

NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

Quarterly Report to Unitholders – 30 September 2019

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 July to September 2019. “Reporting Date” means 30 September 2019.

Fund Information

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

Financial Information

Units in Issue	286,296,614
NAV per Unit [@]	108.40 (ex-distribution)
NAV [@]	₦ 31,034 million
Financial year-end	31 December

[@] *Provisional, unaudited*

Distribution Information

Distribution for the quarter	₦ 4.70
Annualised Distribution Yield on NAV (Trailing Twelve Months)	17.40% #
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	www.chapelhilldenham.com/nidf

NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

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 eleven infrastructure loans aggregating 29.829 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 and disbursed one additional infrastructure loan aggregating 6.250 billion Naira.

During the Reporting Period, the infrastructure loan provided by the Fund to Gas Network Services Limited was fully repaid.

During the Reporting Period, the weighted average annualised yield on the Fund's portfolio of infrastructure loans was c. 18.8%.

During the Reporting Period, the Fund Manager continued the due diligence and negotiations on additional infrastructure loans that are expected to be disbursed in the subsequent quarters.

Net Asset Value

As on the Reporting Date, the provisional, unaudited Net Asset Value of the Fund was 31.034 billion Naira (excluding the provision of 1.385 billion Naira for quarterly distribution). Correspondingly, the provisional, unaudited Net Asset Value per Unit of the Fund was ₦108.40 (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 a quarterly distribution of 4.70 Naira per Unit. This distribution was paid to eligible Unitholders on 11 October 2019 and was fully funded from the cash inflows generated by the Fund during the quarter.

NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

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	Achieved	Available capital (including repayments) fully deployed
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	

Future project pipeline

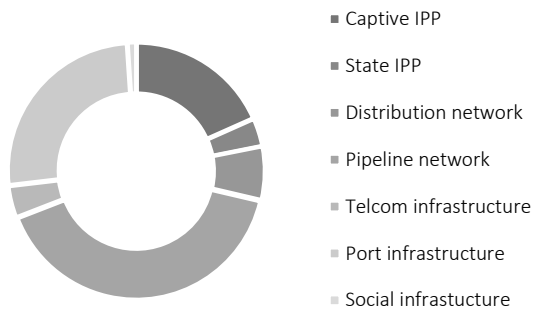
The Fund Manager is actively engaged in sourcing and structuring new infrastructure loans for the Fund. In addition to the infrastructure loans already disbursed, it is in various stages of discussions and negotiations on loans of c. 30 billion Naira.

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.

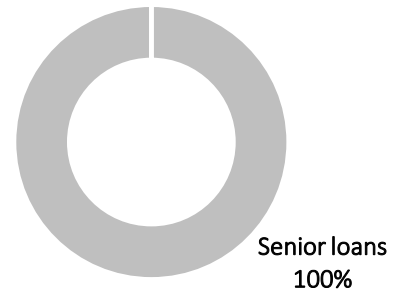
This report is dated 17 October 2019.

Appendix: Summary of infrastructure loan portfolio

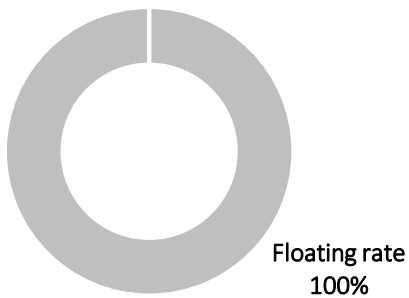
Sector Distribution



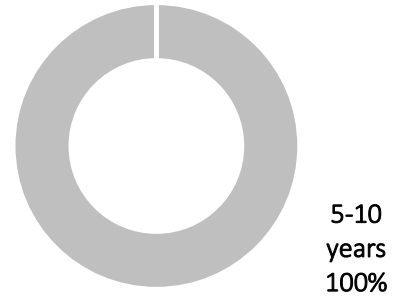
Security Ranking



Fixed vs. Floating rate



Tenor of Infrastructure Loans



NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

IMPORTANT NOTICE

This document is issued by Chapel Hill Denham Management Limited (“Chapel Hill Denham” or the “Fund Manager”) an asset management firm, registered with the Securities & Exchange Commission (SEC), Nigeria (“SEC”). Chapel Hill Denham Funds comprise the Chapel Hill Denham Money Market Fund, Women’s Investment Fund, Paramount Equity Fund and Nigeria Infrastructure Debt Fund and are collectively referred to as “Chapel Hill Denham Funds”, “Funds” or “products”, and individually as the “Fund”. The Funds offered by the Fund Manager are registered with and regulated by SEC.

This document is intended solely for the information of the person to whom it is provided by Chapel Hill Denham. It is not intended as and does not constitute an offer or solicitation for the purchase of units of any 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. Persons into whose possession this document may come must inform themselves about, and observe any and all restrictions on the distribution of this document and the offering, sale and trading of the units.

This document may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Funds. 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. Additional information on the Funds may be found in the Programme Prospectus, for Nigeria Infrastructure Debt Fund, or the Newsletter for the other Funds.

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.

The information contained herein is confidential and is solely for use by those persons to whom it has been addressed. The information contained is not intended for distribution to the public and may not be reproduced, redistributed or published in whole or in part for any purpose without the written permission of Chapel Hill Denham. Neither Chapel Hill Denham, nor its advisers, directors, employees or any of its affiliates accept any liability whatsoever for the actions of third parties in this respect. This product may not be used to create any financial instruments or products or any indices. This document is being distributed in Nigeria only.

US Residents: This document is not intended for distribution in the United States of America (“US”). Any persons into whose possession this document comes, should inform themselves about and observe the restrictions imposed by law within the US jurisdiction and applicable to US persons.

UK Residents: This document is classified as “marketing communication” as defined by the United Kingdom (“UK”) Financial Conduct Authority (“FCA”) Handbook. It has not been prepared in accordance with the EU legal requirements designed to promote the independence of equity research. Chapel Hill Denham is not authorised by the FCA.

Chapel Hill Denham, its directors, employees or any of its affiliates may have or may have had interest in any of the Funds or products contained herein or hold long or short positions in any of the securities mentioned herein. Chapel Hill Denham however relies on its policies such as ‘Conflicts of Interest’ and ‘Information barriers/Chinese walls’ as well as its robust Compliance programme to control the flow of information.

Risk Warning: Investors should remember that the value of an investment and the income received from an investment can go down as well as up, and they may not get back the amount they invested. Past performance is not a reliable indicator of future performance. As with all capital market investments, you may lose your principal/initial investment and we do not guarantee any portion of your investment; either principal or realised/unrealised capital gains made.