

# NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

## Quarterly Report to Unitholders – 30 September 2018

### 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 the 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 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

*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 July to September 2018. “Reporting Date” means 30 September 2018.*

### Fund Information

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

### Financial Information

Units in Issue	187,511,958
NAV per Unit <sup>@</sup>	107.13 (ex-distribution)
NAV <sup>@</sup>	₦ 20,088 million
Financial year-end	31 December

<sup>@</sup> Provisional, unaudited

### Distribution Information

Distribution for the quarter	₦ 4.05
Annualised Distribution Yield on NAV (Trailing Twelve Months)	17.03% #
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>

### 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 eight infrastructure loans aggregating 15.886 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 committed to finance two additional projects. It disbursed an amount aggregating 4.820 billion Naira to three different borrowers during the same period.

During the quarter, the Fund successfully concluded the process for raising additional capital, after obtaining the necessary approvals from the SEC ("Series 3 Offer"). The net proceeds from the Series 3 Offer aggregated 8.151 billion Naira. As on Reporting Date, nearly 60% of the net proceeds have already been disbursed towards infrastructure loans approved by the Fund Manager. The work on committing to and disbursing remainder of the proceeds is in various stages of progression.

### Net Asset Value

As on the Reporting Date, the provisional, unaudited Net Asset Value of the Fund was 20.088 billion Naira (excluding the provision of 616.45 million Naira for quarterly distribution). Correspondingly, the provisional, unaudited Net Asset Value per Unit of the Fund was N 107.13 (ex-distribution).

### 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.

### Distribution

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

- (i) For Units in issue as on 30 June 2018: 4.05 Naira per Unit
- (ii) For Units issued under Series 3 Offer: 2.20 Naira per Unit.

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The distribution was paid to eligible Unitholders on 10 October.  
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	60% of net proceeds from Series 3 Offer already 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 <sup>@</sup>
Invest primarily in long-dated loans	Achieved	The tenor of all loans is between 7 and 10 years
Make quarterly distribution to Unitholders	Achieved	

<sup>@</sup> For certain loans, the interest rate is fixed for the first year.

## Future project pipeline

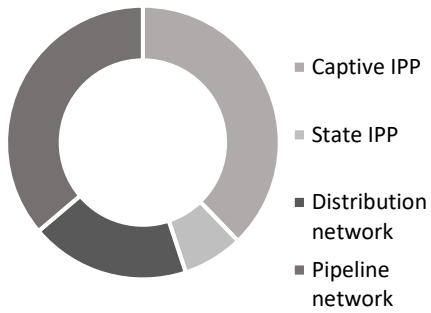
The Fund Manager is actively engaged in sourcing and structuring new infrastructure loans for the Fund. In addition to the infrastructure loans already disbursed, it is in various stages of discussions and negotiations on loans in excess of 40 billion Naira.

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.

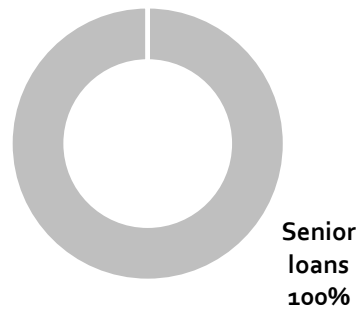
*This report is dated 26 October 2018.*

## Appendix: Summary of portfolio

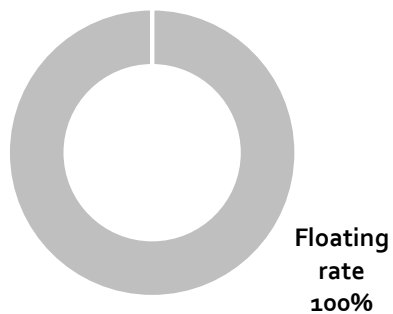
**Sector Distribution**



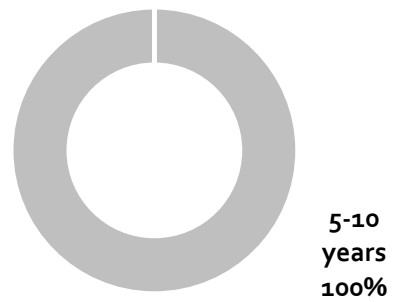
**Security Ranking**



**Fixed vs. Floating rate \***



**Tenor of Infrastructure Loans**



\* For infrastructure loans only

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