



NIGERIA INFRASTRUCTURE DEBT FUND

A Chapel Hill Denham Fund

Quarterly Report to Unitholders – 30 September 2020

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 2020. “Reporting Date” means 30 September 2020.

Fund Information

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

Financial Information

Units in Issue	544,090,677
NAV per Unit [@]	107.71(ex-distribution)
NAV [@]	₦58,605 million
Financial year-end	31 December

[@] Provisional, unaudited

Distribution Information

Distribution for the quarter	₦2.85
Annualised Distribution Yield on NAV (Trailing Twelve Months)	13.11% #
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



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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.

Net Asset Value

As on the Reporting Date, the provisional, unaudited Net Asset Value of the Fund was 58.605 billion Naira (excluding the provision of 1.551 billion Naira for quarterly distribution). Correspondingly, the provisional, unaudited Net Asset Value per Unit of the Fund was ₦ 107.71 (ex-distribution).

Distribution

For the Reporting Period, the Fund announced a quarterly distribution of 2.85Naira per Unit. This distribution was paid to eligible Unitholders on 16 October 2020 and was fully funded from the cash inflows generated by the Fund during the quarter.

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.

Summary of operations

As on Reporting Date, the portfolio of NIDF comprises fifteen infrastructure loans spread across eight different sub-sectors. Further information about the composition of NIDF's portfolio are included as an appendix to this report.

During the Reporting Period, the weighted average annualised yield on the Fund's portfolio of infrastructure loans was c. 15.58%.

During the Reporting Period, the Fund Manager committed to and disbursed two new infrastructure loans aggregating 2.2 billion Naira. The Investment Committee of the Fund has also approved three additional infrastructure loans aggregating c. 28.30 billion Naira and, consequently, the net proceeds from the Series-6 Offer have been now fully allocated to infrastructure loans. These loans would be disbursed on execution of definitive documentation and compliance with disbursement conditions by the borrower, which is in progress.



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Covid-19 situation

During March 2020, the World Health Organisation declared the Covid-19 disease as a global pandemic. The pandemic has affected nearly all countries across the globe, including Nigeria, with governments and health authorities taking a broad range of measures to tackle the situation.

To address the potential risks and challenges arising from the situation, Fund Manager has continued to undertake a wide range of actions to ensure smooth operations of the Fund and protection of the interests of its unitholders.

As on the Reporting Date, the staff of the Fund Manager continue to operate under the “work-from-home” arrangement and the Fund Manager has implemented the business continuity plan to ensure the Fund’s operations remain unaffected due to these restrictions. Consequently, the payment of Q3 distribution to the unitholders was achieved seamlessly and on time.

The Fund’s borrowers provide essential services such as power supply to their customers, which is necessary to ensure uninterrupted operations. All remaining projects financed by the Fund maintained their operations during the Reporting Period.

The impact of Covid-19 situation on the borrowers’ financial results and, consequently, on the Fund’s interest as a senior lender is seen as transient, since they are all engaged in provision of essential services. None of the projects financed by the Fund have seen an adverse impact on their long-term viability due to the impact of Covid-19. The Fund Manager has maintained and continues to maintain close coordination with the borrowers to proactively assess the stability of their operations and to protect the long-term interests of the Fund. The situation is now seen as having stabilised at a “new normal”. The extensive security structure and contractual protections established by the Fund Manager for the loans remain valid and enforceable.

Amendment to constitutional documents

During the Reporting Period, the unitholders of the Fund unanimously approved the amendment to Fund’s constitutional documents (including the Programme Trust Deed) to incorporate provisions that enhance the Fund’s governance, further improve its reporting framework and bring in line some other provisions with the current market practice.

Specifically, the amended constitutional documents require the Fund Manager to establish and maintain a comprehensive Environmental & Social Management System (“ESMS”) in order to focus on the environmental and social aspects of the projects proposed to be financed by the Fund and to bring in internationally-recognised practices for the management of environmental & social risks associated with the projects being financed. The Fund Manager has initiated the implementation process for the ESMS and the same shall be incorporated in the overall investment process of the Fund over the coming months.

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 approved/disbursed, the Fund Manager has signed a number of additional term sheets for infrastructure loans for which due diligence is currently in progress. The Fund Manager is also tracking a strong pipeline of transactions for the Fund to participate in over the next 6-12 months.

This report is dated 30 October 2020



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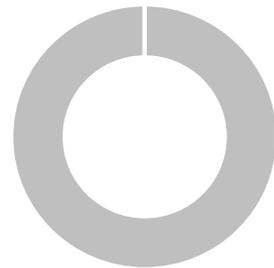
Appendix: Summary of infrastructure loan portfolio

Sector Distribution



- Captive IPP
- State IPP
- Distribution network
- Pipeline network
- Gas processing
- Port infrastructure
- Social infrastructure
- Telcom infrastructure

Security Ranking



Senior loans
100%

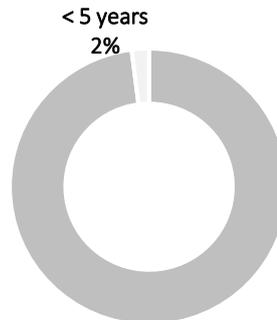
Fixed vs. Floating rate



0%

Floating rate
100%

Tenor of Infrastructure Loans



< 5 years
2%

5-10 years
98%



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