2016	104,788
USD	EUR	457,331	359,198	15/04/2016	65,996
USD	EUR	397,493	312,200	15/04/2016	57,361
USD	EUR	14,214	11,244	16/06/2016	1,937
USD	EUR	520,471	411,244	16/12/2016	67,908
USD	EUR	1,793,715	1,650,000	05/01/2016	(3,053)
					280,570

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

	2016	2015
Net realised gain	4,293,390	1,810,992
Change in net unrealised (loss)/gain	(9,820,530)	10,113,407
Total	**(5,527,140)**	**11,924,399**

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 2016, the Notes issued by the Fund amount to USD 10,497,176 (2015: USD 13,121,470) and are fully drawn. The portion of Notes issued having a maturity within one year amounts to USD 2,624,294 as of 31 December 2016 (2015: USD 2,624,294).

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

The Investment Manager considers that the amortized cost of USD 10,497,176 is the best estimate of fair value.

Notes to the Financial Statements (continued)
As at 31 December 2016
(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 2016
(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 2016, the outstanding and uncalled commitments are as follows:

As at 31 December 2016	**Senior Class A Shares**	**Mezzanine Class B Shares**	**First Loss Class C Shares**
Total outstanding commitment (USD)*	32,965,122	39,429,463	-
Total outstanding commitment (EUR)*	10,000,000	11,584,651	47,912,293
Amount called (USD)	(9,965,122)	(39,429,463)	-
Amount called (EUR)	(10,000,000)	(11,584,651)	(47,912,293)
Uncalled commitment (USD)	**23,000,000**	**-**	**-**
Uncalled commitment (EUR)	**-**	**-**	**-**

* The decrease for Class B and Class C shares of the total outstanding commitment as of 31 December 2016 as compared to 31 December 2015 relates to the uncalled commitment that reached maturity during the year ended 31 December 2016 and therefore considered as no longer outstanding.

As at 31 December 2015, the outstanding and uncalled commitments were as follows:

As at 31 December 2015	**Senior Class A Shares**	**Mezzanine Class B Shares**	**First Loss Class C Shares**
Total outstanding commitment (USD)	9,965,122	47,653,363	-
Total outstanding commitment (EUR)	10,000,000	12,989,537	53,986,049
Amount called (USD)	(9,965,122)	(39,429,463)	-
Amount called (EUR)	(10,000,000)	(11,584,651)	(47,912,293)
Uncalled commitment (USD)	**-**	**8,223,900**	**-**
Uncalled commitment (EUR)	**-**	**1,404,886**	**6,073,756**

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 8 - Expenses

8.1. Fund management fees

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

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

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

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

The Fund management fee amounted to USD 2,338,683 for the year ended 31 December 2016 (2015: USD 2,445,066).

8.2. Investment Manager Incentive Bonus

Depending on the performance of the Fund and the attainment of certain performance targets by each Class of Shares determined by the Board of Directors, the Investment Manager might be entitled to additional performance based remuneration ("Investment Manager Incentive Bonus"), calculated as a percentage of the year-to-date amount remaining available for allocation of the Income Waterfall, as defined in Note 10.

No Investment Manager Incentive Bonus has been accrued for as at 31 December 2016 (2015: USD 126,125).

8.3. Secretary fees

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

For the year ended 31 December 2016, the secretary fees amount to USD 124,581 (2015: USD 77,365).

Notes to the Financial Statements (continued)

As at 31 December 2016
(expressed in USD)

Note 8 - Expenses (continued)

8.4. Administration, custodian and domiciliation fees

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

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

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

For the year ended 31 December 2016, the administration fee amounts to USD 139,812 (2015: USD 139,728).

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 2016, the custodian fee amount to USD 41,335 (2015: USD 43,932).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2016, the domiciliation fee amounts to USD 15,000 (2015: USD 15,000).

For the year ended 31 December 2016, the registrar and the compliance monitoring fees amount to USD 15,000 (2015: USD 15,000).

8.5. Accrued expenses

As at 31 December 2016, the accrued expenses mainly relate to Fund management fees and direct operating expenses and amount to USD 1,006,003 (2015: USD 973,765).

