

NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

Quarterly Report to Unitholders – 31 March 2018

<p>Overview</p> <p>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.</p> <p>The Fund is classified as an Infrastructure Fund under the relevant rules and regulations of the Securities & Exchange Commission, Nigeria and the National Pension Commission, Nigeria.</p> <p>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.</p> <p>NIDF is sponsored by the Chapel Hill Denham group and Chapel Hill Denham Management Limited act as the Fund Manager of NIDF. The Fund Manager is rated “A” by Augusto & Co.</p>	<p>Fund information</p> <p>Launch date 28 June 2017</p> <p>Listing FMDQ Nigeria</p> <p>Ticker CHD NIDF</p> <p>ISIN NGCHDNIDF005</p> <p>Financial information</p> <p>Units in issue 110,228,043</p> <p>NAV per Unit[@] 103.07 (ex-distribution)</p> <p>Total Assets[@] ₦11.361 billion</p> <p>Financial year-end 31 December</p> <p>Distribution information</p> <p>Distribution for the quarter 4.05 Naira</p> <p>Average distribution yield 17.4% on NAV (quarterly compounded)</p> <p>Distribution frequency Quarterly</p>
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 Nigeria
Website	http://www.chapelhilldenham.com/index.php/nidf/#

[@] *Provisional, unaudited*

All capitalised terms have the meaning ascribed to them in the Fund’s Programme Prospectus dated 9 February 2017. “Reporting Period” refer to the period from January to March 2018. “Reporting Date” means 31 March 2018.

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 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.

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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.

Summary of operations

As on Reporting Date, the portfolio of NIDF comprises four infrastructure loans aggregating 6.50 billion Naira. During the Reporting Period, the performance of loan portfolio was satisfactory and the borrowers met their obligations towards the Fund in a timely manner.

During the Reporting Period, the Fund successfully concluded the process for raising additional capital, after obtaining the necessary approvals from the SEC ("**Series 2 Offer**"). The net proceeds from the Series 2 Offer aggregated 5.94 billion Naira.

During the Reporting Period, the Fund committed to and disbursed an additional infrastructure loan aggregating 1.50 billion Naira. The documentation and approval work pertaining to the remaining infrastructure loans to be financed from Series 2 Offer proceeds is at an advanced stage.

Net Asset Value

As on the Reporting Date, the provisional, unaudited Net Asset Value of the Fund was 11.361 billion Naira (excluding the provisions of 310.96 million Naira for quarterly distribution). Correspondingly, the provisional, unaudited Net Asset Value per Unit of the Fund was ₦103.07 (ex-distribution).

During the Reporting Period, the Fund also announced allotment of bonus units to eligible Unitholders, in the ratio of 5.10 units for every 100 units held. The record date for allotment of bonus units was 09 February 2018. The total number of bonus units to be issued is 2,521,950 and the allotment of bonus units was completed on 18 April 2018, after receipt of the SEC approval for the bonus issue.

Listing and trading of NIDF

On 17 July 2017, the Units of the Fund were officially admitted for trading on the FMDQ OTC Exchange. Existing Unitholders and other eligible investors are now able to trade in the Units.

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Distribution

For the Reporting Period, the Fund announced quarterly distribution as follows:

- (i) For Units in existence at the end of previous reporting period (i.e. 31 December 2017): 4.05 Naira per Unit
- (ii) For Units issued under Series 2 Offer: 1.90 Naira per Unit.

The distribution was paid to eligible Unitholders on 6 April .

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.

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	On target	25% of net proceeds from Series 2 Offer deployed within one week. Work on other transaction in advanced stage
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 all loans is between 7 and 10 years
Make quarterly distribution to Unitholders	Achieved	

* For certain loans, the interest rate is fixed for the first year.

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 approved, it has signed term sheets for an additional loan amount of 7.5 billion Naira, as well as various stages of discussions and negotiations on loans in excess of 40 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 pipeline of projects with potential investment size of in excess of 400 billion Naira, which are expected to materialise during the next 12-24 months.

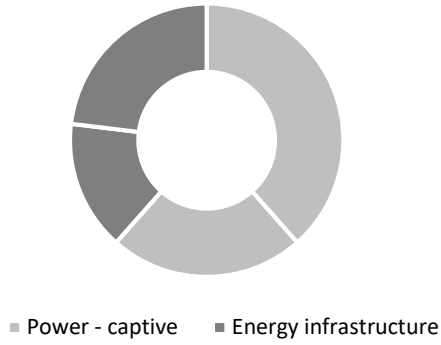
This report is dated 18 April 2018.

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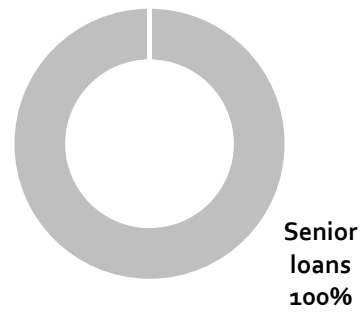
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Appendix: Summary of portfolio

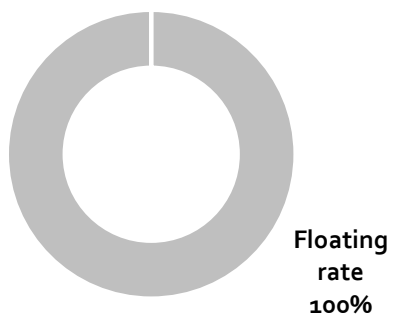
Sector Distribution



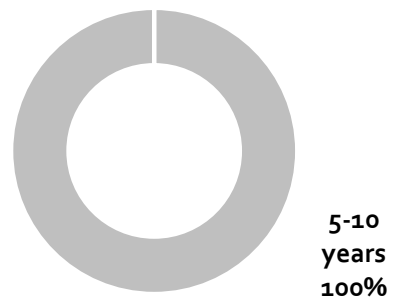
Security Ranking



Fixed vs. Floating rate *



Tenor of Infrastructure Loans



* For infrastructure loans only

Important Notice

This Report is intended solely for the information of the person to whom it is provided by Chapel Hill Denham Management Limited, the manager of the Fund (“**Chapel Hill**” or the “**Fund Manager**”). This Report is not intended as and does not constitute an offer or solicitation for the purchase of Units of the Fund and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. This document is being distributed in Nigeria only persons into whose possession this Report may come must inform themselves about, and observe any and all restrictions on the distribution of this Report and the offering, sale and trading of the Units.

The payment of distribution and the repayment of capital are not guaranteed by the Fund or the Fund Manager. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this Report are not statements of fact and are subject to change, and the Fund Manager is not under any obligation to update such opinions.

It is important to remember that past performance is not a guide to future performance. Furthermore, the value of any investment in the Units or the income deriving from them may go down as well as up and investors may not get back the original amount invested.

Information contained in this Report is believed to be accurate at the date of publication, but the Fund Manager does not give any representation or warranty as to the Report’s accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. The Fund Manager does not accept any liability whatsoever for any loss (whether direct or indirect) arising from any use of this Report or its contents.

The Fund is a unit trust registered with and regulated by the Securities & Exchange Commission, Nigeria. This Report may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Fund. These forward-looking statements represent the Fund Manager’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. For additional detailed information on the Fund including detailed risk factors, please refer to the Programme Prospectus of the Fund (available on request).