ANNUAL REPORT 2018

REGIONAL MSME INVESTMENT FUND FOR SUB-SAHARAN AFRICA S.A., SICAV-SIF

regmifA

REGMIFA

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ABOUT REGMIFA

REGMIFA's mission is to foster economic development in Sub-Saharan Africa by supporting financial institutions that serve micro, small and medium sized enterprises (MSMEs) while simultaneously observing the principles of additionality and sustainability.

Launched in May 2010, the Regional MSME Investment Fund for Sub-Saharan Africa SA, SICAV-SIF, is a Luxembourg-based investment fund that seeks to foster economic development and prosperity in Sub-Saharan Africa. To this end, the Fund provides medium- to long-term debt financing in local currency to Partner Lending Institutions (PLIs) that serve MSMEs.

Complementary to the Fund's investment activities, a specific Technical Assistance (TA) Facility focuses on providing technical support to client institutions. It was set up as an entity independent from the Fund and structured as a fiduciary agreement under Luxembourg law in July 2010.

Among the public investors are the French Development Agency (Agence Française de Développement - AFD), the Belgian Investment Company for Developing Countries (Belgische Investeringsmaatschappij voor Ontwikkelingslanden - BIO), the European Investment Bank (EIB), the Netherlands Development Finance Company (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden - FMO), KfW (Kreditanstalt für Wiederaufbau) on behalf of the German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – BMZ), the Spanish Ministry of Foreign Affairs and Cooperation (Ministerio de Asuntos Exteriores y de Cooperación - MAEC) (Spanish Cooperation), the Instituto de Crédito Oficial (ICO) in the name and on behalf of the Spanish Government and the Kingdom of Spain (Spanish Cooperation), the Norwegian Microfinance Initiative (NMI), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB), and the French Investment and Promotions Company for Economic Cooperation (Société de Promotion et de Participation pour la Coopération Economique – Proparco).

Symbiotics SA, a specialized impact investment management company based in Geneva, Switzerland, was entrusted by the Fund with the dual mandates of Investment Manager and Technical Assistance Facility Manager.

AS OF DECEMBER 2018

GROSS ASSET VALUE

USD 135,941,370

NET ASSET VALUE

USD 124,052,308

OUTSTANDING PORTFOLIO (NOMINAL AT DISBURSEMENT)

USD 121,355,426

NUMBER OF MICRO CLIENTS FINANCED

178,968

NUMBER OF COUNTRIES

20

NUMBER OF PARTNER LENDING INSTITUTIONS

53

NUMBER OF OUTSTANDING INVESTMENTS

92

KEY FIGURES

SINCE INCEPTION

USD 372 MILLION
ORIGINATED

23
COUNTRIES

289
PRIVATE DEBT TRANSACTIONS

9
YEARS OF TRACK RECORD

85
INSTITUTIONS FINANCED

166
INSTITUTIONS ANALYZED

SECTORS

TRADE
AGRICULTURE
HOUSING
EDUCATION

"2018 was a year of growth for the Fund. REGMIFA recorded the highest investment activity since the Fund's inception, while generally promising progress was made in the resolution of default cases stemming from the 2015-2017 period. Financially, A , B and C shareholders were rewarded with target as well as complementary dividends, while C shareholders continued to absorb capital losses and provisions. REGMIFA remained focused on its mission in 2018, with 14 of 20 of the Fund's portfolio countries being Least Developed Countries".

BOARD OF DIRECTORS 2018

Left to right:
Dr. Giuseppe Ballocchi
Mr. Arthur Sletteberg
Dr. Marcel Gérard Gounot
Mr. Stefan Hirche
Mr. Ruurd Brouwer (Chairman)
Mr. Karl-Heinz Fleischhacker
Mr. François Lagier

LETTER FROM THE CHAIRMAN

We are pleased to submit the Annual Report for the year ended 31 December 2018 and the related Independent Auditor's Report for the Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

2018 was a year of growth and recovery for Sub-Saharan African economies, with 2018 growth estimated at 3.5% according to the African Development Bank. Some of the world's fastest growing economies in 2018 were in Sub-Saharan Africa (Ghana, Ethiopia and Cote d'Ivoire), with the region's projected GDP growth to be 4.0% in 2019 and 4.1% in 2020. The rebound in commodity prices, improved growth in the global economy, and much needed economic reforms across Sub-Saharan Africa have contributed to this economic improvement. While the region's growth outlook is positive compared to recent years, Africa is host to some of the world's fastest growing populations (Niger, Angola, Uganda, and the Democratic Republic of Congo). Job creation and poverty reduction remain key challenges for African Governments, who will need to prioritise structural transformations to ensure increased labour-absorbing opportunities. The growth of Nigeria and South Africa, the continent's biggest economies, was less than expected at 1.9% and 0.8% respectively. Both countries will hold presidential elections in 2019.

As 2018 comes to a close, we begin looking towards 2019 with debt and debt sustainability being a key theme for African economies. Signs of a possible debt crisis in the region need to be closely monitored, with at least 14 economies either in debt distress or at risk of debt distress. Combined with the slowdown in global growth, this could prove challenging with the potential for a knock-on effect in the sectors that REGMIFA operates.

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

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

Financially, REGMIFA's layered capital structure has again proven its value as a stabilizing mechanism. Target dividends for the A and B Share Classes were fully served for the eighth year in a row, while the increased market and credit risk observed over the past three years continued to be absorbed by the Fund's first loss C Share layer. The Fund's Net Asset Value (NAV) of C Shares as of year-end 2018 was at USD 55,247,360 and fell below their subscription value of USD 62,314,790 mainly due to the impact of IFRS 9 on loan loss allowance, but also the realisation of capital losses and the write off of two MFIs in default status. With regained growth and overcoming extraordinary workout cases, the C Shares' subscription value might augment again over time. The C Share NAV remained at 41.2% of the Fund's Gross Asset Value (GAV), which continues to provide a very strong first loss buffer to the Fund.

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

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

Board of Directors, April 2019

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1 https://www.afdb.org/en/knowledge/publications/african-economic-outlook/
2 https://www.afdb.org/en/knowledge/publications/african-economic-outlook/
3 https://qz.com/africa/1522126/african-economies-to-watch-in-2019-and-looming-debt/
4 https://www.brookings.edu/multi-chapter-report/foresight-africa-top-priorities-for-the-continent-in-2019/
5 Tier 3: Institutions with total assets below USD 10 million, Tier 2: Institutions with total assets between USD 10 and USD 30 million, Tier 1: Institutions as those with total assets in excess of USD 30 million.

"We are proud of REGMIFA's track record. Since 2010, REGMIFA invested over USD 370 million through over 280 transactions across 23 countries in Sub-Saharan Africa, financing over 80 financial institutions and supporting them with over 120 technical assistance projects. With the highest annual investment activity so far, 2018 has demonstrated that there is no end in sight for this positive trend".

GREETINGS

LETTER FROM THE INVESTMENT MANAGER

2018 saw the Fund disburse its highest annual volume (USD 58.5 million across 44 transactions) since inception, reflecting a pick-up in investment activity and funding needs across the region. In an environment of improved macroeconomic conditions across Sub-Saharan Africa, REGMIFA remained focused on the Fund's mission to foster economic development and prosperity across the region. 12 new PLIs were added to the portfolio, with the Fund remaining active in 20 countries across 15 currencies.

The Fund ended the year with an outstanding portfolio of USD 121.4 million, up from USD 109.5 million in 2017, with continued investments in financial institutions that on-lend to borrowers active in trade, production, and services. The Fund remained fully hedged against the Fund currency (USD). Since inception the Fund has disbursed over USD 370 million to partner lending institutions across 289 loans with origination remaining strong in 2018. The new institutions added to REGMIFA's portfolio (USD 19.2 million in disbursements) included PAMF Cote d'Ivoire, Lulalend South Africa, AB Madagascar, ASIEA Nigeria, Baobab Madagascar, Addosser Nigeria, Adehyeman Ghana, ASA Kenya, SA Taxi South Africa, Fidelis Finance Burkina Faso, FINCA Nigeria, and Baobab Burkina Faso. Top-up and renewals remained strong, with 17 renewals (USD 18.5 million) and 16 top-ups (USD 20.8 million) materializing across the portfolio's 53 PLIs at 2018-year end.

Disbursements exceeded repayments (USD 58.5 million vs. USD 43.2 million), resulting in a net portfolio expansion of USD 15.3 million (up from 2017's USD 5.2 million portfolio contraction). Efforts to address and resolve loans in default continued throughout 2018, with the number of remaining outstanding loans in recovery dropping from 11 to 5. Of the three fraud cases uncovered in 2017, two remain open and are treated as a key priority for the fund (USD 5.85 million or 4.8% of the portfolio).

IFRS 9 was implemented as of January 2018, replacing IAS 39. Rather than provisioning per an 'incurred loss' model as was previously the case, IFRS 9 introduced the notion of 'expected loss'. Where previously the Fund's loan loss allowance reflected loans already in default status, the 'expected loss' approach factors in all of the portfolio's loans (regardless of whether they are in default or not) to determine the expected credit loss (ECL) of each loan given the loan's exposure at default (EAD), probability of default (PD) and loss given default (LGD). The Investment Manager, with guidance from the Fund's Accountant, developed a framework to determine each PLI's PD and LGD value. The Investment Manager, in consultation with the Board of Directors, aligned its provisioning methodology and internal processes to fully reflect the requirements of IFRS 9. The implementation of IFRS 9 resulted in an increase in the loan loss allowance to 12% of the portfolio.

The growth outlook for 2019 remains positive for the region, driven by rising oil prices, increased agricultural output, and increasing public investments. Upcoming 2019 elections across Sub-Saharan Africa (e.g. South Africa, Nigeria, Malawi, Senegal) could be disruptive to certain economies, with Kenya, South Africa, and Nigeria remaining key markets and Burkina Faso, Senegal, and Cote d'Ivoire regarded as potential growth opportunities. The majority of the Fund's portfolio (>50%) is expected to remain in Sub-Saharan Africa's Western region, with the remaining 50% split between the region's Central, Southern and Eastern area.

The Investment Manager team would like to thank the Fund's governance bodies for their continued diligence and valuable guidance, as well as the Fund's shareholders for their support to the Fund's mission. We anticipate that REGMIFA will maintain its position as a driver for financial inclusion across Sub-Saharan Africa whilst maintaining a positive financial track record.

With kind regards,
The Investment Manager Team


5 STAR

STRATEGY

Micro, small and medium-sized enterprises (MSMEs) form the backbone of every economy; they are the engines of growth and income generation. A lack of financial resources constrains African MSMEs from realizing their full potential. Removing these obstacles and unlocking the potential of local capital markets is a priority for REGMIFA investors.

In accordance with its mission, REGMIFA's strategy is to foster economic development and prosperity, as well as employment creation, income generation and poverty alleviation in Sub-Saharan Africa through the provision of innovative financial products and, where applicable, technical assistance support to eligible Partner Lending Institutions (PLIs) that serve MSMEs.

REGMIFA's development goal is to reach and support MSMEs through active partnerships with PLIs. The Fund is founded on the principles of the Paris Declaration; it seeks to increase investor effectiveness by pooling resources and harmonizing standards in REGMIFA's investment and technical assistance support activities. Thus, the Fund observes the principles of sustainability and additionality, combining public mandate and market orientation.

FUND

REGMIFA is a debt fund with a focus on financing microfinance institutions, local commercial banks and other financial institutions (PLIs) that are established in Sub-Saharan African countries and serve MSMEs. It provides its PLIs with longer term senior loans, subordinated debt, term deposits and guarantee schemes, the majority of which are delivered in local currency.

The Fund aims to build a balanced portfolio, with small and medium-sized PLIs targeted to comprise the majority of the Fund's client mix. Small PLIs (Tier 3) include those with total assets below USD 10 million, medium PLIs (Tier 2) include those with total assets between USD 10 million and 30 million, and large PLIs (Tier1) include those with total assets exceeding USD 30 million.

FUND STRUCTURE

Founded as a public-private partnership aimed at establishing a vehicle to combine funds from public and private investors, REGMIFA is structured as a multi-layered fund that reflects the risk/return requirements of its investors. In order to meet these requirements, three shareholder classes (A, B, C) have been established, as well as two noteholder classes (senior and subordinated), with each share and note class possessing its own risk profile and targeted return.

LEGAL NAME
Regional Micro, Small and Medium Sized Enterprises Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (REGMIFA)

FUND TYPE
Investment public limited company under Luxembourg Law, qualified as a specialized investment fund

REGISTERED OFFICE
5, rue Jean Monnet
L-2180 Luxembourg
Grand-Duchy of Luxembourg

INCEPTION DATE
May 2010

MAIN FINANCIAL PRODUCTS
Medium- to long-term senior loans at fixed and floating interest rates, term deposits, letters of credit, guarantees

INVESTMENT CURRENCY
USD, EUR, local currency

INVESTMENT MANAGER AND TA FACILITY MANAGER
Symbiotics SA

STRUCTURING AGENT
Kreditanstalt für Wiederaufbau (KfW)

GENERAL SECRETARY
Innpact Sàrl

CUSTODIAN / ADMINISTRATOR
Credit Suisse (Luxembourg) S.A. and Credit Suisse Fund Services (Luxembourg) S.A.

LEGAL COUNSEL
Linklaters LLP

AUDITOR
Ernst & Young SA

LUXFLAG

the smart campaign

Class C Shares form the foundation of the capital structure. They are primarily subscribed by development finance institutions and comprise a mandatory minimum of 33% of REGMIFA's total assets. In addition to this core quality, by representing the first loss tranche, they provide an appropriate cushion to investors that contribute to REGMIFA's development impact by underwriting Class A senior and Class B mezzanine shares and senior and subordinated notes

DEBT
Senior notes
Subordinated notes

EQUITY
A Shares
B Shares
C Shares

REGMIFA EXEMPLIFIES BLENDED FINANCE, WITH A FIRST LOSS CUSHION THAT CONSTITUTES A MANDATORY MINIMUM OF 33% OF FUND ASSETS.

