



# NIGERIA INFRASTRUCTURE DEBT FUND

## A Chapel Hill Denham Fund

### Quarterly Report to Unitholders – 30 June 2020

#### Overview

The Chapel Hill Denham Nigeria Infrastructure Debt Fund (“NIDF” or the “Fund”) is the first and only infrastructure debt fund dedicated to and domiciled in Nigeria.

The Fund is classified as an Infrastructure Fund under the relevant rules and regulations of the Securities & Exchange Commission (“SEC”), Nigeria and the National Pension Commission, Nigeria.

The Fund’s Units are listed on the FMDQ OTC Securities Exchange, Nigeria. The Fund has registered a programme for issuance of up to two billion Units with par value of ₦200 billion.

NIDF is sponsored by Chapel Hill Denham and Chapel Hill Denham Management Limited acts as the Fund Manager of NIDF.

#### Investment Objectives

NIDF aims to provide investors regular and stable income by making primarily debt investments in infrastructure projects located in Nigeria. It seeks to build a diversified portfolio of investments in projects that (i) provide essential economic and social services; (ii) have long-term predictable cash flows; and (iii) have asset base with long useful life.

NIDF focuses on making investments that offer a high degree of certainty about the future cash flows to be received by the Fund, while seeking to preserve the capital value of its investment assets over the long term. The Fund's investment portfolio of infrastructure loans and other securities targets a gross return of 3.00% to 4.50% over and above the comparable federal government bond yields prevailing from time-to-time in Nigeria.

The income generated by the Fund, in the form of coupon and fees received from the borrowers, is distributed periodically to the Unitholders, after deducting the operating expenses of the Fund.

*All capitalised terms have the meaning ascribed to them in the Fund’s Programme Prospectus dated 9 February 2017. “Reporting Period” refers to the period from April to June 2020. “Reporting Date” means 30 June 2020.*

#### Fund Information

Launch date	28 June 2017
Listing	FMDQ, Nigeria
Ticker	CHD NIDF
ISIN	NGCHDNIDF005

#### Financial Information

Units in Issue	543,683,223
NAV per Unit <sup>@</sup>	108.03(ex-distribution)
NAV <sup>@</sup>	₦58,732 million
Financial year-end	31 December

<sup>@</sup> Provisional, unaudited

#### Distribution Information

Distribution for the quarter	₦2.70
Annualised Distribution Yield on NAV (Trailing Twelve Months)	15.02% #
Distribution frequency	Quarterly

# Quarterly compounded

#### Other Information

Fund Manager	Chapel Hill Denham Management Limited
Custodian	Citi Nigeria Limited
Joint Trustees	Stanbic IBTC Trustees Limited STL Trustees Limited
Registrar	United Securities Limited
Auditor	PricewaterhouseCoopers Nigeria
Valuation Adviser	KPMG
Website	<a href="http://www.chapelhilldenham.com/nidf">www.chapelhilldenham.com/nidf</a>



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### Investment Policy

NIDF invests in senior and subordinated debt of private or public sector led infrastructure projects in the following sectors and businesses:

- Generation of electricity, including from renewable sources, and its transmission and distribution
- Transportation & logistics, including ports, airports, highways, railway transportation, mass transit systems, industrial zones and warehouses
- Infrastructure for provision of telecommunication services including mobile telecom towers, fibre optic networks and data centres
- Storage and transportation facilities for hydrocarbons, including natural gas
- Water treatment, transmission and distribution for domestic, commercial or industrial use, wastewater treatment and water recycling
- Provision of utilities as well as municipal and industrial waste management
- Social infrastructure such as hospitals, schools, training facilities, accommodation and similar facilities, developed primarily on PPP basis

The Fund may also invest, directly or indirectly, in the working capital loans, subordinated debt, preferred shares or warrants of such borrowers and related assets. At least 80% of Fund's assets will be invested in senior debt, securitised debt or loans to government agencies. Not more than 20% could be invested in working capital loans, subordinated debt, preferred shares or warrants.

### Net Asset Value

As on the Reporting Date, the provisional, unaudited Net Asset Value of the Fund was 58.732 billion Naira (excluding the provision of 1.468 billion Naira for quarterly distribution). Correspondingly, the provisional, unaudited Net Asset Value per Unit of the Fund was ₦ 108.03 (ex-distribution).

### Distribution

For the Reporting Period, the Fund announced a quarterly distribution of 2.70 Naira per Unit. This distribution was paid to eligible Unitholders on 20 July 2020 and was fully funded from the cash inflows generated by the Fund during the quarter.

Going forward, it is the intention of the Fund Manager to continue paying quarterly distributions to Unitholders, in line with the actual performance of the Fund and the provisions of the Constitutional Documents.

### Summary of operations

As on Reporting Date, the portfolio of NIDF comprises fourteen infrastructure loans aggregating 38.882 billion Naira. During the Reporting Period, the Fund Manager committed and disbursed two new infrastructure loans aggregating 1.35 billion Naira; in addition to a sum of 0.66 billion which was disbursed as part of a NGN1.96 billion loan committed in January 2020, of which NGN1.30 billion was disbursed during Q1 2020. During the Reporting Period, the weighted average annualised yield on the Fund's portfolio of infrastructure loans was c. 15.6%.

### Covid-19 situation

During March 2020, the World Health Organisation declared the Covid-19 disease as a global pandemic. The pandemic has affected nearly all countries across the globe, including Nigeria, with governments and health authorities taking a broad range of measures to tackle the situation.

To address the potential risks and challenges arising from the Covid-19 situation, the Fund Manager has undertaken a wide range of actions to ensure smooth operations of the Fund and protection of the interests of its unitholders.



