

OVERVIEW

The ALCB Fund was founded December 2012 by KfW, the German development bank, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The Fund's mission is to support the development of African

capital markets by promoting primary corporate bond issuance in local currency. This is achieved by supporting African issuers, investors and intermediaries and acting as an anchor investor and providing technical assistance. The Fund is rated Baa2 by Moody's.

APPROACH

The ALCB Fund encourages new and innovative issuances in African capital markets by:



IDENTIFYING

financial institutions and companies with the capacity to issue local currency bonds;



PROMOTING

the advantages of local currency issuances, including diversification of funding, reduced FX risk, and improved ALM;



PROVIDING TECHNICAL ASSISTANCE

to support certain costs including roadshows, credit ratings, SMART certification and legal support



ACTING AS AN ANCHOR

investor for bond issuances while assisting issuers and their financial advisers in the bond marketing process



ENSURING HARMONISATION OF STANDARDS

and appropriate legal documentation such that the bond can be marketed broadly;



SUPPORTING MARKET TRANSPARENCY

through listed bonds, where possible, as well as first of their kind transactions



UNDERTAKING RIGOROUS DUE DILIGENCE

and more generally introducing improved credit standards to the market

TARGET TRANSACTION

- **Local currency** transactions across the African continent.
- Issuer should be a private corporate or financial institutions with operations in developmental sectors. This includes financial inclusion, housing, green energy/infrastructure, agriculture, health, and education sectors.
- Ultimate beneficiaries of bond proceeds should include lower-income households and MSMEs.
- The ALCB Fund can invest in several types of products that are tied either directly to local capital markets (public or private placement bonds, securitisations) or provide a route to future bond issuances (wholesale facilities, bridge-to-bond loans). In less sophisticated markets club loans may also be considered.
- The Fund will work with local issuers, investors and intermediaries to encourage new and innovative transactions in a local market.

TRANSACTION TERMS

- **Ticket Size:** ALCBF can invest between USD 1 to 10 million; with an average ticket size of between USD 2 and 5 million.
- **Co-investment:** The Fund will generally invest in no more than 50% of an issuance unless there is a credible sell down strategy or the bond is part of a larger issue programme.
- **Tenor:** 3 to 15 years, with case-by-case appetite for shorter dated commercial paper and MTN programmes.

- **Pricing:** The Fund prices to market, in line with the pricing of local co-investors. However, the Fund will only invest where pricing aligns with its target return and risk appetite.
- **Seniority:** Primarily senior debt with some scope for subordinated debt as well.

TECHNICAL ASSISTANCE FACILITY

- To support innovative transactions and bring new issuers to market, the ALCB Fund has in place a technical assistance facility (TAF).
- Proceeds of the TAF can be applied to cover deal-specific upfront costs. Including legal support, financial advice, reporting accountants, credit and social ratings, green bond certification and verification, and ESMS development. The TAF can also provide funds to help local issuers improve their financial management capacity, reporting, and governance in preparation for an issuance.
- The TAF is also interested in non-deal specific market building activities such as market studies, local regulatory agency capacity building, and general knowledge building tools.
- All activities are carried out on a cost-sharing basis.

CASE STUDIES

BAYPORT – Ghana’s Largest Corporate Bond Issuance

- Bayport is a regional microfinance institution with operations across the African continent. The ALCB Fund has supported Bayport’s subsidiaries in Botswana, Ghana, and Zambia to come to market; investing a total of USD 12.5 million in the Group.
- In Ghana, the ALCB Fund acted as an anchor investor in the company’s debut local currency bond issuance.
- The Fund invested GHS 8 million (USD 2 m) in its December 2016 debut and successfully drew in USD 15 million in local currency co-investment – making it the large corporate bond issuance in Ghana. The company has since returned to the market on several occasions.

COFINA – UEMOA’s First Securitisation

- Cofina is a West African regional financial services company with operations in Congo, Gabon, Guinea, Ivory Coast, Mali and Senegal. Serving the “missing middle” market segment of entrepreneurs and SMEs
- The innovative transaction was the first securitisation offered to the public by a financial institution in the West African Monetary Union region. In addition to, the first fully subscribed corporate bond issuance that the Fund has seen in the region since its inception.
- To support the transaction, the ALCB Fund provided a comprehensive review of the legal documentation, to ensure alignment with international best practices for securitisations.
- The ALCB Fund also anchored Cofina’s debut securitisation programme in 2018, investing XOF 1.4 billion (USD 2.7 m). At book close, the issuance was oversubscribed and raised over USD 10 million in local currency for the Issuer.