INVESTORS

Initiated at the G8 Summit in Heiligendamm, REGMIFA is a public-private partnership aimed at establishing a vehicle to combine funds from public and private investors. Among the public investors are:

- The French Development Agency (Agence Française de Développement - AFD)
- The Belgian Investment Company for Developing Countries (Belgische Investeringsmaatschappij voor Ontwikkelingslanden - BIO)
- The European Investment Bank (EIB)
- KfW (Kreditanstalt für Wiederaufbau) on behalf of the German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – BMZ)
- The Spanish Ministry of Foreign Affairs and Cooperation (Ministerio de Asuntos Exteriores y de Cooperación)
- The Nordic Microfinance Initiative (NMI)
- The Netherlands Development Finance Company (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden - FMO)
- Instituto de Credito Oficial (ICO) in the name and on behalf of the Spanish Government and the Kingdom of Spain (Spanish Cooperation)
- The Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB)
- The French Investment and Promotions Company for Economic Cooperation (Société de Promotion et de Participation pour la Coopération Economique – Proparco).

TECHNICAL ASSISTANCE FACILITY

Following the inception of the REGMIFA Fund, the REGMIFA Technical Assistance (TA) Facility was launched in 2011 to complement the financial services delivered to the investees of the Fund. The REGMIFA TA Facility is a key part of the Fund's value proposition, enabling it to provide technical support to MSME financial institutions in Sub-Saharan Africa and increase their developmental impact while mitigating risk at the Fund level. The Facility's activities are specifically targeted at supporting the Fund's investment portfolio and are complementary to other industry initiatives in the region. The approach of the implementation and management of the Facility is based on the following principles:

- Delivery of high-quality consultancy services
- Fair and transparent processes and procedures
- Provision of services based on clients' needs

Despite the fact that REGMIFA operates as one partner, the REGMIFA TA Facility is a separate entity with its own oversight body—the TA Facility Committee—and is governed by its own rules and regulations, making decisions independently from the Fund. The daily operations and project implementation, including the management of the pool of more than 600 consultants, is coordinated by Symbiotics SA as the TA Facility Manager.

CONTRIBUTORS SINCE INCEPTION

- Spanish Agency for International Development Cooperation (Agencia Española de Cooperación Internacional para el Desarrollo – AECID)
- KfW (Kreditanstalt für Wiederaufbau) on behalf of the German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – BMZ)
- European Union
- European Investment Bank (EIB)
- Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB)
- Government of Luxembourg
- REGMIFA Fund

LEGAL STRUCTURE

Fiduciary Agreement / Fiducie; under Luxembourg law on trust and fiduciary contacts

START OF OPERATIONS OF THE TA FACILITY

January 2011

TA FACILITY MANAGER

Symbiotics SA

FIDUCIARY CUSTODIAN

Credit Suisse (Luxembourg) S.A.

DONORS:

10 KEY INDICATORS(2018)*

SENEGAL

POPULATION
14.7 M

POPULATION LIVING IN POVERTY
46.7%

HUMAN DEVELOPMENT RANK
164/189

GDP PER CAPITA
USD 2,700

REAL GDP GROWTH
7.2%

INFLATION RATE
1.3%

FOREX (36M)
1.3%

PRIVATE CREDIT
35.6%

FOREIGN AID (USD)
736.4 M

REMITTANCES (USD)
1.6 BN

*or latest available

MEET MRS. AMINA DIOP
PEANUT OIL SELLER

COUNTRY: SENEGAL

Located in West Africa, Senegal is one of the most stable democracies in Africa, yet home to a largely poor population (46.7%). Its economy is driven by mining, construction, tourism, fisheries and agriculture. Remittances form a key source of revenue while donor assistance has been supporting the country's economic development. Senegal's macroeconomic situation and outlook remain stable to positive in the short to medium term. The country experienced a growth rate of 7.2% in 2018, the third consecutive year with a GDP growth rate of above 6%. Over the medium term, growth is expected to average at 6% annually, supported by increased agricultural output, productivity improvement programs and public investment in infrastructure and other projects related to the "Emerging Senegal Plan", launched by the president Macky Sall, whose term runs until 2019. The key risks to Senegal's growth outlook include unfavorable weather, slower growth in trading partner countries and possible increases in the cost of public borrowing. In terms of microfinance, the first cooperatives saw light after the banking crisis of the 1980s. Today, more than 200 cooperatives operate in the country and 75% of the market is concentrated around three of those.

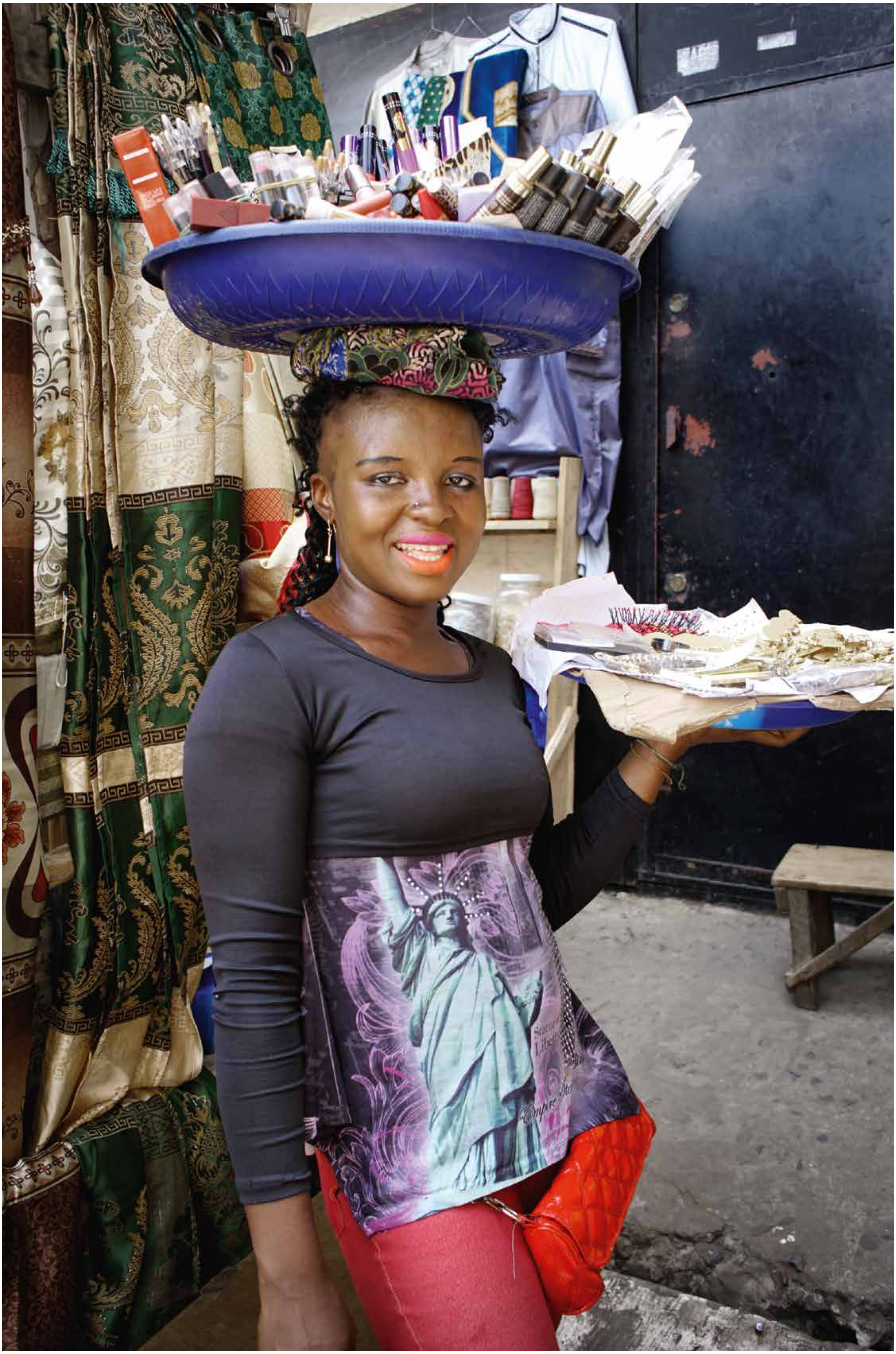
MFI: COFINA SENEGAL

The Compagnie Financière Africaine (Cofina) Senegal was created as a joint-stock company in October 2012 by African banking professionals. It was granted its operating licence in March 2014, with the MFI starting lending operations in April 2014. Cofina Senegal was Cofina Group's first MFI affiliate in Africa. The group also operates in Ivory Coast, Gabon and Guinea and has opened two new affiliates in Mali and Congo Brazzaville in 2017. Cofina targets the upper-segment of the microfinance market, with a significant portion of portfolio being dedicated to SME loans in urban areas. Cofina enjoys comfortable profitability thanks to its ability to quickly scale-up operations, in line with a cost structure strategy that aims to limit the number of branches and maximize the use of alternative delivery channels. It operates via seven branches, of which four are located in the capital Dakar. The fact that the CEO was recently elected President of the Senegalese Microfinance Association in October will enhance the MFI's influence and visibility locally. Thanks to good market understanding, local connections as well as a flexible products and service offering, the MFI has recorded very strong growth in past years, with GLP increasing by more than 60% in 2017.

CLIENT: MS. AMINA DIOP

Amina Diop is 25 years old, married and lives with her family in the holy city of Touba, Senegal's second largest city outside the Dakar region. She has two daughters and one son and her highest level of education completed was primary school. Thanks to her personal savings, she started a small retail business in 2014, selling fruits and vegetables in the market. In order to increase her profitability, she decided to take a loan and changed her product line by turning to the retail sale of peanut oil, sold in local markets. This is a highly demanded commodity as it is an indispensable ingredient for all Senegalese cooking. She works alone six days a week, four hours per day during market opening times. She took her first loan from Cofina in 2017 for 200'000 CFA (350 USD). She stores her merchandise and material for the market stand in a garage where she pays 1'000 CFA (1.75 USD) per day. Sales do not vary significantly from month to month, but the biggest challenge for her business is to deal with the fluctuating cost of peanut oil. Ms. Diop is planning to take out another loan to buy more stock and foresees to hire another woman to help her with her business.

Thanks to her new loan, Ms. Diop was able to change her product line by turning to the retail sale of peanut oil in local markets.



2018 HIGHLIGHTS

2018 saw the highest volume of disbursements (USD 58.5 million) and the strongest single month investment activity (USD 11.4 million) since the Fund's inception. These volumes signal a recovery from the 2016 and 2017 dips in disbursements experienced by the Fund (USD 27.7 million and USD 33.9 million respectively). REGMIFA's financial year closed with USD 125.6 million just behind the year-end result of 2015 (USD 128.4 million), reflecting the generally improved economic conditions across Sub-Saharan Africa. A broad trend of regulatory reforms and improved supervisory frameworks in the financial sector strengthened the domestic business framework. The Fund entered into 44 transactions in 2018, with 12 of these being new investees.

The Fund is expected to maintain its level of growth in 2019. Nigeria, Kenya, and South Africa remain key markets for the Fund, with Burkina Faso, Senegal, and Cote d'Ivoire seen as markets with growth opportunities. 2018 saw the full implementation of IFRS 9, which as expected drove up provisioning across the portfolio. The Fund's layered capital structure, benefitting from a sizeable first loss C Share layer, will continue to greatly assist in ensuring the financial viability of the Fund and proves its capacity to continue to provide needed capital in an environment characterized by high political, macroeconomic and business risks.

OUTREACH TO NEW TIER 1, TIER 2 AND TIER 3 PLIS

2018 saw the Fund invest in 12 new MFIs across 7 countries. REGMIFA's origination, at USD 58.5 million, was 71% higher than the USD 34.3 million disbursed in 2017, signaling a pickup in growth across Sub-Saharan Africa. Of the 12 new MFIs added to the portfolio, 5 were Tier 1 PLIs, 5 were Tier 2 PLIs, and two were Tier 3. The aggregate profile of the new PLIs reflect both the Fund's developmental objectives and the continuation of an initiative started in 2014 to reach out to small, newer institutions that may lack the track of record or size most international lenders require before an investment can be considered, demonstrating the continued high additionality of REGMIFA in its target market.

MSME BONDS: FIRST PARTICIPATION IN MSME BOND ISSUANCE

In 2018, REGMIFA entered into its first participation in an issuance by MSME Bonds, a bond issuance program sponsored by Symbiotics that issues impact bonds. MSME provides direct exposure to MSMEs. REGMIFA ended the year with investments (South Africa and Madagascar) in two institutions via MSME Bonds.

FUND FINANCIAL PERFORMANCE

- For the eighth consecutive year, all target dividends for A and B Shares were paid to investors;
- Macroeconomic and forex challenges in key exposure countries impacted the first loss C Share layer. The positive cumulative capitalized return on C Shares since inception has created a valuable buffer that still serves as a cushion for the Fund's future growth;
- 82% of the Fund is denominated in local currency, where the Fund is fully hedged against USD, shielding the portfolio from currency related losses.

IN 2018, REGMIFA:

- Disbursed USD 58.5 million
- Executed 44 transactions
- Added 12 new PLIs to the portfolio
- Entered into its first participation in an issuance by MSME Bonds

WIDELY CONTRIBUTING TO PLIS' DIGITAL TRANSFORMATION

A meaningful direction for the further institutional development, the thematic of Digital Financial Services (DFS) is a topic which is increasingly being included as a key component of the business strategy of a number of the fund's investees, as frequently stated by the TAF Manager.
In this regard, in addition to the DFS projects funded by the TAF since 2011 (valued at EUR 848,000 for the benefit of 12 PLIs), during 2018, the TAF Manager designed 4 DFS projects totaling EUR 256,000 allocated to 8 PLIs in Malawi, DRC, Zambia, Tanzania, Cameroun, Niger, Burkina and Ghana.

Amongst these projects two were conceived as a TA Package for two networks with a strategic vision to increase clientele's outreach via a digital agenda.

