

INVESTMENT MANAGER'S COMMENT

The portfolio at the end of March 2019 was at USD 137.7 mm across 13 countries. During Q1, the Fund disbursed 5 loans for a total amount of USD 24.85 mm. South Asia remained the largest region (46.95%), followed by East Asia and Pacific (39.79%) and Central Asia (13.26%). Tier 2 and Tier 3 Microfinance Institutions (MFIs) accounted for 42.58% of the loan portfolio. 71.26% of the MFI portfolio was composed of local currency loans in 10 currencies. Of these, only 0.44% remained unhedged (i.e. in Vietnam). The share of subordinated loans was at 13.80% of the portfolio. The weighted average life of the Fund's portfolio increased to 14.01 months.

Social performance update

Satya MicroCapital Ltd. is an Indian microfinance institution which started its operations in 2016, right when Prime Minister Narendra Modi announced the government demonetisation plan to fight black money and corruption. This was indeed a difficult time for the Indian population but Satya accepted the challenge and worked hard to establish good processes and make the best use of technologies to serve its clients. Satya started offering loans through a cashless disbursement and collection system via end to end use of technology and real time data. This allowed the institution to be faster and ensure transparency towards regulators and customers. As of end 2018, the institution served more than 200,000 clients, 95% of which are female, across 14 North Eastern Indian states and 81 districts. It also employed approximately 846 people specialized in credit underwriting who are also given the opportunity to participate to trainings with a focus on fair lending practices. Besides providing group and individual microfinance loans Satya complements its offering with social initiatives engaging across 6 goals: increase financial literacy, fight malnutrition, improve access to education, improve sanitation services, raise social awareness and security and promote access to health services. Finally, even though Satya has only been active for 3 years, it has already been awarded a number of prizes at national level confirming its commitment towards sustainable micro-lending, good leadership and governance practice.

Market update

On 7 February 2019, the Reserve Bank of **India** (RBI) reduced India's lending rate by 25 bps to 6.25%. This marked India's first rate cut in approximately 18 months and follows two rate increases in 2018. The change in the RBI's position follows the resignation of former RBI governor Urjit Patel in December 2018 following alleged disagreements between the bank and the Indian government. The liquidity crisis in the NBFC sector following the payment default by IF&LS in September 2018, is easing albeit gradually.

During Q1 2019, the Asian Development Bank (ADB) released its outlook for **Cambodia**, projecting the economy to grow by 7% in 2019, a slight decline from last year's 7.3% due to external factors. After working and piloting distributed ledger technology since late 2017, the National Bank of Cambodia plans to incorporate blockchain technology for its national payments system by the end of the year.

In March 2019, Bank **Indonesia** left its main policy rate on hold at 6% for a fourth consecutive month to bolster Indonesia's external stability support domestic demand. This follows policy interventions in 2018 by Bank Indonesia and the current administration to stabilize the Indonesian rupiah, including multiple interest rate rises and increased import tariffs on consumer goods, which had a stifling effect on domestic demand. In the financial sector, the incumbent government took steps to encourage Islamic finance requiring financial institutions to clearly separate their Sharia business from their conventional business, creating several spin-offs.

With an underperforming economy and contained inflation at the end of February 2019, the Central Bank of **Sri Lanka** (CBSL) announced it will maintain policy rates unchanged, with the lending and deposit rates left at 8% and 9% respectively. CBSL also decided on a reduction of 1% in the Statutory Reserve Ratio (SRR) to 5% as of 1 March 2019 in an effort to bolster domestic demand. The approval of the 2019 budget and the extension of a USD 1.5 billion loan from the IMF in March 2019 contributed to ease the pressure on public finances.

In **Tajikistan** the economy has entered 2019 with a weak start, as the transport sector, capital investment, and external sector hindered growth. Yet construction activity has returned to growth. Agricultural, industrial and electricity generation sectors have accelerated. Net trade in Q1 2019 amounted to \$964 million, with 3.1% growth y/y. The Central Bank entered the final stage of talks with the IMF in March concerning a \$220 million financial assistance program aimed at enhancing the monetary policy framework.

In February, Moody's assigned its first long-term rating to the **Uzbek** government at B1 with a stable outlook, and the country sold \$1 billion of Eurobonds in its first foray into international debt markets. Industrial output increased throughout Q1 2019, driven by higher manufacturing production. Merchandise exports surged in double digits in January-February, amid booming demand from key trading partners: China, Russia and Kazakhstan. In March, authorities lifted a ban on repatriating profits from equity sales, aiming to boost local capital markets.