LETSHEGO GHANA (Formerly AFB) – From Humble Beginnings

- In 2015, AFB Ghana (now Letshego) was one of the Fund’s first investments.
- The Fund anchored one of the companies first series through an investment of GHS 7 million (USD 1.8 m), helping to raise a total of USD 7.5 million locally. This was followed by a second ALCBF investment of GHS 22 million (USD 4.8 m) in 2018 to help extend the maturity profile of its programme
- The company’s entry into the local capital market has helped AFB borrow over USD 22 million through the local capital market to date. Reducing its FX exposure from 64% of total borrowings in 2014 to 0% in 2018. The company’s new owner, Letshego, is committed to continue expanding AFB’s note programme.

BAOBAB SENEGAL – Lessons From a First Time Issuance

- In September 2016, Baobab Senegal carried out the first issuance by a microfinance institution in UEMOA, as well as the first from a Baobab Group affiliate.
- Baobab chose to issue a local currency bond to: (a) improve access to long term funding at a competitive price, and (b) diversify its investor base away from conventional DFIs and MIVs by tapping in to local institutional investors.
- The ALCB Fund anchored their first transaction, and invested XOF 1.7 billion (USD 3 m) at 7 years.
- Since then, the ALCB Fund, through its TA Facility has provided support for its second issuance; for which the Fund is expected to anchor.

NS POWER – Nigeria’s First Corporate Green Bond

- NS Power is the operator of the Shiroro Hydroelectric plant, which provides reliable low carbon baseload power to the Nigerian grid.
- In 2018, the ALCB Fund helped NS Power Nigeria to obtain green bond certification for its note programme. Through the ALCBF-TAF the Fund helped identify and appoint TUV Nord to carry out pre-issuance verification of the green bond.
- In December 2018, NS Power issued the first ever green corporate bond in Nigeria; which was oversubscribed. The bonds tenor profile of 15 years, enabled by an InfraCred guarantee, made the issuance one of the longest dated corporate bonds in Nigeria.

NYANGANI RENEWABLE ENERGY – Power Generation in Zimbabwe

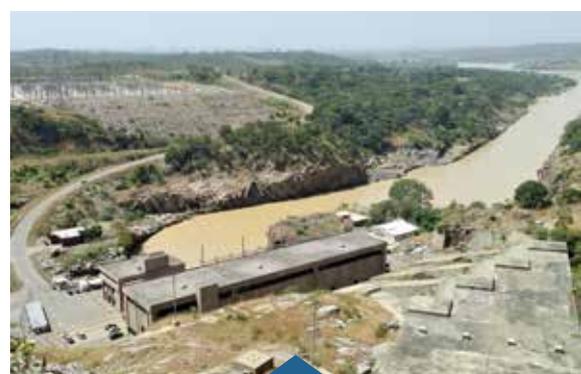
- The ALCB Fund invested the equivalent of USD 2.25 million in a USD 15 million private bond issued by HHPC, the holding company for Nyangani Renewable Energy.
- The bond was issued to fund the development of new mini-hydro assets in Eastern Zimbabwe. This will take the total capacity of the country’s only grid-connected IPP to more than 35mw of small-hydro and solar capacity.
- Co-investors were local asset managers and other institutions.



Ms Matilda Oduro is a Bayport Ghana client who has been both saving and borrowing from the company since 2013



Mr Sekou Kouyate, Baobab Senegal client who has received funding to expand his barber shop.



NS Power Shiriro power station in Central Nigeria. Proceeds of NS Power’s bond issuance went towards vital dam infrastructure upgrades.