MARKETING HIGHLIGHTS

The Fund was granted the LuxFLAG Microfinance Label for the eighth consecutive year in 2018. The Luxembourg Fund Labeling Agency (LuxFLAG) is an independent, non-profit association created in Lxuembourg in July 2006. The Agency aims to promote the raising of capital for microfinance by awarding a recognizable label to eligible Microfinance Investment Vehicles (MIVs).

2018 ECONOMIC ENVIRONMENT

Supported by higher oil prices and better agricultural conditions, economic growth in Sub-Saharan Africa has continued to pick up to 2.7 percent in 2018 from 2.3 percent in 2017 as estimated by the World Bank Group. In contrast, the external environment became challenging as the year went by, with growing trade tensions between the U.S. and China and fears of a decelerating Chinese economy affecting global trade and demand for African outputs.

On the debt side, investors' appetite for African issuances was challenged similarly to dynamics across emerging and frontier markets due to rising U.S. policy rates and a stronger dollar that reduced the risk compensation on U.S. dollar-denominated debt in the region.
While Sub-Saharan Africa's external debt load as a percentage of GDP is small compared with the rest of the world, the pace of accumulation is worryingly rapid driven by a low growth environment, widening current account and fiscal deficits, continuously high reliance on commodity exports and inertia in introducing the necessary reforms.

2019 OUTLOOK

Sub-Saharan Africa's growth is expected to rise above the 3-percent bar in 2019, thanks to pick-ups in oil production in Nigeria and Angola, supportive monetary policies in East Africa and the WAEMU region, waning macroeconomic concerns in the CEMAC region, but also stabilized commodity prices and favorable global conditions given easing trade tensions and a more dovish Federal Reserve that should pause the rate-hike as a stimulus to global growth.

In the continuity of 2018, an increasing number of African countries is expected to raise funds on international bond markets. While such decisions help attract international investors and diversify the investor base, the growing amount of non-concessional liabilities put African countries at increased risk of weaker currencies and higher interest rates.

Key risk factors include downward trending commodity prices, tightening financing conditions and escalating trade tensions. Domestic risks include weather conditions, fiscal slippage and public governance scandals and public accounts misrepresentation as seen recently in Mozambique.

TA OUTLOOK FOR 2019

As part of its key ongoing institutional activities, the Investment Manager will further develop its efforts in fundraising to replenish the TA Facility's resources and in setting up funding partnerships with other technical assistance sources interested in combining forces in topics such as digital services, SME lending, agriculture finance or education finance.
During 2019 and taking into account its limited resources, the TAF will continue supporting the Fund's strategic investments, with an emphasis on PLIs' co-financing, on new countries and PLIs, and on using the TA Package as a value-for-money product to outreach to PLIs with common TA needs.
Furthermore, the TA Facility Manager will give special attention to projects in the space of digital financial services, agency network, rural expansion, savings mobilization, women finance, institutional strengthening, financial education and social performance management.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DEVELOPMENT IMPACT AND SOCIAL PERFORMANCE

According to Symbiotics' 2018 MIV Survey, collecting data from more than 90 MIVs, 56 MIVs are investing in Sub-Saharan Africa, of which six funds are exclusively dedicated to the region, testifying to the increased relevance of the region in impact portfolios. Nevertheless, the invested volume represents a low 7.9% of MIVs' direct microfinance portfolio, demonstrating the continued need for a dedicated funding and TA provider such as REGMIFA in the region.

REGMIFA's 2018 Social Return at a Glance

The Fund invested USD 58.5 million in 2018, bringing the net portfolio size to USD 121.4 million, which allowed it to reach out to 180,068 end-borrowers.

- 63% of the portfolio is invested in countries with low human development; the weighted average HDI rank is 156 out of 188.
- The Fund added 12 new PLIs in 2018. Of the 12 PLIs, five were categorized as Tier 1 (total assets above USD 30 million), five were categorized as Tier 2 (total assets between USD 10 million and USD 30 million) and two were categorized as Tier 3 (total assets below USD 10 million) at disbursement, demonstrating a continued deepening of the Fund's stated developmental objective of increasing its outreach to small and less developed PLIs not commonly served by existing microfinance funders.
- REGMIFA continued to work with diverse PLIs in terms of legal status, credit risk, and age and that provide financing to the MSME sector.
- 81% of financing to PLIs was in local currency and 95% of loans had fixed interest rates.
- The Fund offered longer maturities than those available locally; the longest portfolio maturity remains 5 years.
- The Fund supported an estimated 1,342 jobs at the PLIs through its investments.
- PLIs paid a total of USD 12.6 of taxes to national governments.
- 69% of PLIs endorsed the Smart Campaign for client protection.

ANGOLA
2.8 USD million

2.3% % of portfolio	**3570** 2018 GNI per capita
150 HDI rank 2017 (out of 188)	**61.5** Life Expectancy
Medium Human development	**39.2%** Banking Penetration Rate %

BURKINA FASO
6.4 USD million

5.3% % of portfolio	**590** 2018 GNI per capita
182 HDI rank 2017 (out of 188)	**60.4** Life Expectancy
Low Human Development	**43.2%** Banking Penetration Rate %

CAMEROON
1.7 USD million

1.4% % of portfolio	**1370** 2018 GNI per capita
150 HDI rank 2017 (out of 188)	**58.1** Life Expectancy
Medium Human Development	**34.6%** Banking Penetration Rate %

CHAD
0.05 USD million

0.04% % of portfolio	**640** 2018 GNI per capita
185 HDI rank 2017 (out of 188)	**52.9** Life Expectancy
Low Human Development	**21.8%** Banking Penetration Rate %

IVORY COAST
16.8 USD million

13.9% % of portfolio	**1580** 2018 GNI per capita
169 HDI rank 2017 (out of 188)	**53.6** Life Expectancy
Low Human Development	**41.3%** Banking Penetration Rate %

DRC
4.5 USD million

3.7% % of portfolio	**460** 2018 GNI per capita
176 HDI rank 2017 (out of 188)	**59.6** Life Expectancy
Low Human Development	**25.8%** Banking Penetration Rate %

GHANA
7.2 USD million

5.9% % of portfolio	**1880** 2018 GNI per capita
140 HDI rank 2017 (out of 188)	**62.7** Life Expectancy
Medium Human Development	**57.7%** Banking Penetration Rate %

KENYA
16.8 USD million

13.8% % of portfolio	**1460** 2018 GNI per capita
143 HDI rank 2017 (out of 188)	**67** Life Expectancy
Medium Human Development	**81.6%** Banking Penetration Rate %

MADAGASCAR
11.2 USD million

9.2% % of portfolio	**400** 2018 GNI per capita
158 HDI rank 2017 (out of 188)	**65.9** Life Expectancy
Low Human Development	**17.9%** Banking Penetration Rate %

MALAWI
1.0 USD million

0.8% % of portfolio	**320** 2018 GNI per capita
170 HDI rank 2017 (out of 188)	**63.2** Life Expectancy
Low Human Development	**33.7%** Banking Penetration Rate %

MALI
3.8 USD million

3.1% % of portfolio	**770** 2018 GNI per capita
181 HDI rank 2017 (out of 188)	**58** Life Expectancy
Low Human Development	**35.4%** Banking Penetration Rate %

NIGER
0.8 USD million

0.7% % of portfolio	**360** 2018 GNI per capita
188 HDI rank 2017 (out of 188)	**60.1** Life Expectancy
Low Human Development	**15.5%** Banking Penetration Rate %

NIGERIA
11.6 USD million

9.6% % of portfolio	**2100** 2018 GNI per capita
156 HDI rank 2017 (out of 188)	**53.4** Life Expectancy
Low Human Development	**39.7%** Banking Penetration Rate %

RWANDA
1.5 USD million

1.2% % of portfolio	**720** 2018 GNI per capita
157 HDI rank 2017 (out of 188)	**67.1** Life Expectancy
Low Human Development	**50%** Banking Penetration Rate %

SENEGAL
7.2 USD million

5.9% % of portfolio	**1240** 2018 GNI per capita
165 HDI rank 2017 (out of 188)	**67.1** Life Expectancy
Low Human Development	**42.3%** Banking Penetration Rate %

SIERRA LEONE
1.3 USD million

1.0% % of portfolio	**510** 2018 GNI per capita
184 HDI rank 2017 (out of 188)	**51.8** Life Expectancy
Low Human Development	**19.8%** Banking Penetration Rate %

SOUTH AFRICA
4.8 USD million

4.0% % of portfolio	**5430** 2018 GNI per capita
111 HDI rank 2017 (out of 188)	**62.8** Life Expectancy
Medium Human Development	**69.2%** Banking Penetration Rate %

TANZANIA
5.5 USD million

4.5% % of portfolio	**910** 2018 GNI per capita
154 HDI rank 2017 (out of 188)	**65.7** Life Expectancy
Low Human Development	**46.8%** Banking Penetration Rate %

UGANDA
5.0 USD million

4.2% % of portfolio	**600** 2018 GNI per capita
162 HDI rank 2017 (out of 188)	**59.9** Life Expectancy
Low Human Development	**59.2%** Banking Penetration Rate %

ZAMBIA
11.4 USD million

9.4% % of portfolio	**1290** 2018 GNI per capita
141 HDI rank 2017 (out of 188)	**61.9** Life Expectancy
Medium Human Development	**45.9%** Banking Penetration Rate %

OUTREACH TO END-BORROWERS

In 2018, the fund financed an estimated 180,068 end-borrowers via its partner lending institutions who

- Are a majority women (56%)
- Reside primarily in urban areas (73%)
- Live in 20 different countries, notably Nigeria (18%), Ghana (15%), Kenya (13%) and South Africa (9%)
- Are running a micro, small, or medium enterprise (90%)
- Are active in trade (61%) and also services, agriculture, and production (30%)

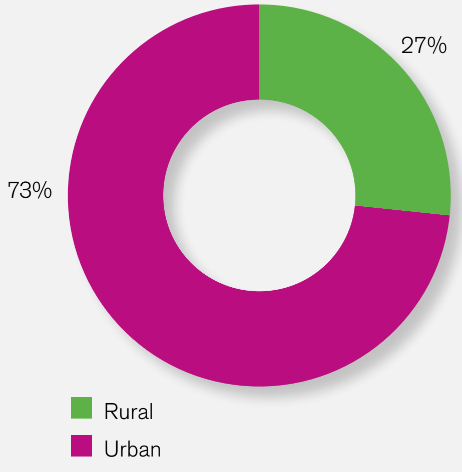
These borrowers received loans that:

- Averaged USD 674, representing 45% of GNI per capita on average
- Were structured as both individual and group loans (65% and 35%, respectively)
- Were repaid on time in 90% of cases

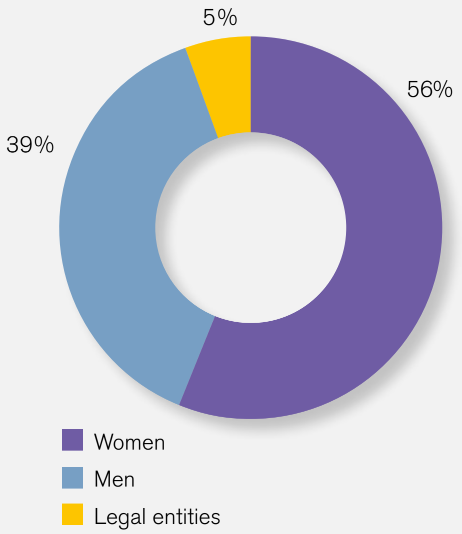
REGMIFA's end borrowers have access to a wide range of services via PLIs, including:

- Savings products, including time and sight deposits, checking accounts, and special purpose accounts; 96% of PLIs offered some type of savings product other than compulsory savings
- Insurance products (offered by 80% of PLIs), most commonly credit life insurance, though some PLIs also offered life insurance or other types
- Other financial services, such as payment services (78%)
- Non-financial services (41%), such as business development, health, or education services