Note 9 - Allocation and distribution waterfalls

At each date on which a net asset value (“NAV”) calculation is made (“NAV Calculation Date”), the year-to-date cumulative net income (“Net Income”) of the Fund for the relevant calendar year is determined. The Net Income equals the sum of (i) the Fund’s cumulative year-to-date income (received and/or accrued) in the relevant calendar year less the year-to-date cumulative Fund Expenses (including, but not limited to, operating expenses and Management Fees) for the calendar year, plus (ii) any year-to-date interest payments on the Notes for the calendar year. For the purposes of this computation: (i) all realised and unrealised (ie 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.

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.

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 9 - Allocation and distribution waterfalls (continued)

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

- any year-to-date write backs on unrealized Investments, plus
- any impairment allowances due to the deterioration in credit quality or defaults with respect to the Investments of the Fund, plus
- any realized and unrealized gains and losses on local currency loans to PLIs due to changes in the value of the local currency, plus
- any other year-to-date realized or unrealized capital gains and losses on foreign exchange (other than on local currency loans to PLIs), plus
- the foreign exchange compensation amount ("FX Compensation Amount"), which protects the C Share class against expected FX depreciation on unhedged investments, plus
- realized and unrealized gains or losses from the value of derivative financial instruments held by the Fund. This is calculated as the portion of the value of derivative financial instruments held by the Fund other than the portion of the value of the related derivative financial instruments which is linked to the accrued interest on the loans (this accounting rule has been defined after Fund 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 2016
(expressed in USD)

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

10.1. Calculation of distributable income (income waterfall)

	2016	2015
Interest income on loans	13,017,400	15,121,632
Interest on bank deposits	66,196	3,770
Other income	65,399	33,256
Management fees	(2,338,683)	(2,445,066)
Secretary fees	(124,581)	(77,365)
Legal and audit fees	(187,126)	(125,253)
Administration, custodian and domiciliation fees	(211,147)	(213,660)
Other administrative expenses	(62,794)	(55,012)
Marketing and promotion expenses	(6,544)	(21,773)
Interest expenses on Notes	(236,191)	(186,553)
Bank charges	(19,926)	(21,451)
Net loss on derivative financial instruments (interest portion)	(6,888,441)	(7,034,048)
Total	**3,073,562**	**4,978,477**

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

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

	2016	2015
Net foreign exchange loss on loans to PLIs	(7,852,570)	(14,108,314)
Other net foreign exchange gain/(loss)	3,539	(348,298)
Net gain on derivative financial instruments (notional portion)	1,361,301	18,958,447
Loan loss allowance	(2,278,177)	(906,667)
Total	**(8,765,907)**	**3,595,168**

Notes to the Financial Statements (continued)

As at 31 December 2016
(expressed in USD)

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

10.3. Allocation of distributable income and capital gains and losses

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

	2016	2015
Target dividend on Class A Shares	501,110	398,957
Complementary dividends on Class A Shares	-	44,758
Target dividend on Class B Shares	1,540,345	1,535,326
Complementary dividends on Class B Shares	-	192,429
Total dividends distributable to Class A Shares and Class B Shares	**2,041,455**	**2,171,470**
Contribution to the technical assistance facility	**-**	**262,755**
Investment Manager incentive bonus	**-**	**126,125**
Target dividend on Class C Shares	1,032,107	1,993,166
Foreign exchange compensation amount	-	-
Complementary dividends on Class C Shares	-	424,961
Capital gains and losses specific to Class C Shares	(8,765,907)	3,595,168
Total allocated to Class C Shares	**(7,733,800)**	**6,013,295**
(Loss)/profit before performance allocation	**(5,692,345)**	**8,573,645**

As a result, for the year ended 31 December 2016, a total amount of USD 501,110 is payable to the holders of Class A Shares (31 December 2015: USD 443,715), a total amount of USD 1,540,345 is payable to the holders of Class B Shares (31 December 2015: USD 1,727,755), and a total negative amount of USD 7,733,800 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares (2015: positive amount of USD 6,013,295).

Note 11 - Risk management

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

11.1. Credit risk

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

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

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

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

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

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

Notes to the Financial Statements (continued)

As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.1. Credit risk (continued)

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

- Legal and financial covenants monitoring: The Investment Services team reviews all legal covenants and obligations related to each transaction for material events on a monthly basis, validating their compliance and reporting to the client. Any material event triggers a risk management process for the underlying obligation which involves challenging and questioning by the Investment Analysis team over and beyond the monthly and annual monitoring.

