# Global Climate Partnership Fund

Quarterly Report
Q3 2018

# Contact Information

| Fund | Initiator and Lead Investor | Investment Manager |
|---|---|---|
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# Fund Activity

In Q3 2018, GCPF disbursed a total of USD 9 million to three existing Partner Institutions (PIs). Two investments totaling USD 7 million were made to Financial Institutions (FIs), namely to Prasac (USD 2.5 million) and Banco ProCredit (USD 4.5 million); one investment of USD 2 million was made to OGE, an off-grid solar home system distributor. Year to date, GCPF has made total disbursements (including a roll-over / renewal) amounting to USD 33 million, which also meant that the invested assets crossed the USD 500 million threshold in Q3 2018.

Prasac continues to on-lend to clients purchasing energy efficient tractors and power tillers. Banco ProCredit is mainly on-lending in the industrial and productive sector, but also to a lesser extent in construction/buildings, waste management and biomass/biogas production. The investment made in OGE is a revolving inventory credit facility financing small/mid scale solar home systems which are then distributed to clients with a rent-to-own model.

On the liability side, GCPF attracted a new Notes investor, Heilsarmee Schweiz, that invested USD 1.5 million at USD 6m Libor + 180bps. It's currently the lowest priced Note on the books, affirming GCPF's aim to continue decreasing funding costs for Notes.

Several emerging markets, especially the ones with a high reliance on USD denominated debt, continued to feel the impact of increasing USD interest rates. In addition, Turkey also experiences a weakening of public institutions which makes policy making less predictable. In August, Moody's downgraded several Turkish Banks, including Sekerbank, a GCPF portfolio company. Sekerbank then fell into Stage 2 in the Expected Credit Loss model under IFRS 9 and had to be provisioned at 39.5% as per end of September. It is important to mention that Sekerbank is not in breach ofany financial covenants and has performed all its payment obligations to date. The total impairments as per end of September stood at USD 38.8 million representing 7.9% of the total portfolio classified to be valued at amortized cost (4% excluding Chase Bank and 1.6% excluding Chase Bank and Sekerbank).

A Board of Directors (BOD) meeting was held in London on 18 September. Among the topics discussed were a proposal from the investment manager (IM) to optimize the Fund structure and return distribution as well as a proposal to revise and amend the Project Assessment and Monitoring Framework. The IM will continue working on the proposals taking into account the feedback received during the BOD meeting.

The Technical Assistance (TA) Committee approved 11 new projects during Q3 2018 totaling approximately USD 1 million. One of the highlights of the TA activities during Q3 2018 was the "Green Champion Recognition Ceremony" event that City Bank Bangladesh hosted on 20 July at their head office. As of now, the Bank has provided green loans amounting to some USD 44 million. The aim of this event was to recognize the outstanding contribution of customers to the mitigation of climate change. During the event the partners certified 16 customers who have achieved energy efficiency in their businesses.

The second edition of the GCPF Academy was held on 10-14 September and brought together experts as well as representatives of 28 FIs from 20 different countries to exchange experiences, tackle the challenges and share ways to take advantage of the enormous opportunities for Green Lending.

On the impact side, USD 28.2 million of subloans were disbursed and reported by the GCPF PIs in Q3 2018, roughly 50% of them being attributed to solar PV renewable energy projects. Almost 15MW solar PV capacity has been reported during the quarter across several PIs: 10MW for a solar PV in India by HNB, 2.4MW by Banco Davivienda in El Salvador, 1.7MW across 13 projects by Banco Promerica CR, 0.4MW by Procredit for one project in Ecuador and over 500 solar home systems in India by Ratnakar Bank. Loans in the agriculture sector were reported mainly by Prasac for tractors and power tillers but also by Banco ProCredit in the SME sector. Banco Promerica CR, XacBank and TBC Bank continued reporting hybrid and efficient consumer vehicles. The subloans reported this quarter save 17,693 $tCO_2$ per year, bringing the total lifetime reduction of $CO_2$ emissions of projects reported since inception to over 11.7 million tonnes, out of which GCPF funding saves 6.7 million tonnes.