DISTRIBUTION BY LOCATION

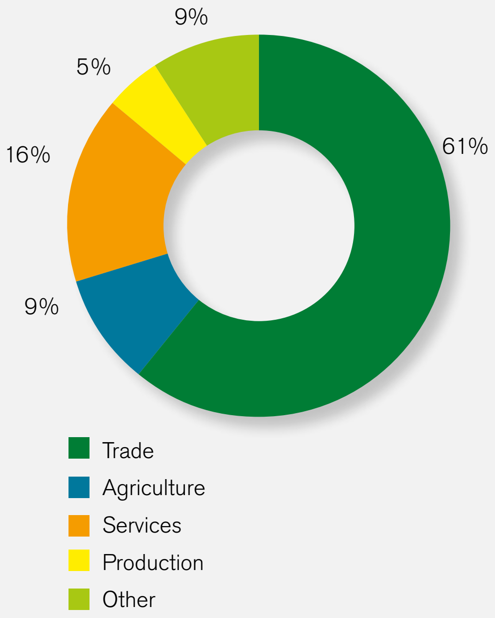


DISTRIBUTION BY GENDER

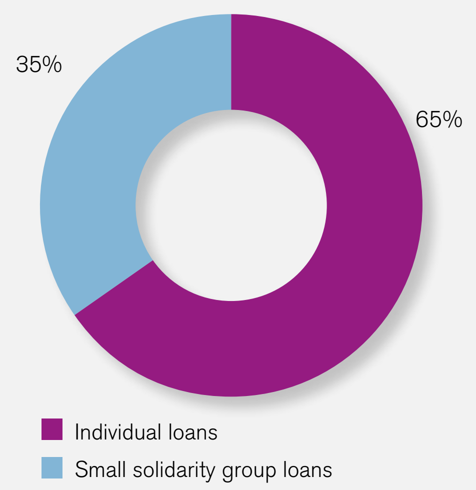


PORTFOLIO CHARACTERISTICS OF PLIS FINANCED BY REGMIFA

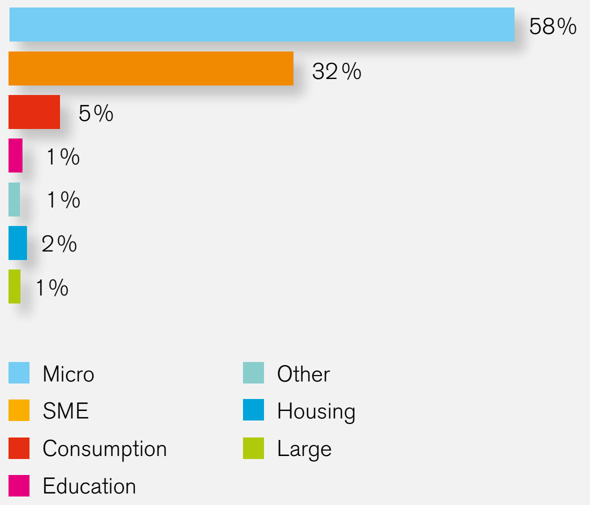
DISTRIBUTION BY ACTIVITY



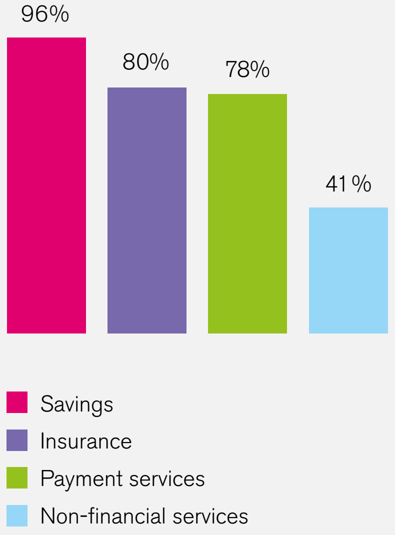
LENDING METHODOLOGY



CREDIT PRODUCTS



NON-CREDIT SERVICES



PORTFOLIO ENVIRONMENTAL AND SOCIAL RESPONSIBILITY RATING 2018

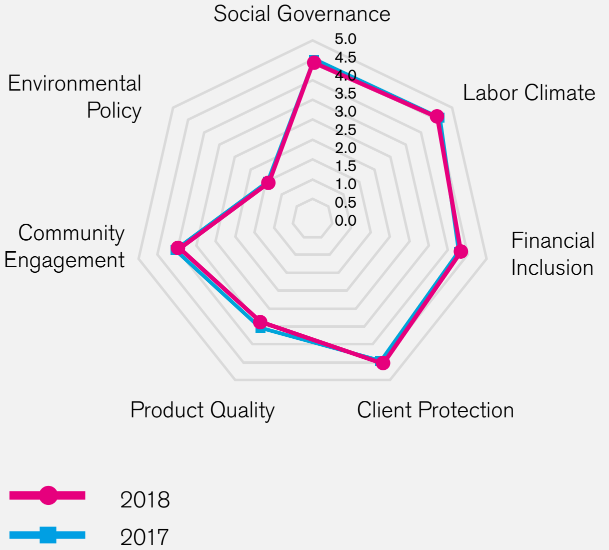
Average portfolio social score: 3.6 stars

PLI's social ratings are key parameters in investment decisions. REGMIFA invests in PLIs that are socially oriented and have a score of 2.5 stars or higher. REGMIFA's investees had an average social rating of 3.6 stars in 2018 (2017: 3.5 stars), which translates into "a strong likelihood of contributing to sustainable development; a low risk of having a negative social impact". As institutions mature, improvements in ESR management are expected. Although there is no systematic correlation between size or financial performance and social performance, many of the top-rated institutions in REGMIFA's portfolio (4 out of 5) fall into the Tier 1 category (large institutions with more than USD 30 million in assets).

Methodology

The Fund uses a social rating tool to rate PLIs according to their commitment to social and environmental goals and distinguishes the most socially oriented institutions from those that adhere to less ethical business models. The main purpose of the tool is to assess a PLI's commitment to and capacity for sustainable development, the effectiveness of the institution's systems and services in this area, and its results. The Fund measures a PLI's performance on seven dimensions: social governance, labor climate, financial inclusion, client protection, product quality, community engagement, and environmental policy. A weighted average system based on the Fund's exposure to each PLI is used to compute the ESR indicators contained in this report.

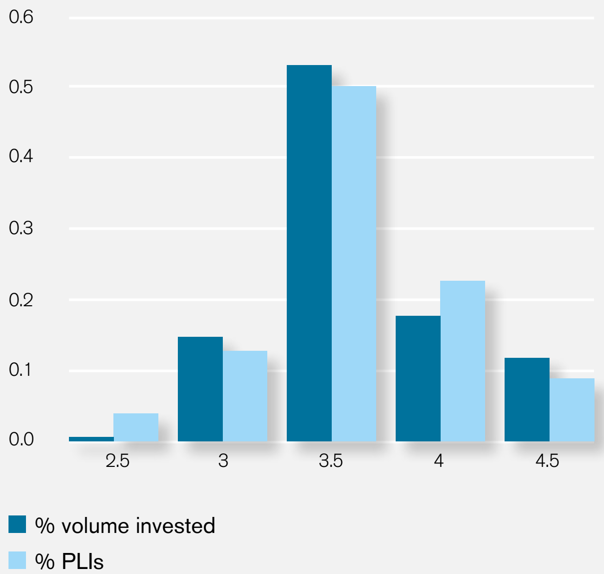
SOCIAL RESPONSIBILITY RATING (PORTFOLIO-WEIGHTED)



★★★★★	Extremely strong likelihood of contributing to sustainable development; Extremely low risk of having negative social impact
★★★★☆	Very strong likelihood of contributing to sustainable development; Very low risk of having negative social impact
★★★☆☆	Strong likelihood of contributing to sustainable development; Low risk of having negative social impact
★★☆☆☆	Moderate likelihood of contributing to sustainable development; Moderate risk of having negative social impact
★☆☆☆☆	Low likelihood of contributing to sustainable development; High risk of having negative social impact
☆☆☆☆☆	Very low likelihood of contributing to sustainable development; Very high risk of having negative social impact

Portfolio distribution of PLIs' ESR ratings
REGMIFA's portfolio is almost exclusively invested with institutions demonstrating a "strong likelihood of contributing to sustainable development" (score of 3 or above).

ESR RATING BY NUMBER OF PLIS AND VOLUME



REGMIFA pursues a triple bottom line strategy as it aims to actively promote sustainable development in Sub-Saharan Africa. The governance of the Fund ensures that each step of the investment process reflects this strategy.

The social responsibility policy includes:

- The Fund's environmental and social responsibility (ESR) procedures defining its ESR strategy
- The ethical chart based on the Client Protection Principles to which the Fund adheres
- The regular training of REGMIFA staff on ESR and client protection issues
- The social rating tool used to assess and select PLIs, identify needs for technical assistance, and monitor results
- The systematic incorporation of ESR issues in investment decision-making and loan agreements
- The annual ESR report enabling investors to be informed about the Fund's ESR performance level
- The Fund income distribution mechanism, which includes a contribution to the TA Facility
- Regular external ESR assessments of the Fund's activities, including a social audit undertaken in 2012 and an impact assessment of the REGMIFA intervention on PLIs, which was concluded in 2014

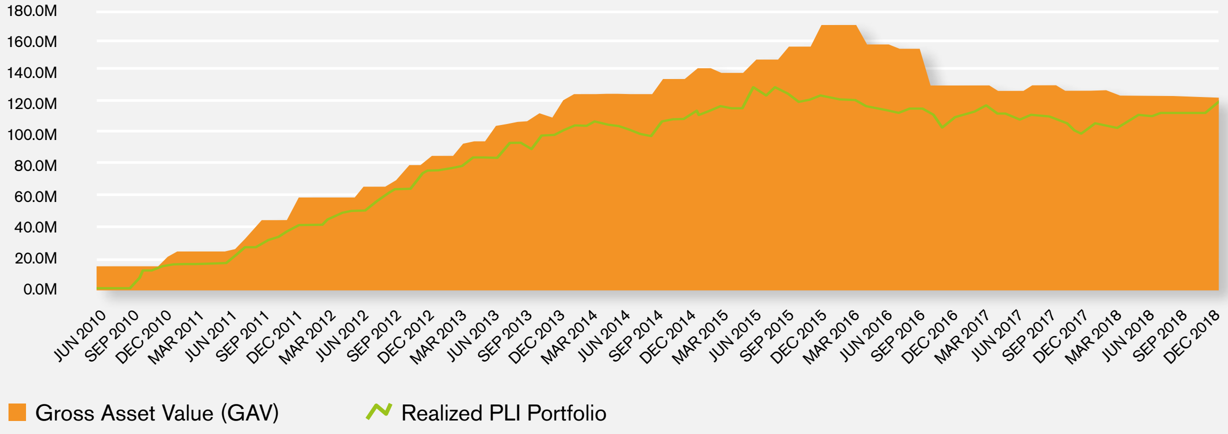
FUND INVESTMENT AND PARTNER LENDING INSTITUTION DEVELOPMENT

2018 saw improved macroeconomic conditions across Sub-Saharan Africa, as reflected in the increase in the Fund's outstanding portfolio to USD 121.4 million from USD 109.5 million in 2017. REGMIFA's outreach remained strong, with 12 new PLIs added to the portfolio, two of these being Tier 3 institutions (institutions with total assets below USD 10 million). The Fund maintained its strong geographic diversification, with investments in 20 countries across the continent, reflecting REGMIFA's aim to remain in markets with challenging economic or political conditions. Ongoing efforts to address loans in default status saw the number of loans in workout drop from eleven to five, resulting in the loss of some PLIs from the portfolio.

EVOLUTION IN KEY PORTFOLIO STATISTICS BETWEEN 2017 AND 2018

	2018	2017
Outstanding portfolio (USD)	121,355,426	109,521,730
Average investment amount (USD)	1,319,081	1,190,454
Average investment amount (USD) per PLI	2,289,725	2,066,448
Number of outstanding investments	92	92
Number of investees	53	53
Number of countries	20	22
Number of currencies	15	14
Average maturity at closing	32.9 months	35.3 months

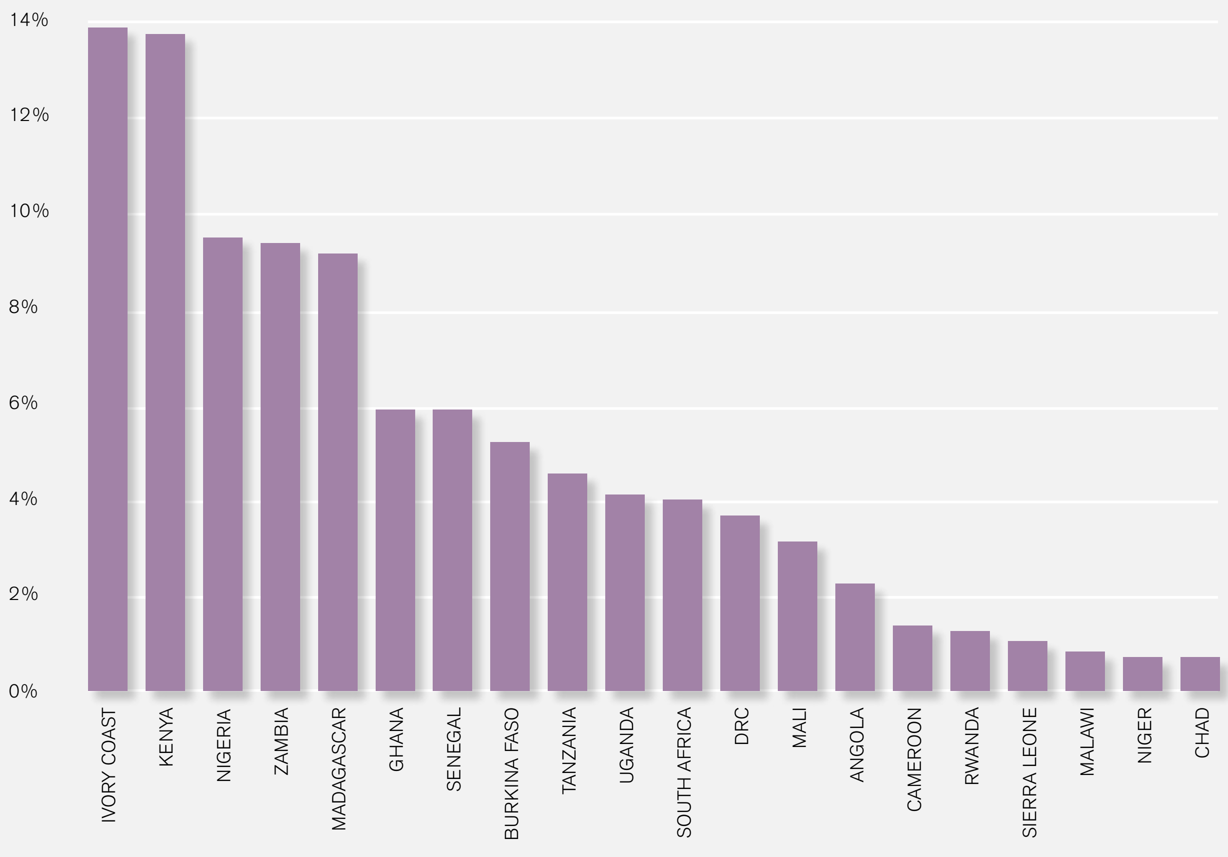
FUND PORTFOLIO AND TOTAL ASSET GROWTH



The historical cost as of 31 December 2018 amounts to USD 120.9 million while the carrying value is reported at USD 103.5 million due to a cumulated negative foreign exchange impact of USD 3.3 million and a provision for impairment of USD 14.1 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.

New lending in 2018
Of the new MFI investments made in 2018 (totaling USD 19.2 million), 29.4% was disbursed in Madagascar, 24.8% in Nigeria, 19.3% in Burkina Faso and 9.7% in South Africa.