## NIGERIA INFRASTRUCTURE DEBT FUND

### A Chapel Hill Denham Fund

As on the Reporting Date, the staff of the Fund Manager are operating under the “work-from-home” arrangement that has been implemented to ensure compliance with government regulations. The Fund Manager has implemented the business continuity plan to ensure the Fund’s operations remain unaffected due to these restrictions. Consequently, the payment of Q1 distribution to the unitholders was achieved seamlessly and on time.

The Fund’s borrowers provide essential services such as power supply to their customers, which is necessary to ensure uninterrupted operations. Consequently, only one of the Fund’s borrowers had to suspend regular operations for a prolonged period of time. All remaining project financed by the Fund implemented contingency plans to maintain their operations during the Reporting Period. The senior management of the borrowers is focused on ensuring the safety and well-being of their staff, customers and suppliers.

The impact of Covid-19 situation on the borrowers’ financial results and, consequently, on the Fund’s interest as a senior lender is seen as transient, since they are all engaged in provision of essential services. None of the projects financed by the Fund have seen an adverse impact on their long-term viability due to the impact of Covid-19. The Fund Manager has maintained and continues to maintain close coordination with the borrowers to proactively assess the stability of their operations and to protect the long-term interests of the Fund. The situation is now seen as having stabilised at a “new normal”. The extensive security structure and contractual protections established by the Fund Manager for the loans remain valid and enforceable.

The restrictions on international and domestic travel, along with closure of offices in key cities of Lagos and Abuja, has led to some delay in completion of the due diligence and negotiations on the loan transactions that were being processed by the Fund Manager to deploy the proceeds from the Series-6 Offer. The timeline for closing of these deals has been accordingly adjusted, without affecting the overall standards of credit underwriting. In addition to the infrastructure loans disbursed by the Fund during the Reporting Period, the Investment Committee of the Fund has approved five additional infrastructure loans aggregating c. 15 billion Naira. Consequently, the net proceeds from the Series-6 Offer have been substantially committed to infrastructure loans – the disbursement of which is currently underway and expected to be completed shortly.

#### Investment goals vs. Actual performance

The following table shows the performance of NIDF against some of the key investment goals:

Goal	Performance	Remark
Expeditious deployment of capital raised	Achieved	Available capital (including repayments) being expeditiously deployed in infrastructure loans
Target gross spread of 300-450bps over FGN	Achieved	All loans meet/exceed the target yield
Senior loans to be at least 80% of the portfolio	Achieved	All loans are senior loans
Portfolio to include primarily floating rate loans	Achieved	All loans are floating rate
Invest primarily in long-dated loans	Achieved	The tenor of most loans is between 7 and 10 years
Make quarterly distribution to Unitholders	Achieved	



## **NIGERIA INFRASTRUCTURE DEBT FUND**

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### **Future project pipeline**

The Fund Manager is actively engaged in sourcing and structuring new infrastructure loans for the Fund. In addition to the infrastructure loans already disbursed and term sheets already executed, it is in various stages of discussions and negotiations on additional loans of c. 70 billion Naira.

Given the substantial investment needs for different infrastructure sectors in Nigeria, the longer-term potential and demand for long-dated, Naira-denominated financing is quite large. The Fund Manager is tracking a large pipeline of projects which are expected to materialise during the next 12-24 months.

*This report is dated 29 July 2020.*

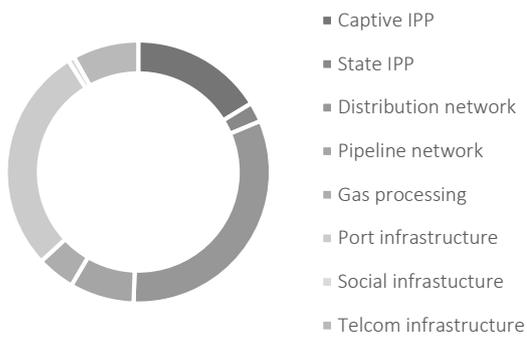


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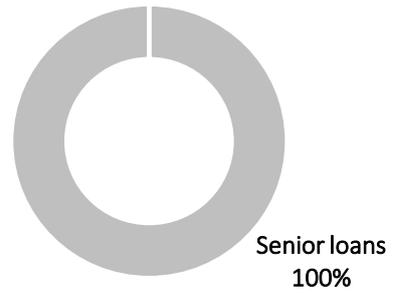
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## Appendix: Summary of infrastructure loan portfolio

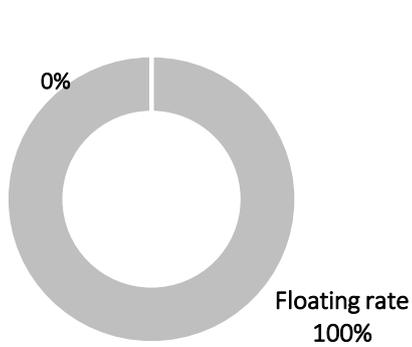
Sector Distribution



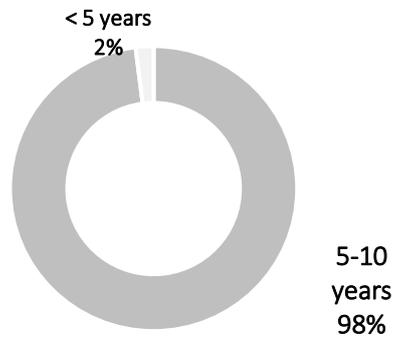
Security Ranking



Fixed vs. Floating rate



Tenor of Infrastructure Loans





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