- Quarterly Investment valuation: Pursuant to the legal covenant review and risk management process, the Investment Services team proposes quarterly valuation guidance for each transaction to the Investment Manager based on predefined rules and criteria.

- Payment collection: On each payment date, the Investment Services team sends out reminders and confirmation receipts to the PLI and custodian bank. The team supervises and assists throughout the payment collection process.

11.1.1. Maximum exposure to credit risk

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

	2016	2015
Statement of financial position		
Loans to PLIs	104,989,169	114,623,342
Derivative financial instruments (*)	10,226,711	19,186,691
Interest receivable on loans to PLIs	5,692,079	4,322,380
Other receivables	749,168	160,537
Cash and cash equivalents	16,598,282	35,665,779
Total	**138,255,409**	**173,958,729**
Off-balance sheet		
Committed undisbursed amounts on loans to PLIs	-	-
Total	**-**	**-**
Total gross maximum exposure	**138,255,409**	**173,958,729**

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

Notes to the Financial Statements (continued)

As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.1.2. Risk concentration of loan portfolio to credit risk

Risk concentration by PLI

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolio by PLI as of 31 December 2016 and 2015 is as follows:

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

31 December 2015	**Amounts in USD**	**%**
Top 1	11,142,314	9.72%
Top 3	23,808,981	20.77%
Top 5	34,220,339	29.85%
Top 10	53,755,003	46.90%
Top 20	82,472,364	71.95%
Top 30	101,075,868	88.18%
Top 40	110,854,273	96.71%
Top 49	114,623,342	100.00%

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

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

Risk concentration by geographical regions

The table below shows the credit risk analysis of the Fund's gross loan portfolio per geographical region as of 31 December 2016 and 2015:

	31 December 2016		31 December 2015	
	Amounts in USD	%	Amounts in USD	%
Kenya	16,003,801	15.24%	15,801,264	13.79%
Nigeria	12,671,992	12.07%	22,150,948	19.32%
Democratic Republic of Congo	10,750,000	10.24%	13,541,667	11.81%
Zambia	9,206,828	8.77%	6,646,809	5.80%
Senegal	9,028,659	8.60%	9,650,048	8.42%
Tanzania	8,839,961	8.42%	11,270,422	9.83%
Ghana	6,347,610	6.05%	5,442,314	4.75%
Cameroon	5,906,599	5.63%	5,541,710	4.83%
Ivory Coast	4,983,693	4.75%	5,675,918	4.95%
Uganda	4,680,069	4.46%	3,475,585	3.03%
Rwanda	3,625,131	3.45%	3,593,545	3.14%
Angola	3,500,000	3.33%	3,500,000	3.05%
Benin	2,109,500	2.01%	2,878,695	2.51%
Zimbabwe	2,000,000	1.90%	2,000,000	1.74%
Burkina Faso	1,888,002	1.80%	-	-
Mali	1,265,700	1.21%	1,705,491	1.49%
Malawi	819,831	0.78%	893,128	0.78%
Sierra Leone	700,000	0.67%	-	-
Niger	527,375	0.50%	-	-
Tchad	134,418	0.13%	217,260	0.19%
Mozambique	-	-	638,539	0.56%
Total	**104,989,169**	**100.00 %**	**114,623,342**	**100.00%**

The above risk concentrations reflect the Fund's exposures by market and PLI, including amounts that are currently impaired for which recovery efforts are ongoing. The portfolio value in the risk concentration tables differs from the portfolio value in the statements of financial position by USD 3,684,844, which consists of the loan loss allowance as of 31 December 2016 (2015: USD 1,406,667).

11.1.3. Credit quality

Credit risk exposure for each internal risk rating

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

(expressed in USD)

Note 11 - Risk management (continued)

11.1.3. Credit quality (continued)

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

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

The Fund rating's categories are as follows:

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

Notes to the Financial Statements (continued)

As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.1.3. Credit quality (continued)

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2016 and 2015 based on the Fund's credit rating system:

	31 December 2016		31 December 2015	
	Amounts in USD	%	Amounts in USD	%
AAA	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
BBB	54,529,996	51.94%	81,543,088	71.14%
BB	49,909,173	47.54%	32,762,999	28.58%
B	550,000	0.52%	317,255	0.28%
CCC	-	-	-	-
CC	-	-	-	-
C	-	-	-	-
D	-	-	-	-
Total	**104,989,169**	**100.00%**	**114,623,342**	**100.00%**

Credit risk exposure to counterparties from cash deposits

As at 31 December 2016, the Fund holds cash in current accounts of USD 16,598,282 (2015: USD 24,635,954) 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 2016, cash for a total amount of USD 542,632 (2015: USD nil) has been pledged as collateral with ICBC Standard Bank rated BBB+ according to Standard & Poor's.