COUNTRY EXPOSURES (% OF PORTFOLIO)

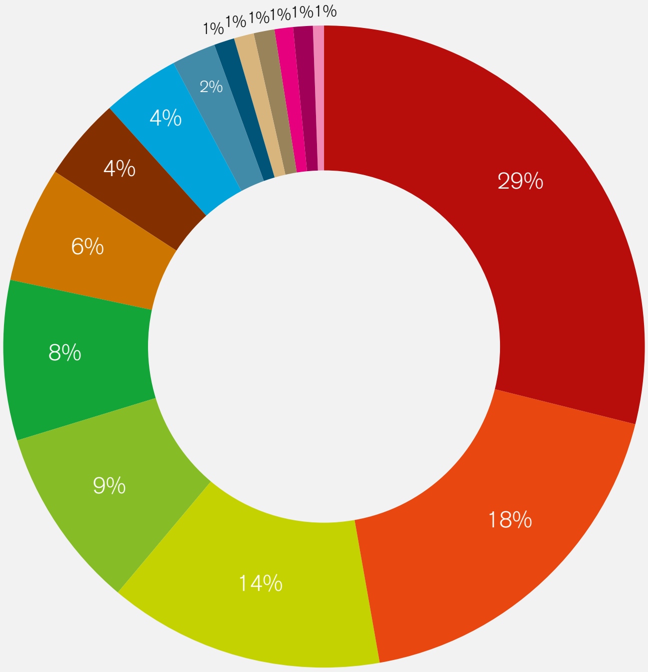


Invested portfolio per country
By year-end 2018, approximately 13.9% of investments were made in Ivory Coast, 13.8% in Kenya, 9.6% in Nigeria and 9.4% each in Zambia. In 2018 the Fund executed 44 transactions across multiple markets in Sub-Saharan Africa. The below table shows the Fund's country exposure as a % of the portfolio at year-end 2018.

Currency risk management
The Fund has continued to adhere to a fully hedged strategy in view of significant FX market volatility, protecting its assets from depreciation while allowing it to ensure a steady income stream from the portfolio in its currency USD. Economically viable hedging opportunities are available to the Fund through its partnership with TCX and several commercial banks.

CURRENCY EXPOSURES (% OF PORTFOLIO)
The below reflects year-end 2018 currency exposure

- CFA Franc BCEAO
- United States Dollar
- Kenyan Shiling
- Zambian Kwacha
- Ghanaian Cedi
- Ugandan Shilling
- Malagasy Ariary
- Nigerian Naira
- South African Rand
- CFA Franc BEAC
- Rwandan Franc
- Tanzanian Shilling
- Euro
- Malawian Kwacha
- Sierra Leonean Leone



TOP 5 PLI EXPOSURES (% OF PORTFOLIO)

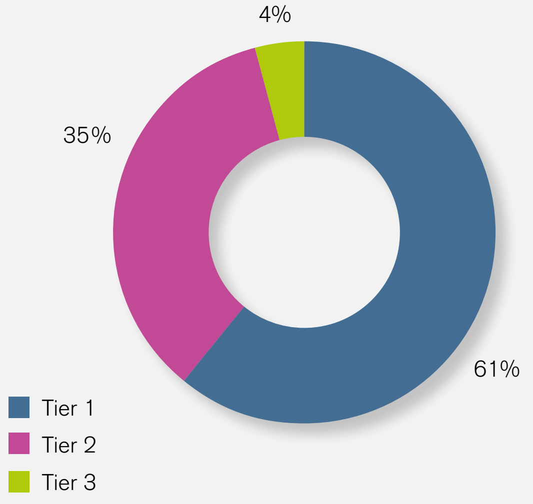
PLI	COUNTRY	CURRENCY	VOLUME USD	% OF PORTFOLIO
Microcred CI	Ivory Coast	EUR/XOF	9,878,740	8.1%
KWFT	Kenya	USD/KES	9,500,000	7.8%
AB Madagascar	Madagascar	EUR/MGA	5,349,531	4.4%
MicroCred Senegal	Senegal	EUR/XOF	5,015,382	4.1%
CAC	Ivory Coast	EUR/XOF	4,976,650	4.1%

INVESTED PLI PROFILE: TEN KEY PLI INDICATORS

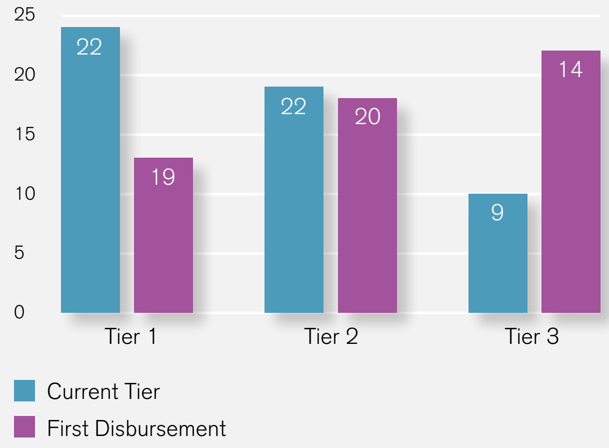
	REGMIFA PORTFOLIO WEIGHTED AVERAGE	REGMIFA MEDIAN	SYM50 SIMPLE AVERAGE
Total Assets (USD)	82,979,726	46,638,011	592,254,598
Gross loan portfolio (USD)	64,268,781	35,431,599	433,902,953
Number of active borrowers	45,661	36,813	171,939
Average Loan Balance (USD)	1,914	4,379	3,667
Debt/equity ratio	4.8	3.9	5.0
Portfolio yield	38.5%	42.6%	25.0%
Portfolio operating expense ratio	26.0%	29.9%	12.9%
Operational self-sufficiency	111.3%	114%	119.5 %
Return on equity	10.6%	13%	13.7%
PAR>30 days	7.6%	7.2%	5.5%

The “ultimate target group” being served by REGMIFA’s Partner Lending Institutions consists of micro-entrepreneurs and SME clients, including the “missing middle” enterprises: engines of growth and income generation in the region. REGMIFA uses the size of the loans provided by the PLIs to these clients as a proxy definition, with “micro” up to USD 5,000, “small” up to USD 50,000 and “medium” up to USD 250,000, with these broad thresholds varying according to country to reflect local conditions. Most PLIs report an average loan balance below USD 5,000. On average, REGMIFA works with institutions with a balance sheet and a loan portfolio size that is significantly smaller than the SYM50 index, illustrating both REGMIFA’s target region as well as the Fund’s focus on lower tier institutions. Higher portfolio yield and higher opex ratios compared to the SYM50 are illustrative of the challenging operating environment in the Fund’s target countries compared to a globally diversificed microfinance portfolio.

PORTFOLIO BREAKDOWN BY CURRENT TIER, % PORTFOLIO



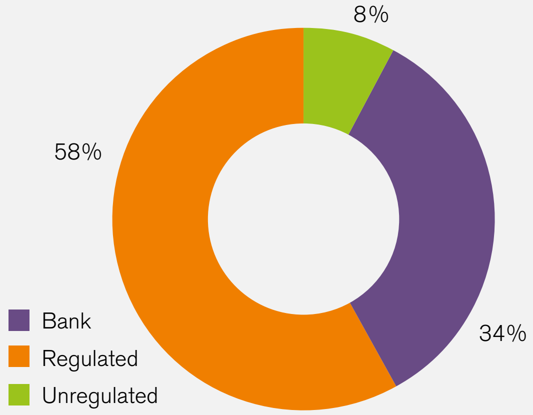
PORTFOLIO BREAKDOWN BY TIER, NUMBER OF PLIS



The Fund's portfolio maintained a balance of small, medium, and large PLIs in 2018. Small (Tier 3) PLIs have total assets below USD 10 million, medium (Tier 2) PLIs have total assets between USD 10 and 30 million, and large (Tier 1) PLIs have total assets in excess of USD 30 million.

As institutions grow and mature, they gradually shift to an upper tier. REGMIFA accompanies investees in this growth. This effect is illustrated in the "Portfolio Breakdown by Tier, Number of PLIs" figure. Many of the Fund's investees remain long-term partners and obtain repeat funding, often at increasing volumes, as they grow and increase their balance sheets. As of December 2018, approximately 61% of PLI were Tier 1, 35% Tier 2 and 4% Tier 3.

PORTFOLIO BREAKDOWN BY PLI LEGAL STATUS



LEGAL STATUS, % PORTFOLIO

REGMIFA promotes inclusive financial systems by financing a wide range of PLIs of various legal statuses such as non-governmental organizations (NGOs), cooperatives, non-bank financial institutions (NBFIs) and banks. Often, PLIs start out as small NGOs or cooperatives and transform into NBFIs or small banks as they grow and mature.

The REGMIFA Technical Assistance Facility
A consolidated TA initiative in Sub-Saharan Africa

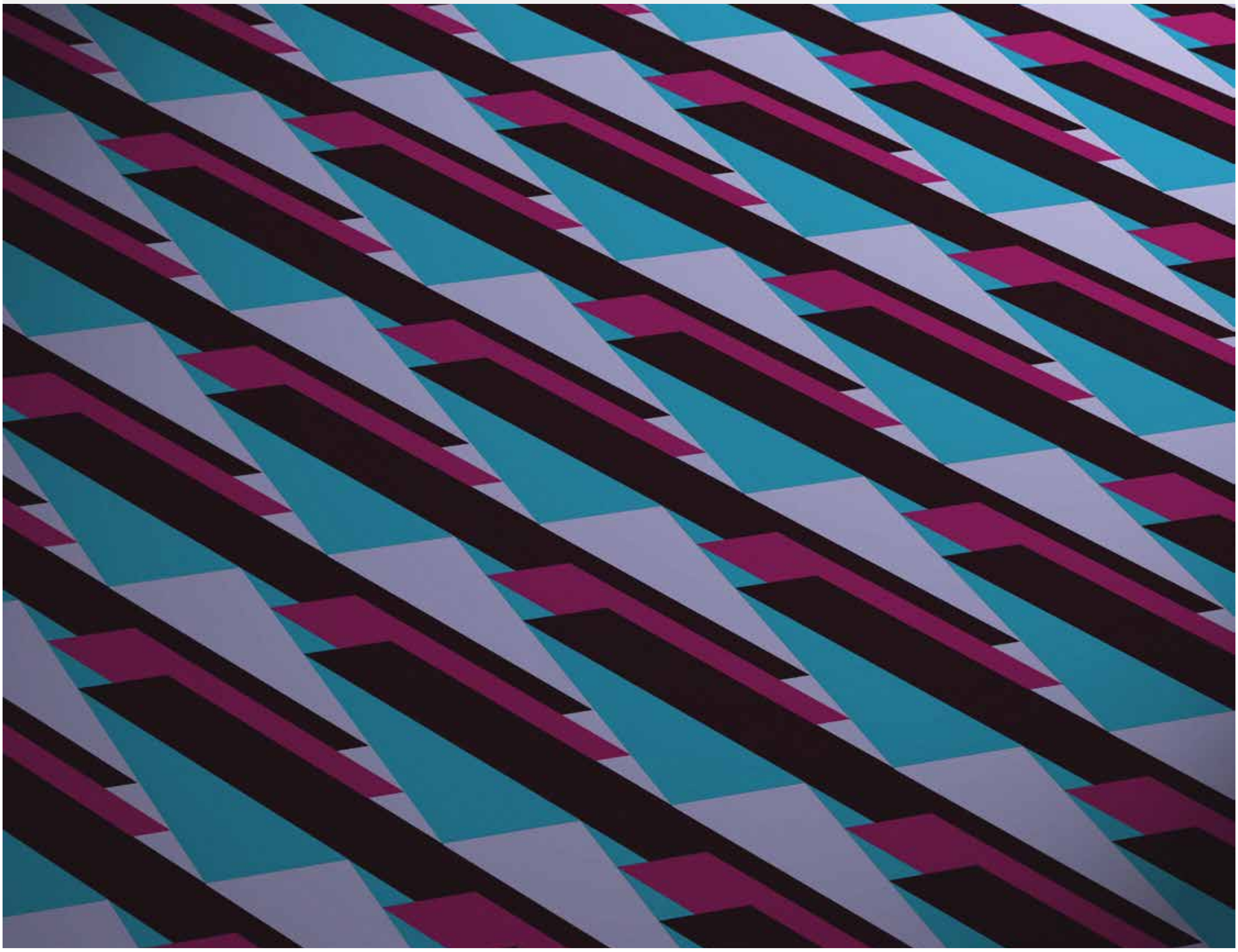
TECHNICAL ASSISTANCE FACILITY

KEY ACCOMPLISHMENTS

Since inception eight years ago and in cumulative terms, 126 projects totalling a volume of EUR 7.5 million have been approved. In 2018, 11 projects were approved for a value of EUR 274,000.

The TAF Manager focused on ensuring proper project allocation and monitoring with regards to the balance of the available donors' funding committed in late 2016.

For the first time, a project was approved in South Africa (for Phakamani Foundation, a Tier 3 PLI) and in Madagascar (SIPEM, a new Tier 2 PLI). The TAF Manager also resumed TA project activities in Ghana (support to Adehyeman for the first ime). 80% of the volume approved was allocated to new Tier 2 MFIs, and 20% to Tier 3.



10 KEY INDICATORS (2018)*

SIERRA LEONE

POPULATION
6.3 MILLION

POPULATION LIVING IN POVERTY
52.9%

HUMAN DEVELOPMENT RANK
184/189

GDP PER CAPITA
USD 499.5

REAL GDP GROWTH
4.2%

INFLATION RATE
14.6%

FOREX HEDGING COSTS (36M)
12.2%

PRIVATE CREDIT (% OF GDP)
0.0%

FOREIGN AID (USD)
537.6 MILLION

REMITTANCES (USD)
49.2 MILLION

* or latest available

SIERRA LEONE

MEET MS. ZAINAB KAMARA
SHOP OWNER

COUNTRY: SIERRA LEONE

Located in West Africa, Sierra Leone is a poor country with more than half of its inhabitants estimated to live below the national poverty line. The primary sector is the country's growth driver and employs much of Sierra Leone's labor force (two-thirds). After a decade-long civil war which ended in 2002, the economy grew substantially before experiencing a downturn due to the Ebola epidemic and the collapse of iron ore prices, one of the country's prime export products. However, restoration is under way and is expected to remain sustainable according to the International Monetary Fund. Growth is expected to improve to 5.4% in 2019 and stabilize at 5.2% by 2021, largely reflecting the recovery in the mining sector (iron ore, diamonds, bauxite and rutile) but also advances in agriculture (rice, cocoa, peanuts) and services. Microfinance is still a nascent sector in a largely informal economy with high financial exclusion. Initial efforts were put in place following the civil war through government-led policies conducive for the development of microfinance and aimed at economic recovery. Today, the sector is composed of not only traditional microfinance institutions (MFIs), but also development and cooperative banks, all providing generally small-sized loans to micro-entrepreneurs.

