

PORTFOLIO SUMMARY

DEC 2023

Alterfin operates as a self-managed, open-ended fund focused on private debt investments in countries in transition in Africa, Latin-America and Asia. Additionally, the Alterfin team offers portfolio advisory services to other investment managers.

KEY FIGURES

Portfolio under management and advisory (as of 31 December 2023):

- **Portfolio under management (own portfolio): USD 111 million**
- **Portfolio managed for third-party funds: USD 25 million**
- **Annual activity: disbursements USD 103 million; repayments decreased versus the prior year (driven by lower agriculture activity and the repayment profile of microfinance loans)**
- **Sector allocation (portfolio under management):**
 - Microfinance 66%
 - Sustainable agriculture 32%
 - Funds investments 2%
- **Regional allocation (portfolio under management):**
 - Africa 38%
 - Latin America 32%
 - Asia 25%
 - International 4%
- **Portfolio companies with outstanding investments: 126**

OVERVIEW

As of 31 December 2023, the portfolio under management reached **USD 136 million** reflecting year-on-year growth driven by strong microfinance deployment and the continued expansion of third-party funding lines, including the ramp-up of the Fefisol 2 Fund.

In euro terms, the total portfolio under management reached **EUR 123 million** with year-on-year growth influenced by foreign exchange movements, including euro appreciation versus the US dollar over the year.

PORTFOLIO SCALE AND ACTIVITY

Total disbursements over the year reached **USD 103 million**, increasing versus the prior year as higher microfinance activity more than compensated for lower sustainable agriculture disbursements.

Over the same period, total repayments decreased versus the prior year, reflecting lower sustainable agriculture rotations and the repayment structure of outstanding microfinance loans.

PORTFOLIO COMPANY BASE AND PORTFOLIO ROTATION

At year-end, **117 partners** had outstanding loans in Alterfin's own portfolio, while the total portfolio under management and advisory had 126 partners with outstanding exposures.

The year was marked by **portfolio rotation and selective growth**, including new partnerships and reactivations, while exits were mainly linked to performance considerations, competition, and country risk management decisions.

SECTOR ALLOCATION AND PERFORMANCE

Microfinance

Microfinance remained the **backbone of the portfolio in 2023**. Year-on-year, the microfinance portfolio under management and advisory increased strongly and reached **USD 90 million at year-end**.

Annual microfinance disbursements totalled **USD 43 million**, exceeding the prior year and supported by three structural drivers: the strategic partnership with the VisionFund International network, the ramp-up of the Fefisol 2 Fund's microfinance activity, and a higher average ticket size reflecting larger partner needs and increased exposure to larger-tier institutions.

While the **growth outlook remains constructive**, volatile FX markets and hedging costs continued to influence competitiveness and timing across multiple markets.

Sustainable Agriculture

Sustainable agriculture activity (value chains such as cocoa and coffee) remained structurally seasonal and concluded the year with an sustainable agriculture portfolio under management and advisory of **USD 43 million**.

Annual sustainable agriculture disbursements totalled **USD 60 million** and were lower than the prior year, reflecting reduced exposure in several value chains due to partner performance pressures linked to inflation, end-market demand softness for certified products, input scarcity, and commodity price volatility.

This was partly offset by growth in cocoa and selected value chains, including textiles and fruits and vegetables, as well as by increased sustainable agriculture allocations through third-party funds.

Funds investments

Funds and other social investments represented a small share of Alterfin's own portfolio and included an investment into the Fefisol 2 Fund at year-end.

GEOGRAPHIC ALLOCATION AND DRIVERS

Alterfin had an outstanding portfolio in **30 countries at year-end**, and the portfolio under management remained diversified across Africa, Latin America, Asia, and international exposures.

Regional snapshot (portfolio under management and advisory, year-end):

- **Africa:** USD 51 million, year-on-year growth supported by strong cocoa-related sustainable agriculture activity and the scaling of Fefisol 2 Fund, including material microfinance deployment
- **Latin America:** USD 44 million, year-on-year growth led by microfinance expansion and selective sustainable agriculture recovery in parts of the coffee value chain
- **Asia:** USD 34 million, year-on-year growth driven by higher overall activity in microfinance and renewals, with sustainable agriculture remaining a smaller portion of the regional exposure due to limited opportunities
- **International:** USD 5 million, year-on-year growth linked to diversified exposures classified outside the core regions

ADVISORY MANDATES (THIRD-PARTY INVESTMENT MANAGERS)

In addition to managing its own portfolio, Alterfin provides advisory services to third-party investment managers. In 2023, third-party portfolios under management increased strongly year-on-year, reflecting the continued ramp-up of major mandates.

Within the third-party platform, key mandates included:

- **Fefisol 2 Fund: USD 12 million**, advised outstanding at year-end, with 13 active deals (including sustainable agriculture and microfinance exposures in Africa), continuing its scaling path following launch in 2022
- **A third-party with USD 8 million** advised outstanding at year-end, focused on low to medium risk sustainable agriculture transactions, with seasonal cocoa-linked disbursements driving growth versus the prior year
- **A third-party with USD 1 million** advised outstanding at year-end, continuing a reduction in activity due to liquidity constraints, with expected redirection of future funding needs to other mandates where feasible

RISK MANAGEMENT AND PORTFOLIO QUALITY (PORTFOLIO UNDER MANAGEMENT)

Portfolio quality was actively monitored across the year. At year-end, **gross PAR 30 stood at a mid-single-digit level**, and the portfolio included **10 partners in PAR 30**.

Accumulated write-offs during the year stood at 2%, and 5 loans were fully written off during the year.

The portfolio's risk distribution remained centred in moderate risk categories, with 78% of outstanding invested in low-medium or medium risk partners.

Currency risk management

Investments were denominated across **21 local currencies**. A small portion of total exposure remained unhedged, largely linked to equity investments in local currency. Excluding exposures in dollarized economies, a large share of the microfinance portfolio was denominated in local currencies, with most of the remainder hedged locally.

OUTLOOK

Based on realistic and optimistic pipeline scenarios, Alterfin expects **5% to 10% portfolio growth over 2024**, subject to external shocks and market conditions.

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