

# NIGERIA INFRASTRUCTURE DEBT FUND

A CHAPEL HILL DENHAM FUND

## Quarterly Report to Unitholders – 31 December 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 October to December 2019. “Reporting Date” means 31 December 2019.*

### Fund Information

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

### Financial Information

Units in Issue	379,363,559
NAV per Unit <sup>@</sup>	108.69 (ex-distribution)
NAV <sup>@</sup>	₦ 41,231 million
Financial year-end	31 December

<sup>@</sup> Provisional, unaudited

### Distribution Information

Distribution for the quarter	₦ 4.39
Annualised Distribution Yield on NAV (Trailing Twelve Months)	17.60% #
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.

## Summary of operations

As on Reporting Date, the portfolio of NIDF comprises eleven infrastructure loans aggregating 38.475 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 weighted average annualised yield on the Fund's portfolio of infrastructure loans was c. 18.4%.

During the Reporting Period, the Fund successfully concluded the process for raising additional capital, after obtaining the necessary approvals from the SEC ("Series 5 Offer"). The net proceeds from the Series 5 Offer aggregated 9.880 billion Naira. The process for deployment of Series 5 Offer proceeds is substantially complete and during the Reporting Period, the Fund Manager disbursed 8.9 billion Naira towards infrastructure loans. Subsequent to the Reporting Date, the Fund Manager committed to an additional infrastructure loan and disbursed 1.3 billion Naira towards it. The loan was part-funded from the principal repayments received by the Fund from its borrowers in the previous quarter.

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 41.231 billion Naira (excluding the provision of 1.511 billion Naira for quarterly distribution). Correspondingly, the provisional, unaudited Net Asset Value per Unit of the Fund was ₦ 108.69 (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.

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## Distribution

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

- i. For Units in existence at the end of previous reporting period (i.e. 30 September 2019): 4.39 Naira per Unit
- ii. For Units issued under Series 5 Offer: 2.72 Naira per Unit

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) substantially 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 all loans is between 7 and 10 years
Make quarterly distribution to Unitholders	Achieved	

## Future project pipeline

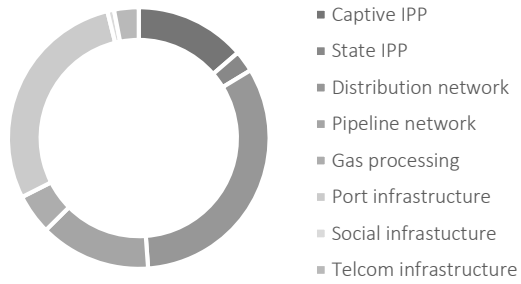
The Fund Manager is actively engaged in sourcing and structuring new infrastructure loans for the Fund. In addition to the infrastructure loans already disbursed, it is in various stages of discussions and negotiations on loans of c. 30 billion Naira.

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.

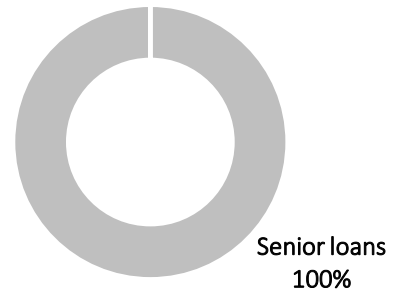
***This report is dated 16 January 2020.***

## Appendix: Summary of infrastructure loan portfolio

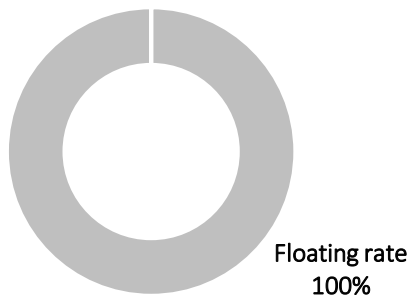
### Sector Distribution



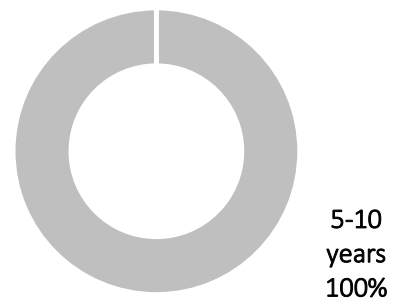
### Security Ranking



### Fixed vs. Floating rate



### Tenor of Infrastructure Loans



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