MFI: LAPO SL

Lift Above Poverty Organization Sierra Leone Microfinance Company Limited (LAPO SL) is an MFI that was created in 2007 as an affiliate of LAPO NGO, a Nigerian organization dedicated to promoting self-employment and which runs the largest microfinance bank in Nigeria, LAPO MFB. The MFI offers group loans mostly targeting women with no access to formal financing, while individual loans are aimed at more established businesses in the micro and lower SME segment. The majority of clients are illiterate micro entrepreneurs running several businesses, including at least one in the food sector (production, trade), which is more resilient to economic shocks. Prior to 2014, LAPO used to focus almost exclusively on its group loan product, resulting in particularly high yields (above 70%). However with the gross loan portfolio share of individual loans increasing, yield is now gradually decreasing. In 2015, LAPO Microfinance Company obtained the approval of the Central Bank of Sierra Leone to operate as a credit only microfinance company and in March 2017, LAPO obtained a deposit-taking license. Despite the slowdown in business activity during the election period of March 2018, growth has returned to a normal level since April 2018. LAPO has a large distribution network covering 13 of the 16 districts in the country, and by the end of 2019, the MFI aims to have 40 offices nationwide and reach 100,000 clients.

CLIENT: MS. ZAINAB KAMARA

Zainab Kamara used to sell jeans and tops in the outskirts of Freetown, but the sales didn't go well. Through a friend, she learned about a company in Sierra Leone that provides microcredits, LAPO SL. "My wish was to open a textile shop downtown in Freetown. There are more customers than where my clothing shop was located", she explains. Zanaib Kamara received 15 million Leones, the equivalent of 1'710 USD. The money allowed her to pay the rent for a small shop and to buy fabrics which she receives through an agent who gets them from China and Dubai. According to Zanaib, "When there are holidays coming up like Easter, Ramadan or the wedding month of March, sales are going very well, but during the rainy season, sales are rather slow. People prefer to stay inside instead of going shopping". Therefore, her focus needs to be on the dry season and the money from the microcredit helps her to invest in her business during those low-income months. She claims to make enough money with the shop but thanks to the loan she is able to have a bigger shop and still wishes to grow even more, despite the piles of fabric with typical West African patterns reaching to the ceiling. But when asked whether she wants her 16-year old daughter to take over the shop one day, she says: "No, I want her to go to university, this was the main motivation to open the shop!"

Thanks to the loan, Ms. Kamara has been able to have a bigger shop and still wishes to grow even more.

AUDITED FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS
Mr. Ruurd Brouwer (Chairman)
Dr. Marcel Gérard Gounot
Mr. Stefan Hirche
Mr. Karl-Heinz Fleischhacker
Mr. Arthur Sletteberg
Dr. Giuseppe Ballocchi
Mr. François Lagier

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CUSTODIAN
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ADMINISTRATIVE AGENT
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LEGAL ADVISERS
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35, Avenue John F. Kennedy
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REPORT OF THE BOARD OF DIRECTORS

We are pleased to submit the Annual Report for the year ended 31 December 2018 and the related Independent Auditor's Report for the Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

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

2018 saw funding needs return back to pre-2016 levels, with the highest volume disbursed (USD 58.5 million across 44 transactions) since REGMIFA's inception. The 70% increase in disbursement volume compared to 2017 (USD 34.3 million) is a reflection of general improvement in economic activity across Sub-Saharan Africa, driven by increased agriculture

1 https://www.afdb.org/en/knowledge/publications/african-economic-outlook/
2 https://www.afdb.org/en/knowledge/publications/african-economic-outlook/
3 https://qz.com/africa/1522126/african-economies-to-watch-in-2019-and-looming-debt/
4 https://www.brookings.edu/multi-chapter-report/foresight-africa-top-priorities-for-the-continent-in-2019/

exports, public investments, and rising oil prices. The Fund's year-end outstanding nominal loan portfolio grew to USD 121.4 million[5] (2017: USD 109.5 million). In December alone, USD 11.4 million was invested across eight investments, the highest monthly volume disbursed since REGMIFA's inception. While the Fund did not enter any new economies (REGMIFA invested in 20 countries), the Fund's outreach remained strong with 12 new PLIs added to the portfolio. Of the new PLIs, 5 of these were Tier 2 and 2 of these were Tier 3 institutions.[6] This is a reflection of the Fund's commitment to its developmental objectives; to reach out to small, newer institutions with a track record and size not aligned with international lenders' requirements.

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

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

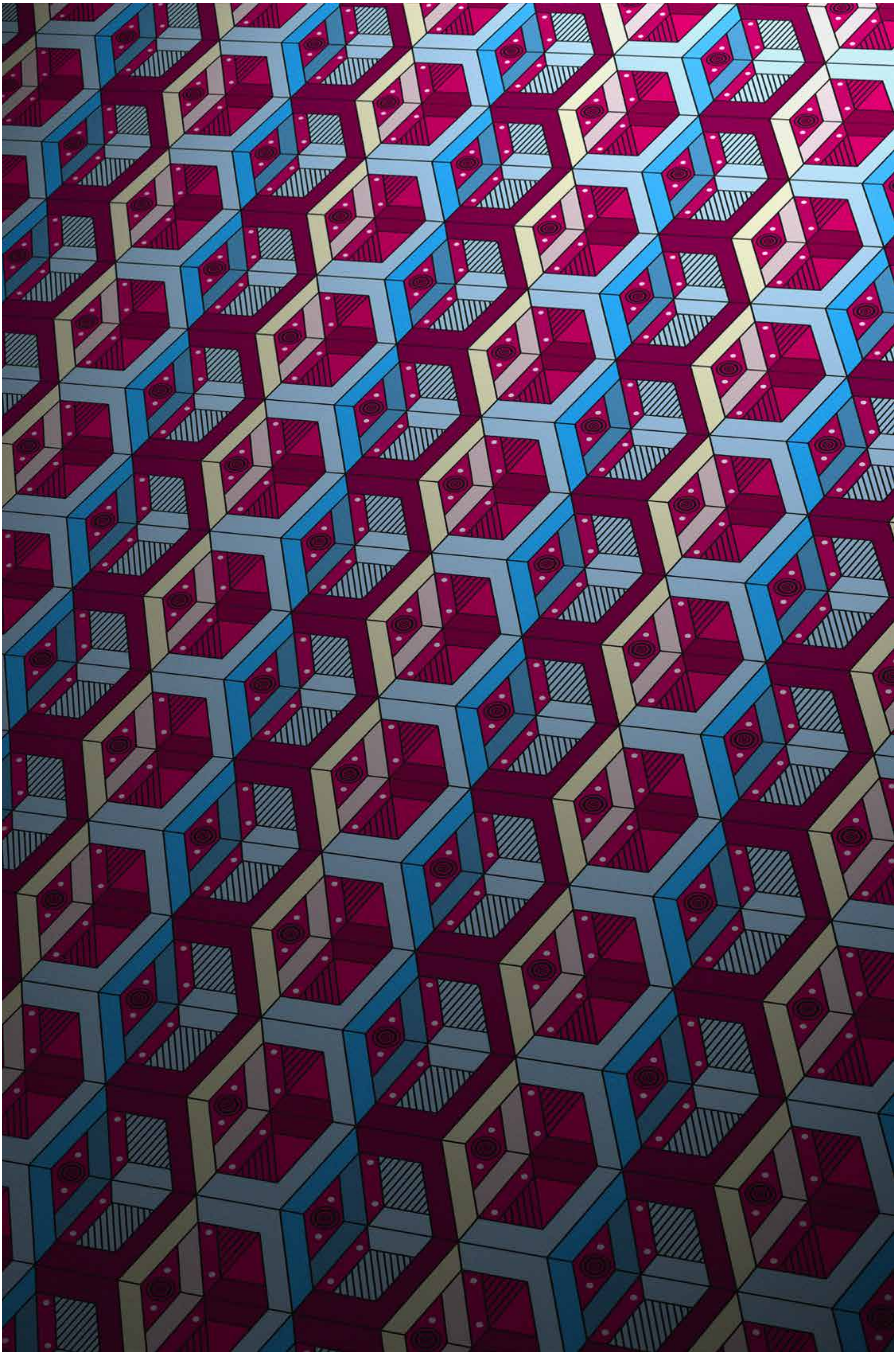
REGMIFA remained focused on its mission in 2018, with 14 of 20 of the Fund's portfolio countries being Least Developed Countries as per the UN classification. The Fund has continued to focus on relatively small sized PLIs, with 38.8% of PLIs in the Fund's 2018 outstanding portfolio classified as Tier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

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

The Board of Directors
30 May 2019

5 Reconciliation between the outstanding portfolio value as reported above and as reported on the balance sheet of the Audited Financial Statements: the nominal value of the invested portfolio (exchange rates as of disbursement) stands at USD 121.4 million, FX adjustments from revaluing the portfolio at current exchange rates amount to – USD 3.7 million and loan loss allowances represent - USD 14.1 million, resulting in a carrying value of USD 103.6 million.

6 Tier 3: Institutions with total assets below USD 10 million, Tier 2: Institutions with total assets between USD 10 and USD 30 million, Tier 1: Institutions as those with total assets in excess of USD 30 million.



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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 2018, and the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable shares and in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Alain Kinsch

Luxembourg, 16 May 2019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (EXPRESSED IN USD)

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN USD)

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN USD)

OPERATING ACTIVITIES	**NOTES**	**2017**	**2016**
Loss before tax		(294,838)	(3,996,990)
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Interest income on loans to Partner Lending Institutions		(14,160,287)	(12,894,823)
Interest income on bank deposits		(383,948)	(169,598)
Interest expense on notes		229,920	237,176
Distribution to holders of redeemable shares	10.3	2,740,447	2,063,183
Contribution to the technical assistance facility	10.3	483,294	-
Investment Manager incentive bonus	10.3	82,160	-
Net change in unrealised foreign exchange gain on loans to Partner Lending Institutions		(920,457)	(7,360,493)
Net change in unrealised (gain)/loss on derivative financial instruments	5	693,547	6,744,962
Net change in loans loss allowance	4	(3,332,952)	6,154,139
		(14,863,114)	**(9,222,444)**
Working capital adjustments:			
Net decrease/(increase) in other receivables and prepaid expenses		(360,679)	(524,209)
Net (decrease)/increase in accrued expenses and other payables (incl. incentive bonus)		571,985	(634,190)
Net cash flows used in operating activities		**(14,651,808)**	**(10,380,843)**
INVESTING ACTIVITIES			
Net (increase)/decrease in loans to Partner Lending Institutions		(9,125,615)	5,278,552
Interest received on loans to Partner Lending Institutions		13,804,770	14,292,695
Interest received on bank deposits		383,948	169,598
Cash flows from investing activities		**5,063,103**	**19,740,845**
FINANCING ACTIVITIES			
Proceeds from issue of shares		12,000,000	5,000,000
Payments on redemption of notes		(2,624,294)	(2,624,294)
Distribution paid to holders of redeemable shares		(2,063,183)	(2,041,455)
Interest paid on notes		(229,920)	(237,176)
Cash flows from/(used in) financing activities		**7,082,603**	**97,075**
Net increase/(decrease) in cash and cash equivalents		**(2,506,102)**	**9,457,077**
Cash and cash equivalents at the beginning of the year		**26,055,359**	**16,598,282**
Cash and cash equivalents at the end of the year		**23,549,257**	**26,055,359**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES (CLASS A AND CLASS B) AND IN EQUITY (CLASS C)

FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN USD)

	NOTES	CLASS A	CLASS B	CLASS C
AS AT 31 DECEMBER 2016		**20,704,908**	**31,070,380**	**67,121,638**
Issuance of shares		5,000,000	-	-
Allocation of distributable income and capital gains and losses	10.3	712,720	1,350,463	(3,996,990)
Distribution to holders of redeemable Class A and Class B Shares	10	(712,720)	(1,350,463)	-
AS AT 31 DECEMBER 2017		**25,704,908**	**31,070,380**	**63,124,648**
Loan loss allowance (IFRS9 transition impact)		-	-	(7,552,787)
Issuance of shares		12,000,000	-	-
Allocation of distributable income and capital gains and losses	10.3	1,051,100	1,689,347	(294,838)
Distribution to holders of redeemable Class A and Class B Shares	10	(1,051,100)	(1,689,347)	-
AS AT 31 DECEMBER 2018		**37,704,908**	**31,070,380**	**55,277,023**

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018 (EXPRESSED IN USD)

NOTE 1
DESCRIPTION

1.1. CORPORATE INFORMATION

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

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

The Fund was set up for an unlimited duration.

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

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

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

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

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

1.2. INVESTMENT OBJECTIVES

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

NOTE 2
SIGNIFICANT ACCOUNTING POLICIES

2.1. STATEMENT OF COMPLIANCE

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

2.2. BASIS OF PREPARATION

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

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

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

Except as described below, the accounting policies used to prepare these financial statements are consistent with those applied for the year ended 31 December 2017.

2.2.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS MANDATORY FOR THE FIRST TIME FOR THE FINANCIAL YEAR BEGINNING ON 1 JANUARY 2018

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

IFRS 9, 'Financial Instruments'

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

Classification and measurement

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

Based on that assessment:

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

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

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

Impairment

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

Hedging

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

2.2.2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2018 (INCLUDING THOSE PENDING EU ENDORSEMENT) AND NOT EARLY ADOPTED BY THE FUND AS FAR AS PERMITTED

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

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

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

As from 1 January 2018

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

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

Financial assets measured at amortized cost

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

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

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

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

Until 31 December 2017

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

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

2.4.2. CLASSIFICATION OF FINANCIAL LIABILITIES

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

Financial liabilities measured at FVPL

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

Financial liabilities measured at amortized cost

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

2.4.3. RECOGNITION

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

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

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

2.4.4. INITIAL MEASUREMENT

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

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

Loans to PLIs are measured initially at the net disbursed amount which is the fair value of the cash given to originate the loan, including any transaction costs that are directly attributable to the acquisition or issue.