In **Pakistan** the economy faces challenges regarding the stabilizing but large fiscal and current account deficits, both at around 6% of GDP as of Q1 2019. Yet growth is likely to remain robust at 5% in 2019, with high remittance inflows. The Central Bank raised its key interest rate by 50bp to 10.75% in March, and the government is in the final stages of negotiation with the IMF over a \$12 billion financial assistance package.

In January, a six-month campaign aimed at the development of the banking sector and public participation was launched in **Mongolia** in honor of the sector's 95th anniversary. In Q1 2019, exports and industrial output surged. Coal exports increased by 15% y/y while total exports went up by 5.3%. Annual inflation edged down to 6.7% in March, reaching its lowest rate since October 2018.

FUND FACTS

Net Asset Value (NAV) in USD	174,085,872
Total Assets in USD	176,736,401
Average exposure per MFI in USD	3,442,732
Portfolio average life (in months)	14.01
Number of countries	13
Number of MFIs	40
Number of loans outstanding	54
Microfinance portfolio as % of Total Assets	78%

ACTIVITY REPORT

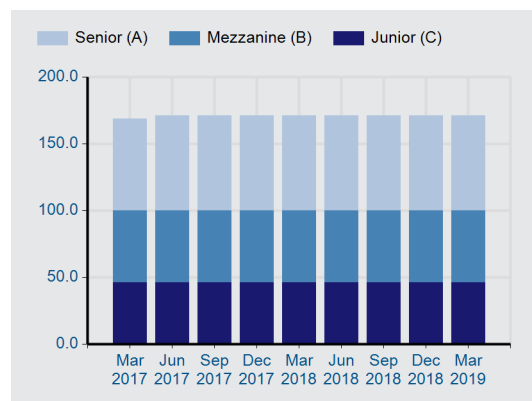
Total new disbursements

Since inception	353,360,045
Q1 2019	24,849,322

Number of loans disbursed

Since inception	156
Q1 2019	5

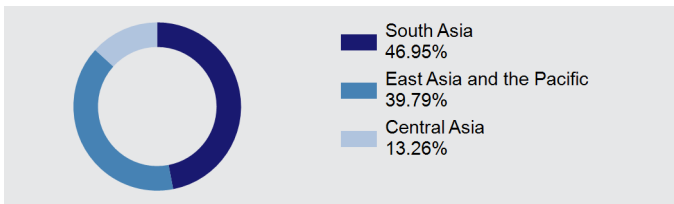
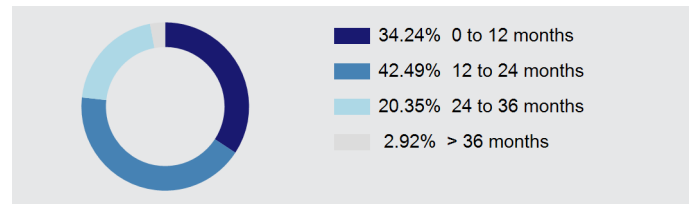
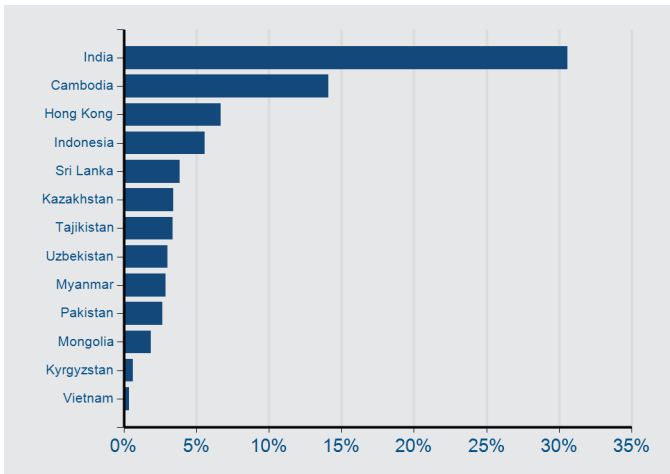
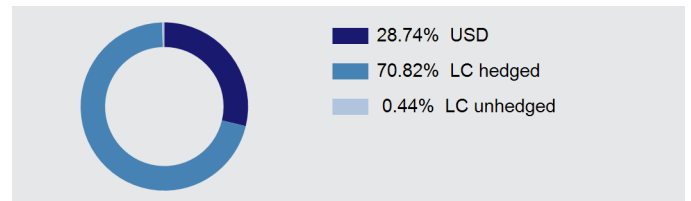
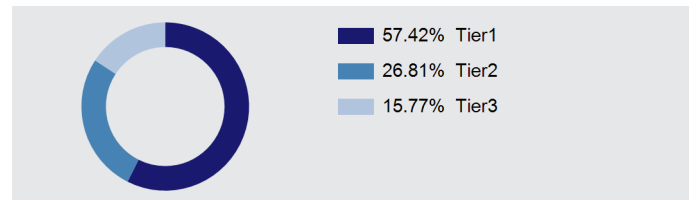
CAPITAL DRAWN (in USD mm)