As at 31 December 2016, collateral had been posted with TCX acting as a hedge counterparty with the Fund for USD 5,520,946 (2015: USD 9,789,825), rated A- according to Standard & Poor's. At the same date, none was outstanding with ICBC Standard Bank (2015: USD 1,240,000).

Impairment assessment

The Investment Manager monitors on a monthly basis whether each investee of the Fund is in compliance with all financial and non-financial covenants per the respective loan contract. In case of a breach of financial covenant with no perspective of resolution through improvement of the situation over the next quarter, the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation. In case of payment default (as defined in each loan agreement), the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation if the carrying amount of the relevant loan exceeds its recoverable amount. As at 31 December 2016, loan loss allowance on principal amounts to USD 3,684,844 (2015: USD 1,406,667), which represents 3.51% (2015: 1.23%) of the gross portfolio.

Note 11 - Risk management (continued)

11.2. Liquidity risk

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

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

- Excess cash liquidity is temporarily deposited with international investment grade banks or invested in money-market instruments.

- The Investment Manager shall strive to maintain cash on hand that represents the greater of 5% of the Fund Total Assets or a 120% of the Fund's projected 30-day liabilities. As soon as liquidity falls below this percentage, the Investment Manager shall notify the Board and Investment Committee immediately.

- In addition, the Fund may at any time draw down from existing commitments on A and B Shares or Notes and on a quarterly basis on C Shares. The existing uncalled commitments from Shareholders to the Fund amounted to USD 23 million as at 31 December 2016 (2015: USD 13.5 million and EUR 7.9 million).

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.2. Liquidity risk (continued)

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

31 December 2016	Less than 3 months (in USD)	3 months to 1 year (in USD)	1 year to 5 years (in USD)	More than 5 years (in USD)	Undefined maturity (in USD)	Total (in USD)
Loans to PLIs (*)	7,431,780	51,350,890	79,123,256	-	-	137,905,926
Other receivables	749,168	-	-	-	-	749,168
Cash and cash equivalents	16,598,282	-	-	-	-	16,598,282
Total financial assets	**24,779,230**	**51,350,890**	**79,123,256**	**-**	**-**	**155,253,377**
Undrawn capital commitments	23,000,000	-	-	-	-	23,000,000
Total financial assets and undrawn capital commitments	**47,779,230**	**51,350,890**	**79,123,256**	**-**	**-**	**178,253,377**
Notes (**)	-	2,839,876	8,165,337	-	-	11,005,212
Derivative financial instruments (**)	1,797,121	6,091,802	7,070,107			14,959,030
Accrued expenses	1,006,003	-	-	-	-	1,006,003
Other payables	534,137	-	-	-	-	534,137
Distribution payable to holders of redeemable shares	-	2,041,455	-	-	-	2,041,455
Net assets attributable to Class A and Class B Shares	-	-	47,585,483	4,189,805	-	51,775,288
Total financial liabilities	**3,337,261**	**10,973,133**	**62,820,926**	**4,189,805**	**-**	**81,321,125**
Committed undisbursed amounts on loans to PLIs	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**3,337,261**	**10,973,133**	**62,820,926**	**4,189,786**	**-**	**81,321,125**

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

(**) *Including interest payment*

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.2. Liquidity risk (continued)