2.4.5. SUBSEQUENT MEASUREMENT

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

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.

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.

2.4.6. DE-RECOGNITION

As from 1 January 2018

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

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

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

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

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

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

Until 31 December 2017
The Fund assessed at each financial position date whether there was objective evidence that a financial asset or group of financial assets was impaired. If there was objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset was tested for impairment. The amount of the loss was measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset was reduced through use of an allowance account. The amount of the loss was recognized in profit or loss.

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

2.6. DERIVATIVE FINANCIAL INSTRUMENTS
The Fund may engage, for the proportion of its portfolio which is invested in a currency other than USD, in currency hedging operations with a view to manage exposures to foreign currency risk. These hedging operations are assimilated as economic hedging. The Fund does not apply hedge accounting and the derivative financial instruments are classified as held for trading.

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

2.8. SHARES ISSUED

2.8.1. CLASS A AND CLASS B SHARES
The Class A and Class B Shares are redeemable at the maturity of the relevant tranches of classes of shares and are classified as financial liabilities. The liabilities arising from these shares are carried at the redemption amount being the net asset value calculated in accordance with the Issue Document. Proposed distributions to the holders of redeemable shares are recognized in the statement of comprehensive income as finance costs.

2.8.1. 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 accruals basis.

2.11. TAXATION

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

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

NOTE 3
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1. CLASSIFICATION OF DEBT INSTRUMENTS

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

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

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

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

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

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

3.2. IMPAIRMENT LOSSES ON DEBT INSTRUMENTS

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

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

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

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

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

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

3.3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Where the fair values of financial instruments cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken by observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The determination of the adequate valuation method and of underlying assumptions requires significant estimation. For further details, see Note 4 and Note 5.

NOTE 4
LOANS TO PARTNER LENDING INSTITUTIONS

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

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

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

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

For the year ended 31 December 2018, there were no transfers into and out of level 3 fair value measurement.

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

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

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

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

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

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

NOTE 5
DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

During the year ended 31 December 2018 and 2017, there were no transfers between level 1 and level 2 fair value measurements.

5.1. SWAP CONTRACTS

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

5.2. FORWARD FOREIGN EXCHANGE CONTRACTS

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

CURRENCY PUR-CHASED	CURRENCY SOLD	AMOUNT PURCHASED	AMOUNT SOLD	MATURITY DATE	UNREALISED GAIN/(LOSS)
USD	ZAR	1,334,739	19,500,000	23/04/2019	(2,770)
USD	EUR	1,978,630	1,700,000	07/01/2019	31,987
					29,217

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

5.3. NET GAIN/(LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

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

NOTE 6
NOTES ISSUED

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

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

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

As at 31 December 2018, the Notes issued by the Fund amount to USD 5,248,588 (2017:
USD 7,872,882) and are fully drawn. The portion of Notes issued having a maturity within one year amounts to USD 2,624,294 as of 31 December 2018 (2017: USD 2,624,294).

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

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

NOTE 7
SHARE CAPITAL AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A AND CLASS B SHARES

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

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

- The mezzanine Class B Shares ("Class B Shares"), which may be issued in successive series, bear unrealized/realized capital losses of the Fund only if the NAV of the Class C Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class B Shares in the order of priority as detailed in Note 9. The Class B Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class C Shareholders but junior to the dividend entitlements of the Class A Shareholders as per the waterfall model detailed in Note 9. The sum of the NAVs of the C Shares and the B Shares must represent at least 50 % of the total assets of the Fund at all times.

- The senior Class A Shares ("Class A Shares"), which may be issued in successive series, are insulated against unrealized/realized capital losses of the Fund, bearing such losses only if the NAV of both the Class C Shares and the Class B Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class A Shares in the order of priority as detailed in Note 9. The Class A Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class B and Class C Shareholders as per the waterfall model detailed in Note 9.

As at 31 December 2018, the outstanding and uncalled commitments are as follows:

	Senior	Mezzanine Class B Shares	First Loss Class C Shares
As at 31 December 2018	in USD	in USD	in USD
Total outstanding commitment (USD)	29,715,122	32,179,443	-
Total outstanding commitment (EUR)*	13,989,786	8,890,937	62,314,790
Amount called (USD)	(23,715,122)	(22,179,443)	-
Amount called (EUR)*	(13,989,786)	(8,890,937)	(62,314,790)
Uncalled commitment (USD)	**6,000,000**	**10,000,000**	**-**
Uncalled commitment (EUR)*	**-**	**-**	**-**

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

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

	Senior	Mezzanine Class B Shares	First Loss Class C Shares
As at 31 December 2015	in USD	in USD	in USD
Total outstanding commitment (USD)	29,715,122	32,179,443	-
Total outstanding commitment (EUR)*	13,989,786	8,890,937	62,314,790
Amount called (USD)	(11,715,122)	(22,179,443)	-
Amount called (EUR)*	(13,989,786)	(8,890,937)	(62,314,790)
Uncalled commitment (USD)	**18,000,000**	**10,000,000**	**-**
Uncalled commitment (EUR)*	**-**	**-**	**-**

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

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

NOTE 8
EXPENSES

8.1. FUND MANAGEMENT FEES

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

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

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

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

The Fund management fee amounted to USD 2,252,579 for the year ended 31 December 2018 (2017: USD 2,260,155).

8.2. INVESTMENT MANAGER INCENTIVE BONUS

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

The Investment Manager Incentive Bonus accrued for as at 31 December 2018 amounted to USD 82,160 (2017: nil).

8.3. SECRETARY FEES

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

For the year ended 31 December 2018, the secretary fees amount to USD 129,221 (2017: USD 123,883).

8.4. ADMINISTRATION, CUSTODIAN AND DOMICILIATION FEES

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

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

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

For the year ended 31 December 2018, the administration fee amounts to USD 126,921 (2017: USD 129,789).

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

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

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

For the year ended 31 December 2018, the custodian fee amount to USD 39,658 (2017: USD 45,794).

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

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

8.5. ACCRUED EXPENSES

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

NOTE 9
ALLOCATION AND DISTRIBUTION WATERFALLS

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

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

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

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

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.

NOTE 10
CALCULATION OF DISTRIBUTABLE INCOME AND CAPITAL GAINS AND LOSSES

10.1. CALCULATION OF DISTRIBUTABLE INCOME (INCOME WATERFALL)

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

10.2. CALCULATION OF CAPITAL GAINS AND LOSSES SPECIFIC TO CLASS C SHARES (CAPITAL WATERFALL)

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

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

10.3. ALLOCATION OF DISTRIBUTABLE INCOME AND CAPITAL GAINS AND LOSSES

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

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

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

NOTE 11
RISK MANAGEMENT

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

11.1. CREDIT RISK

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

The insolvency or other business failure of any one or more of the PLIs in which the Fund has invested could have a material and adverse effect on the Fund's performance and ability to achieve its objectives. The Fund runs the risk of any one or more of the PLIs defaulting on their borrowings from the Fund. Such PLIs may default on their interest and/or on their principal repayment. The Fund mitigates this risk by carefully selecting the PLIs and then by closely monitoring them on a quarterly basis.

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

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

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

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

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

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

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

11.1.1. MAXIMUM EXPOSURE TO CREDIT RISK

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

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

* See Note 5 for further details.

11.1.2. RISK CONCENTRATION OF LOAN PORTFOLIO TO CREDIT RISK

Risk concentration by PLI

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolio by PLI as of 31 December 2018 and 2017 is as follows:

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

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

Risk concentration by geographical regions

The table below shows the credit risk analysis of the Fund's gross loan portfolio per geographical region as of 31 December 2018 and 2017:

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

The above risk concentrations reflect the Fund's exposures by market and PLI, including amounts that are currently impaired for which recovery efforts are ongoing. The portfolio value in the risk concentration tables differs from the portfolio value in the statement of financial position by USD 14,058,818, which consists of the loan loss allowance as of 31 December 2018 (2017: USD 9,838,983).

11.1.3. CREDIT QUALITY

Credit risk exposure for each internal risk rating

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

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

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

The Fund rating's categories are as follows:

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

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2018 and 2017 based on the Fund's credit rating system:

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

Credit risk exposure to counterparties from cash deposits
As at 31 December 2018, the Fund holds cash in current accounts of USD 18,538,901 (2017: USD 26,055,359) and is mainly exposed to the credit risk with Credit Suisse, whose rating is P-1 according to Moody's and A-1 according to Standard & Poor's.

As at 31 December 2018, cash for a total amount of USD 588,111 (2017: USD 617,770) has been pledged as collateral with ICBC Standard Bank rated BBB+ according to Standard & Poor's.

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

Impairment assessment
The Investment Manager monitors on a monthly basis whether each investee of the Fund is in compliance with all financial and non-financial covenants per the respective loan contract. In case of a breach of financial covenant with no perspective of resolution through improvement of the situation over the next quarter, the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation. In case of payment default (as defined in each loan agreement), the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation if the carrying amount of the relevant loan exceeds its recoverable amount.

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

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

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

11.2. LIQUIDITY RISK

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

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

- Excess cash liquidity is temporarily deposited with international investment grade banks or invested in money-market instruments.
- The Investment Manager shall strive to maintain cash on hand that represents the greater of 5% of the Fund Total Assets or a 120% of the Fund's projected 30-day liabilities. As soon as liquidity falls below this percentage, the Investment Manager shall notify the Board and Investment Committee immediately.
- In addition, the Fund may at any time draw down from existing commitments on Class A Shares and Class B Shares or Notes and on a quarterly basis on Class C Shares. The existing uncalled commitments from Shareholders to the Fund amounted to USD 16 million as at 31 December 2018 (2017: USD 28 million).

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

31 DECEMBER 2018	**LESS THAN 3 MONTHS** (in USD)	**3 MONTHS TO 1 YEAR** (in USD)	**1 YEAR TO 5 YEARS** (in USD)	**MORE THAN 5 YEARS** (in USD)	**UNDEFINED MATURITY** (in USD)	**TOTAL** (in USD)
Loans to PLIs*	17,530,724	43,367,205	77,672,483	4,252,764	-	142,823,176
Other receivables	1,093,174	-	-	-	-	1,093,174
Cash and cash equivalents	23,549,257	-	-	-	-	23,549,257
Total financial assets	**42,173,155**	**43,367,205**	**77,672,483**	**4,252,764**	**-**	**167,465,607**
Undrawn capital commitments	16,000,000	-	-	-	-	16,000,000
Total financial assets and undrawn capital commitments	**58,173,155**	**43,367,205**	**77,672,483**	**4,252,764**	**-**	**183,465,607**
Notes**	-	2,778,484	2,701,671	-	-	5,480,155
Derivative financial instruments**	2,505,576	8,703,739	9,096,848	-	-	20,306,163
Accrued expenses	1,026,089	-	-	-	-	1,026,089
Other payables	534,009	-	-	-	-	534,009
Distribution payable to holders of redeemable shares	-	2,740,447	-	-	-	2,740,447
Net assets attributable to Class A and Class B Shares	-	24,821,100	43,954,119	-	-	68,75,219
Total financial liabilities	**4,065,674**	**39,043,770**	**55,752,638**	**-**		**98,862,082**
Committed undisbursed amounts on loans to PLIs	-	-	-	-	-	-
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**4,065,674**	**39,043,770**	**55,752,638**	**-**	**-**	**98,862,082**

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

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

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

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

11.3. MARKET RISK

11.3.1. INTEREST RATE RISK

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

The Fund may be exposed to interest rate risks to the extent that the rate basis for its assets and liabilities do not fully match. The Fund seeks to reduce this risk and to match the rate basis on its assets and liabilities. As of 31 December 2018, 81.1% (2017: 79.8%) of the portfolio yields floating interest rates with USD 6-month Libor as the rate basis (local currency denominated loans hedged for both currency and interest rate risk). 19.03% of the portfolio is denominated in USD (2017: 18.37%), the functional currency of the Fund, yielding a fixed USD rate. 0.1% of the portfolio is denominated in EUR and not hedged for currency and interest rate risk in 2017.

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

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

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

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

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

		31 DECEMBER 2018		31 DECEMBER 2017
INCREASE	**EFFECT ON PROFIT BEFORE TAX**	**EFFECT ON PROFIT BEFORE TAX**	**EFFECT ON PROFIT BEFORE TAX**	**EFFECT ON PROFIT BEFORE TAX**
(in bps)	**(in USD)**	**(in %)**	**(in USD)**	**(in %)**
10	16,313	0.60%	15,829	0.80%
50	81,564	3.00%	79,145	4.00%
100	163,128	6.00%	158,290	8.10%

11.3.2. CURRENCY RISK

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. As at 31 December 2018, all of the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund
(2017: 100%). 19.03% of the Fund's PLI investments are denominated in USD (2017: 18.37%), 81.1% are denominated in local currency and hedged for both currency and interest rate risk (2017: 79.8%), and nil are denominated in EUR and unhedged (2017: 0.1%).

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

The table below indicates the currencies to which the Fund had significant exposure at 31 December 2018 and 2017 on its PLIs investments. The analysis calculates the effect of a reasonably possible movement of the currency rates against the USD on the net assets and the net equity, with all other variables held constant.