Construction of Nyanga run-of-the-river hydro station in rural Zimbabwe

LESANA LESOTHO – Building Market Standards

- Lesana, a subsidiary of Select, is a microfinance provider specialised in housing credit.
- In 2017 the ALCB Fund invested LSL 30 million (USD 2.5 m) at 3 years in the company's debut issuance. In 2019 the Fund invested a further LSL 25 million (USD 2 m) at 5 years to push out the maturity profile of its bond programme.
- Following its first issuance, Lesana intended to list its programme on the Maseru Stock Exchange. However, along with other local entities, the company found it challenging to list as certain requirements conflicted with their business strategy. In response, the ALCBF-TAF worked with PwC and the Central Bank of Lesotho to assess the competitiveness of its corporate bond market and identify potential bottlenecks in existing listing requirements.

SA HOME LOANS – Innovative Finance for Affordable Housing

- SA Home Loans (SAHL) is one of the largest mortgage finance companies in South Africa; having served over 190,000 borrowers since inception.
- In recent years, SAHL has progressively increased its lending activities in affordable and civil servant mortgages.
- The growth of this segment has necessitated the company to diversify its funding sources accordingly.
- In 2018, the company established a securitization vehicle whose underlying assets would be comprised of 45% affordable mortgages.
- The ALCB Fund invested a total of ZAR 29 million (USD 2 m) in SAHL's class C & D Notes in 2018. The offering enabled SAHL to mobilize new cost-effective funding in the affordable segment, which will support origination of such mortgages.
- The Fund's anchor investment in the Class C & D Notes catalysed domestic investor participation in all senior/junior tranches. An important outcome that enabled SAHL to diversify its funding sources to its affordable housing products.

IZWE GHANA – Overcoming Regulatory Delays

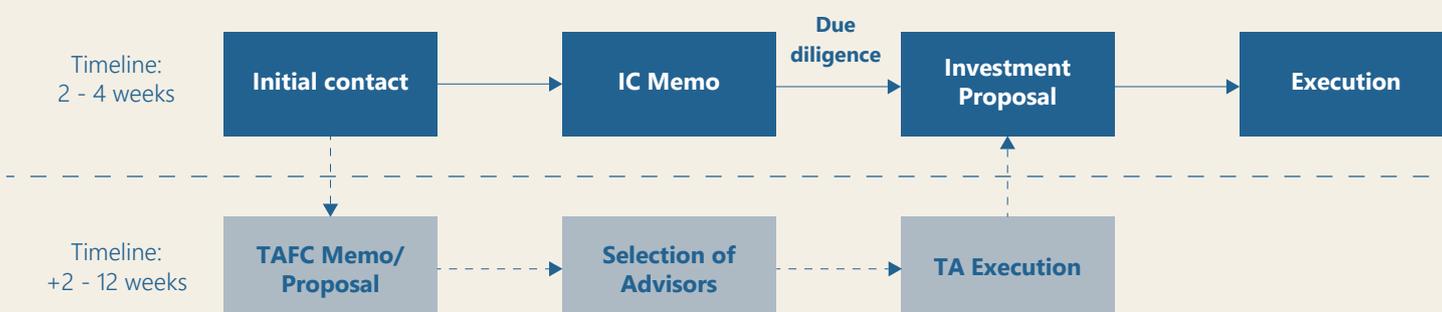
- Izwe is a regional microcredit provider with operations in Ghana, Kenya and Zambia. The ALCB Fund has been actively engaged with the Group since 2016 and anchored two issuances of its Zambian subsidiary.
- In 2018, Izwe's Ghanaian subsidiary was unable to issue new notes due to delays in the approval of its MTN Programme extension, an issue that was affecting most financial institutions in the country at the time.
- To provide support, the ALCB Fund extended a GHS 40 million (USD 7.3 m) bridge-to-bond facility, providing short-term funding to the company as it awaited regulatory approval.

NEDBANK – Funding Renewable Energy Through Green Bonds

- The ALCB Fund supported the benchmark Green Bond issued by Nedbank in 2019, the first corporate bond in SA certified under the Climate Bond Standards.
- Proceeds are used to finance four new projects under the country's renewable energy program.
- The Fund worked with Nedbank over several years and was the first international investor in the bond.

INVESTMENT PROCESS

- Investment process begins with a short Investment Memo to the Investment Committee (IC) chairman
- Approval of Investment Memo provides indicative support for the transaction. This allows the FM to carry out enhanced DD, execute TA activities (if applicable) and carry out site visits.
- This is followed by a comprehensive Investment Proposal that is presented to the IC for investment approval.
- The Fund can work with an Issuer from an early-stage, undertaking due diligence before other investors and assisting with marketing to support crowding in local investors. Alternatively, in time-sensitive market offerings, the Fund can mobilize its IC and investment due diligence team rapidly to align with an Issuers timeline.