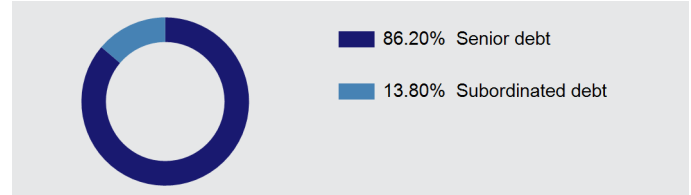
SOCIAL PERFORMANCE INDICATORS*

Total # of microentrepreneurs reached by MFIs in the portfolio	9,802,228
# of microentrepreneurs reached by the fund	270,603
# of employees	67,486
# of loan officers	35,637
% of rural clients*	65%
% of female clients*	76%
% of individual lending*	61%
% of group lending	39%
Average loan size to microentrepreneurs	
Simple average across MFIs in USD	1,923
Median across MFIs in USD	593

*Data based on the latest available data from MFIs in the portfolio
- includes some estimates by BlueOrchard

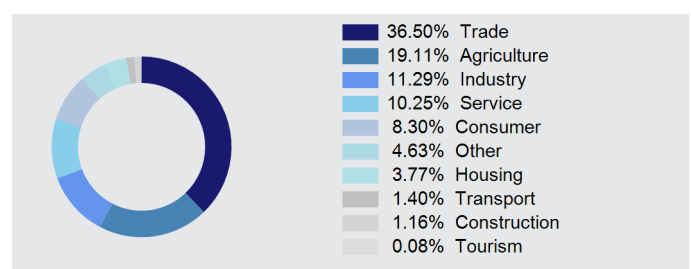
EXPOSURE
BY REGION (AS % OF MFI PORTFOLIO)

BY MATURITY (AS % OF MFI PORTFOLIO)

BY COUNTRY (AS % OF NAV)

BY CURRENCY (AS % OF MFI PORTFOLIO)

BY TYPE OF MFI (AS % OF MFI PORTFOLIO)

FIVE LARGEST OUTSTANDING POSITIONS (AS % OF NAV)

Entity	Country	Percentage
MICROCRED CHINA (CONSOLIDATED)	Hong Kong	6.70%
VERITAS FINANCE PVT LTD	India	6.18%
MBK VENTURA	Indonesia	5.60%
AYE FINANCE	India	5.23%
HATTHA KAKSEKAR LTD.	Cambodia	4.60%

BY ASSET CLASS (AS % OF MFI PORTFOLIO)

MFI FINANCIAL INDICATORS*

Asset growth (last 12 months)	33.49%
Portfolio growth (last 12 months)	35.26%
Return on assets (ROA) (last 12 months)	2.65%
Return on equity (ROE) (last 12 months)	14.39%
Portfolio at risk 30 days (PAR 30)	1.29%
Write-offs (last 12 months)	0.52%
Debt/equity ratio	4.47x
Debt/equity ratio (subdebt as equity)	3.75x

*Data based on the latest available data from MFIs in the portfolio
 - includes some estimates by BlueOrchard

BY SECTORS FINANCED (AS % OF MFI PORTFOLIO)


Currency	Tranche	ISIN	NAV/share
EUR	Senior (A)	LU1006090028	100,000.00
USD	Senior (A)	LU0801844175	100,000.00
USD	Mezzanine (B)	LU0801844258	100,000.00
USD	Junior (C1)	LU0801844332	107,579.31
USD	Junior (C2)	LU0801844415	109,366.17
USD	Junior (C3)	LU0801844506	115,558.89

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