		31 DECEMBER 2018		31 DECEMBER 2017
CURRENCY	**CHANGE IN CURRENCY RATE**	**EFFECT ON THE NET ASSETS/ NET EQUITY**	**CHANGE IN CURRENCY RATE**	**EFFECT ON THE NET ASSETS/ NET EQUITY**
Currency	**(in USD)**	**(in %)**	**(in USD)**	**(in %)**
EUR	10%	(447,573)	10%	(128,521)
EUR	5%	(223,787)	5%	(64,261)

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

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

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

	AS AT 31 DECEMBER 2018		
	Number of loans	Total amount* USD	% of net assets
XOF	21	31,785,288	25.62%
USD	19	23,607,694	19.03%
KES	11	16,441,447	13.25%
ZMW	9	9,856,371	7.95%
MGA	4	9,705,603	7.82%
GHS	6	6,705,175	5.41%
UGX	5	4,874,871	3.93%
ZAR	6	4,720,352	3.81%
EUR	6	4,475,735	3.61%
TZS	1	1,453,579	1.17%
RWF	1	1,420,151	1.14%
XAF	1	1,143,150	0.92%
MWK	1	995,171	0.80%
SLL	2	472,958	0.38%
NGN	-	-	-
	93	**117,657,542**	**94.46%**

	AS AT 31 DECEMBER 2017		
	Number of loans	Total amount* USD	% of net assets
XOF	19	28,008,658	23.36%
USD	25	22,022,631	18.37%
KES	10	15,109,054	12.60%
MGA	-	-	-
ZMW	8	7,869,182	6.56%
GHS	6	7,986,310	6.66%
UGX	6	5,796,573	4.83%
ZAR	3	3,307,755	2.76%
EUR	2	1,285,213	1.07%
TZS	3	5,416,361	4.52%
RWF	2	2,449,440	2.04%
XAF	4	4,082,720	3.41%
MWK	1	999,737	0.83%
SLL	2	525,852	0.44%
NGN	3	2,211,624	1.84%
	94	**107,071,110**	**89.29%**

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

11.3.3. OPERATIONAL RISK

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

NOTE 12
CAPITAL MANAGEMENT

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

The Fund's objectives for managing capital are:

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

NOTE 13
RELATED PARTY TRANSACTIONS

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

BOARD OF DIRECTORS

During the year ended 31 December 2018, an amount of USD 20,392 of travel expenses was reimbursed to the Directors (2017: USD 24,979). The listing of the members of the Board of Directors is shown on page 3 of the annual report.

INVESTMENT MANAGER

Management fee and Incentive Bonus

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

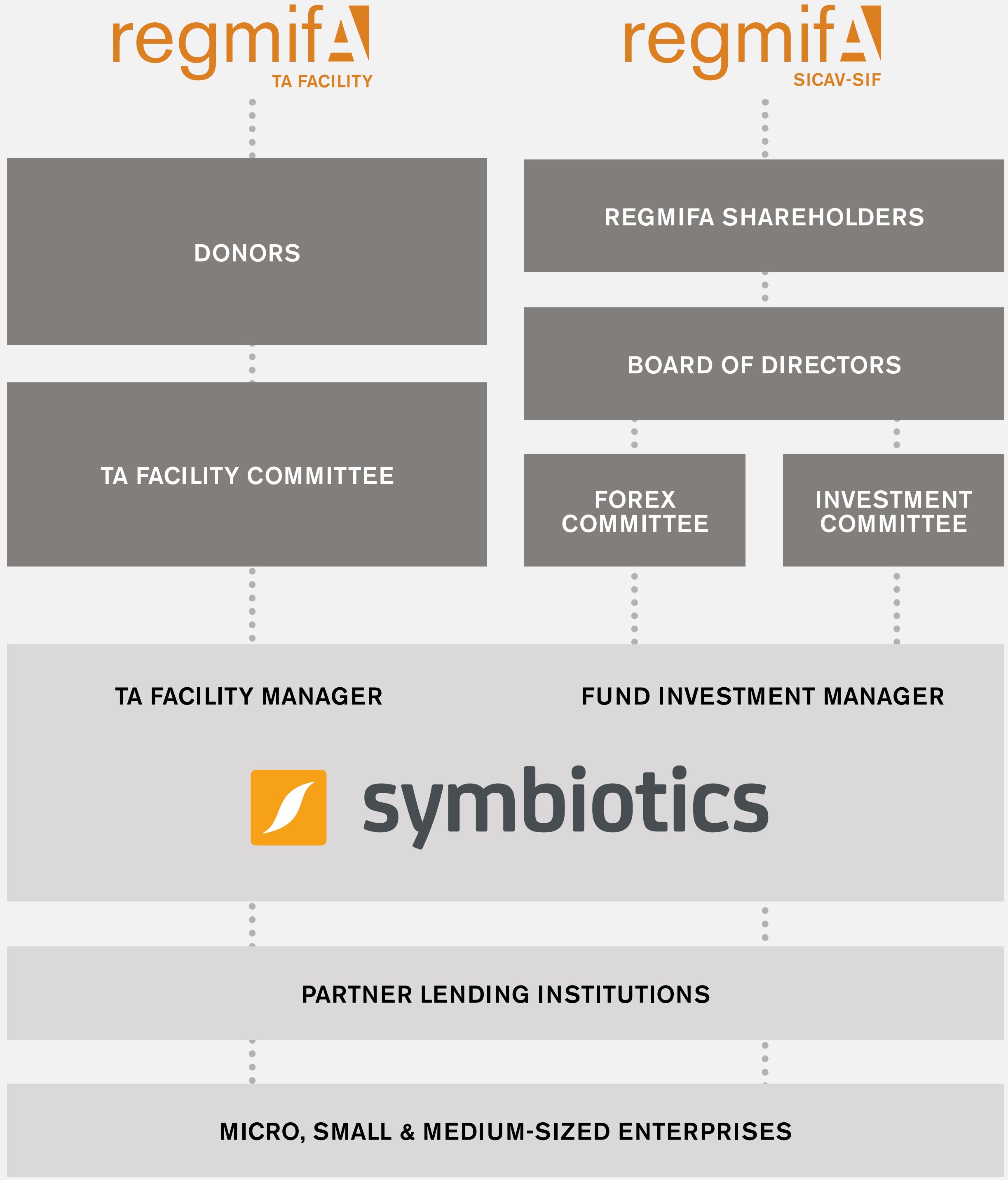
NOTE 14
APPROVAL OF THE FINANCIAL STATEMENTS

On 13 May 2019, the Board of Directors resolved to authorize the issuance of the financial statements of the Fund for the year ended 31 December 2018 and decided to submit them to the Annual General Meeting of Shareholders for approval.

NOTE 15
SUBSEQUENT EVENTS

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

ORGANIZATIONAL STRUCTURE AND INVESTMENT MANAGER



GOVERNANCE

BOARD OF DIRECTORS

The following persons served as Directors of the Fund during the year:

MR. RUURD BROUWER
Chairman

DR. MARCEL GERARD GOUNOT

MR. STEFAN HIRCHE

MR. KARL-HEINZ FLEISCHHACKER

MR. ARTHUR SLETTEBERG

DR. GIUSEPPE BALLOCCHI

MR. FRANCOIS LAGIER

INVESTMENT COMMITTEE

The following persons served as members of the Investment Committee of the Fund and their alternate during the year:

MR. KARL-HEINZ FLEISCHHACKER
MR. STEFAN HIRCHE (alternate)

MR. NJORD ANDREWES
MR. OLE SANDSBRATEN (alternate)

MR. YVES FERREIRA
MR. ENRICO PINI (alternate)

MS. PETRA ZEIER
MS. VALERIE DUJARDIN (alternate)

MR. STEFAN HIRCHE
DR. GIUSEPPE BALLOCCHI (alternate)

FX COMMITTEE

The following persons served as members of the Foreign Exchange Committee of the Fund during the year:

DR. GIUSEPPE BALLOCCHI
CFA

MR. HELIE D’HAUTEFORT

MR. MARKUS SCHMIDTCHEN

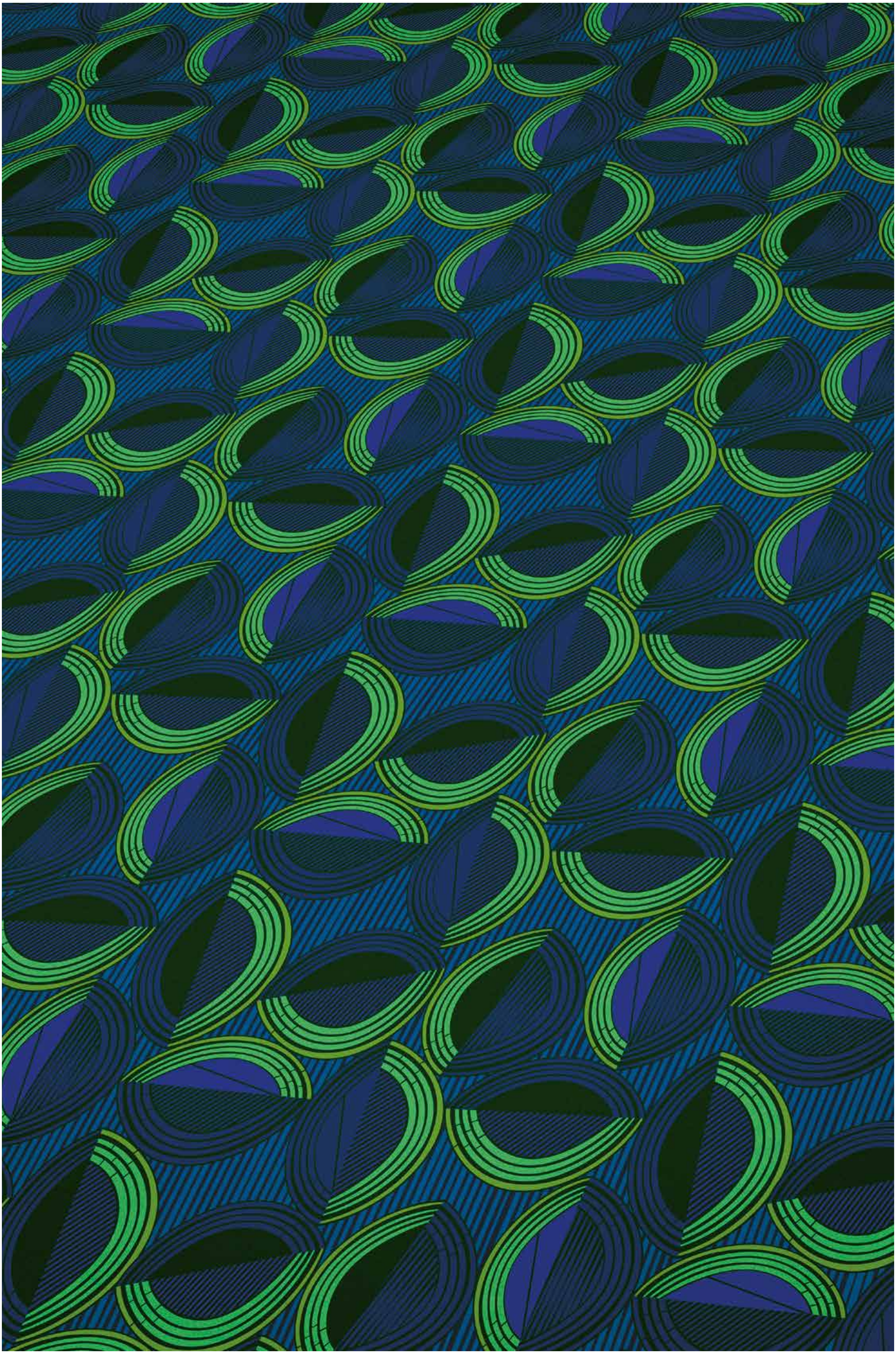
TA FACILITY COMMITTEE

The following persons served as members of TA Facility Committee of the Fund during the year:

MS. KLAUDIA BERGER

MR. SAMI MASRI

DR. GIUSEPPE BALLOCCHI



CONTACTS

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Switzerland

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Head of Development Finance Mandates

MS. NELLY ELIMBI
Head of Capacity Building Unit

MS. HANNAH MURRAY
Portfolio Manager

MS. LAURA MULLER
Portfolio Manager

MR. JACOBUS RUST
Portfolio Manager

MS. MWILA MASEKA
Technical Assistance Field Expert

MR. MUNASHE MAKONI
Technical Assistance Analyst

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MR. DUNCAN FRAYNE
Regional Director

MR. RYAN ANDERSEN
Investment Analyst

MS. LUCILE DHUY
Investment Analyst

MS. CLEMENTINE HEDAN
Investment Analyst

MS. ANISSA KADI
Investment Analyst

MR. FELIPE MARTIN
Investment Analyst

MS. LISA PUTTER
Investment Analyst

MS. AYODELE OGUNNOIKI
Associate

MR. IAN KAMANDE
Associate

ABBREVIATIONS

AECID
Agencia Española de Cooperación Internacional para el Desarrollo; Spanish Agency for International Cooperation for Development

AfD
Agence Française de Développement; French Development Agency

BCEAO
Banque Central des Etats de L'Afrique de L'Ouest; Central Bank of West African States

BIO
Belgische Investeringsmaatschappij voor Ontwikkelingslanden; Belgian Investment Company for Developing Countries

BMZ
Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung; German Ministry for Economic Cooperation and Development

EIB
European Investment Bank

ESR
Environmental and Social Responsibility

FMO
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden; Development Bank of the Netherlands

FX
Foreign exchange

GAV
Gross Asset Value (total assets of the Fund)

GNI
Gross National Income

ICO
Instituto de Crédito Oficial; Spanish Development Bank

KfW
Kreditanstalt für Wiederaufbau

LuxFLAG
Luxembourg Fund Labeling Agency

MAEC
Ministerio de Asuntos Exteriores y de Cooperación; Spanish Ministry of Foreign Affairs and Cooperation

MFI
Microfinance Institution

MIS
Management information system

MIV
Microfinance investment vehicle

MSME
Micro, small and medium-sized enterprise

NBFI
Non-bank financial institution

NGO
Non-governmental organization

NMI
Norwegian Microfinance Initiative

PLI
Partner Lending Institution

PROPARCO
Société de Promotion et Participation pour la Coopération Economique; Investment and Promotions Company for Economic Cooperation

TA
Technical Assistance

TAF
Technical Assistance Facility

SYMBIOTICS SA
Investment Manager and TA
Facility Manager of REGMIFA

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