FUND MANAGER

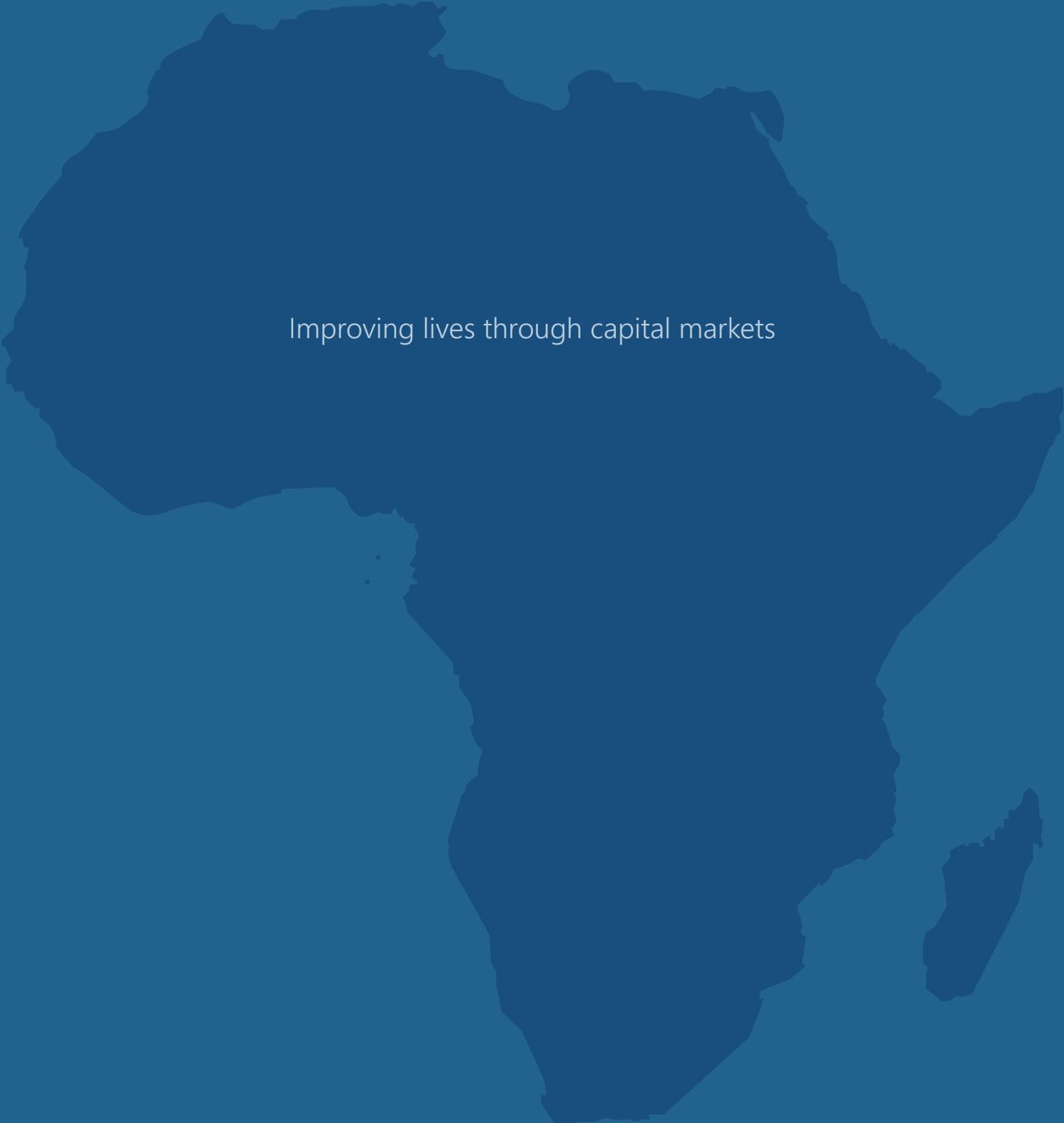


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INVESTORS





Improving lives through capital markets

THE FUND

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