

PORTFOLIO SUMMARY

DEC 2024

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 2024):

- **Total portfolio under management and advisory: USD 138 million**
- **Portfolio under management: USD 111 million**
- **Portfolio under advisory mandates: USD 27 million**
- **Portfolio companies with outstanding investments: 127**
- **Countries with outstanding exposure (portfolio under management): 30**

OVERVIEW

As of 31 December 2024, the total portfolio under management and advisory stood at **USD 138 million**, representing year-on-year growth of about 2 percent in US dollar terms.

In euro terms, the **total portfolio increased year-on-year by about 9 percent**, supported by foreign exchange movements including a year-on-year appreciation of the USD versus the EUR of about 6 percent.

PORTFOLIO SCALE AND ACTIVITY

The **portfolio under management** closed the year at **USD 111 million**, comprising a debt portfolio of USD 108 million and fund and equity holdings of USD 3 million.

Investments under advisory mandates closed the year at approximately **USD 27 million**, supported by mandate activity concentrated in agrifood investments.

PORTFOLIO COMPANY BASE AND PORTFOLIO ROTATION

At year-end, **127 portfolio companies** had outstanding investments, compared with 122 one year earlier.

Over the year, **19 portfolio companies were added** through new relationships, renewed, or seasonality-linked exposures, while **14 portfolio companies exited** the portfolio primarily due to performance considerations or country risk and strategy.

SECTOR ALLOCATION AND PERFORMANCE

Microfinance

The microfinance portfolio under management and advisory ended the year at **USD 89 million** and was broadly **in line with the level observed twelve months earlier**, reflecting the maturity and repayment cycle of investments originated during the period of elevated disbursements between 2021 and early 2024.

The outlook for microfinance remains positive with **planned renewals of maturing investments**; however, high inflation and volatile foreign exchange markets continue to affect economic activity and hedging costs in several markets.

Sustainable Agriculture

Investments in sustainable agriculture increased over the year, and the related portfolio under management and advisory ended the year at **USD 46 million, reaching a new year-end high**.

Disbursements in sustainable agriculture during 2024 reached USD 77 million, driven primarily by **higher funding needs in coffee and cocoa value chains** amid sharply higher crop prices linked to adverse climatic events affecting coffee production and longer-term challenges in cocoa value chains associated with climate patterns and ageing plantations.

On a year-on-year basis, agrifood outstanding increased by about 8 percent, with growth supported across **several value chains** including coffee, cereals, fruits and vegetables, nuts and oilseeds, fishery and aquaculture, and honey.

Funds investments

Funds investments totalled approximately **USD 3 million** and remained **stable** over the year, with a modest year-on-year increase.

GEOGRAPHIC ALLOCATION AND DRIVERS

Regional dynamics were primarily shaped by **cocoa and coffee seasonality**, the continued **ramp-up of Africa-dedicated advisory activity**, and **differing regional macroeconomic environments** influencing microfinance performance.

Year-end regional exposures (portfolio under management and advisory):

- **Africa:** USD 54 million, representing about 39 percent of the total portfolio, and increasing year-on-year by about 5 percent.
- **Latin America:** USD 48 million, representing about 35 percent of the total portfolio, and increasing year-on-year by about 8 percent.
- **Asia:** USD 31 million, representing about 23 percent of the total portfolio, and decreasing year-on-year by about 9 percent.

- **International:** USD 6 million, representing about 4 percent of the total portfolio, and increasing year-on-year by about 8 percent.

ADVISORY MANDATES (THIRD-PARTY INVESTMENT MANAGERS)

Alterfin provides investment advisory services to third-party investment managers, with year-end outstanding under advisory mandates of **USD 27 million**.

Advisory mandates are structured with defined investment eligibility criteria and portfolio construction rules, and are primarily allocated to sustainable agriculture investments, reflecting the seasonality and rotation typical of cocoa and coffee value chains.

At year-end, the advisory platform included the following mandate archetypes:

- An **Africa-dedicated multi-sector mandate** with approximately 22 active investments and outstanding under advisory of USD 14 million, split between sustainable agriculture and microfinance exposures, with microfinance representing a majority.
- A **specialized sustainable agriculture mandate** focused on low to medium-risk transactions in sustainable agriculture, with typical ticket sizes between USD 300,000 and USD 3,000,000, with outstanding under advisory of USD 10 million.
- A **co-investment mandate** alongside the Alterfin Fund in two shared microfinance portfolio companies with outstanding of USD 1 million, with additional co-investment opportunities under exploration.
- A **legacy mandate** with outstanding of under USD 1 million, with limited near-term disbursement capacity due to liquidity constraints.

RISK MANAGEMENT AND PORTFOLIO QUALITY (PORTFOLIO UNDER MANAGEMENT)

At year-end, the combined indicator of **portfolio-at-risk including late payments over thirty days, restructured exposures, and write-offs** of the past year stood at about **11 percent**.

Gross portfolio with over thirty days payment delay stood at about **7 percent**, with 15 portfolio companies over thirty days, while the **net portfolio** stood at about **3 percent**, reflecting provisioning and collateral coverage. Year-to-date write-offs stood at about 2 percent.

Risk distribution remained centred on moderate risk categories, with about **77 percent of outstanding exposure invested in low-medium or medium-risk portfolio companies**. The economic capital model estimated expected losses at about 8 percent of share capital under the realistic scenario, within the strategic limit of 15 percent.

Currency risk management

Investments were issued in **21 local currencies**. Only a small portion of the total portfolio remained unhedged. Excluding exposures in dollarized economies, microfinance investments in **local currency represented about 80 percent**, with most exposure hedged locally.

OUTLOOK

Based on a base scenario including high-probability investments, and an optimistic scenario incorporating medium-probability investments, **expected growth for 2025 is about 5 percent to 10 percent**, subject to external shocks, funding constraints, and competitiveness.

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