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

31 December 2015	Less than 3 months (in USD)	3 months to 1 year (in USD)	1 year to 5 years (in USD)	More than 5 years (in USD)	Undefined maturity (in USD)	Total (in USD)
Loans to PLIs (*)	17,016,998	55,526,053	86,898,919	-	-	159,441,970
Other receivables	160,537	-	-	-	-	160,537
Cash and cash equivalents	24,635,954	-	-	-	-	24,635,954
Total financial assets	**41,813,489**	**55,526,053**	**86,898,919**	**-**	**-**	**184,238,461**
Undrawn capital commitments	21,362,836	-	-	-	-	21,362,836
Total financial assets and undrawn capital commitments	**63,176,325**	**55,526,053**	**86,898,919**	**-**	**-**	**205,601,297**
Notes (**)	-	2,845,811	10,901,855	-	-	13,747,666
Derivative financial instruments (**)	2,444,428	7,571,692	9,448,460	-	-	19,464,580
Accrued expenses	973,765	-	-	-	-	973,765
Other payables	565,756	-	-	-	-	565,756
Distribution payable to holders of redeemable shares	-	2,171,470	-	-	-	2,171,470
Net assets attributable to Class A and Class B Shares	-	23,000,000	33,559,360	12,189,786	-	68,749,146
Total financial liabilities	**3,983,949**	**35,588,973**	**53,909,675**	**12,189,786**	**-**	**105,672,383**
Committed undisbursed amounts on loans to PLIs	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**3,983,949**	**35,588,973**	**53,909,675**	**12,189,786**	**-**	**105,672,383**

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

(**) *Including interest payment*

Note 11 - Risk management (continued)

11.3. Market risk

11.3.1. Interest rate risk

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

The Fund may be exposed to interest rate risks to the extent that the rate basis for its assets and liabilities do not fully match. The Fund seeks to reduce this risk and to match the rate basis on its assets and liabilities. As of 31 December 2016, 70.2% (2015: 78.5%) 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). 29.2% of the portfolio is denominated in USD (2015: 19.2%), the functional currency of the Fund, yielding a fixed USD rate. 0.6% of the portfolio is denominated in EUR and not hedged for currency and interest rate risk (2015: nil).

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 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.3. Market risk (continued)

11.3.1. Interest rate risk (continued)

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

	31 December 2016		31 December 2015	
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	15,102	0.80%	24,232	1.20%
50	75,510	4.00%	121,161	6.00%
100	151,020	8.00%	242,323	12.00%

11.3.2. Currency risk

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. As at 31 December 2016, all of the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2015: 100%). 29.2% of the Fund's PLI investments are denominated in USD (2015: 19.2%), 70.2% are denominated in local currency and hedged for both currency and interest rate risk (2015: 79%), and 0.6% are denominated in EUR and unhedged (2015: none).

As at 31 December 2016, the Fund's total unhedged open currency exposure amounts to USD 694,360 (exchange rate as of disbursement) representing 0.6% of the PLI loan portfolio. As at 31 December 2015, the Fund had no unhedged open currency exposure and therefore, a sensitivity analysis would not be relevant.

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 11 - Risk management (continued)

11.3. Market risk (continued)

11.3.2. Currency risk (continued)

As at 31 December 2016 and 2015, the split of the loan portfolio by currency is as follows:

			31 Decem
	Number of loans (**)	Total amount (*) USD	n
USD	32	31,980,926	
XOF	18	19,275,554	
KES	10	14,003,801	
ZMW	11	9,206,828	
GHS	5	6,386,076	
XAF	4	5,906,599	
UGX	6	4,680,069	
TZS	2	4,042,410	
NGN	8	4,438,616	
RWF	4	3,625,131	
MWK	1	819,831	
EUR	2	661,793	
MZN	-	-	
	103	**105,027,634**	

(*) net of the effect of the forward exchange transactions
(**) 99 loans were outstanding as of 31 December 2016. In addition to these 99 loans, 3 overdue amortizations have been separated from the on-time portion of outstanding NGN loans
dates."

Note 11 - Risk management (continued)

11.3. Market risk (continued)

11.3.3. Operational risk

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

Note 12 - Capital management

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

The Fund's objectives for managing capital are:

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

Note 13 - Related party transactions

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

Board of Directors

During the year ended 31 December 2016, an amount of USD 20,242 of travel expenses was reimbursed to Directors (2015: USD 26,961). The listing of the members of the Board of Directors is shown on page 3 of the annual report.

Investment Manager

Management fee

Symbiotics Asset Management 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.

Notes to the Financial Statements (continued)
As at 31 December 2016
(expressed in USD)

Note 14 - Approval of the financial statements

The Board of Directors reviewed the financial statements as of 05 May 2017 and decided to submit them to the Annual General Meeting of Shareholders for approval.

Note 15 - Subsequent events

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