# Definitions

**AuM (Assets under Management):** Include NAV of A Shares, B Shares, C Shares, Notes at notional and accrued dividends

**Bps:** Basis points

**DI:** Direct Investment

**EE:** Energy Efficiency

**E&S:** Environmental and Social

**FI:** Financial Institution

**IC:** Investment Committee

**IM:** Investment Manager

**Liabilities:** Fees and other payables of the fund (including Notes)

**NAV (Net Asset Value) of the Fund:** Sum of the Net Asset Value of all A Shares, B Shares and C Shares issued by the Fund

**PI:** Partner Institution

**PV:** Photovoltaic

**rA Leaders Fund:** responsAbility SICAV (Lux) Micro and SME Finance Leaders

**rA Mikro and KMU Fund:** responsAbility SICAV (Lux) Mikro- und KMU- Finanz-Fonds

**rA MSME Fund:** responsAbility Micro and SME Finance Fund

**RE:** Renewable Energy

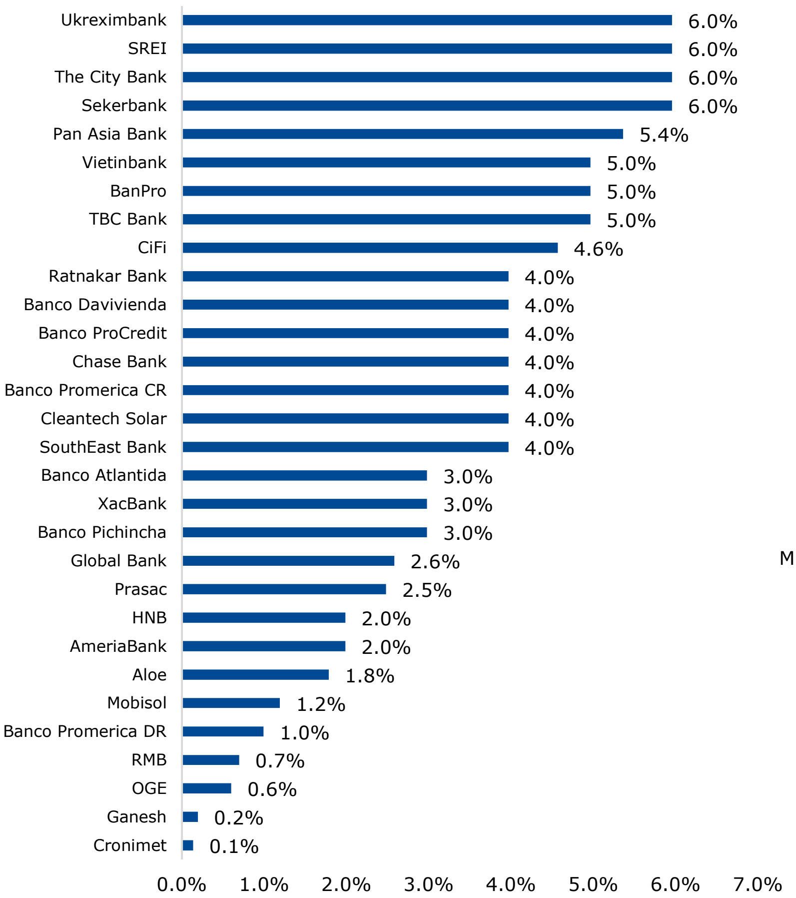
**RMG:** Ready-made garments

**TA:** Technical Assistance

**Total Assets:** Net invested volume (gross loans and advances to PIs minus provisions) plus unrealized gains on derivative financial instruments plus interest receivables plus other receivables and prepayments plus cash and cash equivalents

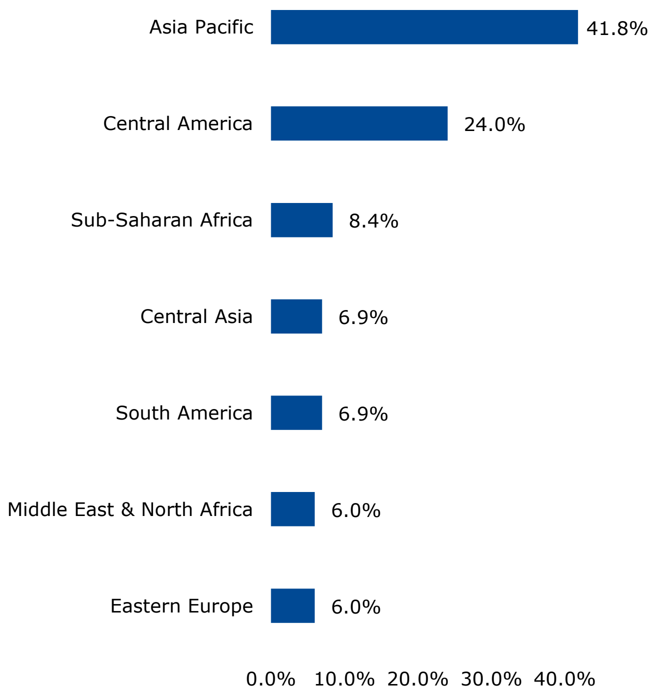
# Key Portfolio Figures as of Q3 2018
**(in % of total invested portfolio)**

**Partner institutions allocation by outstanding amount[1]**

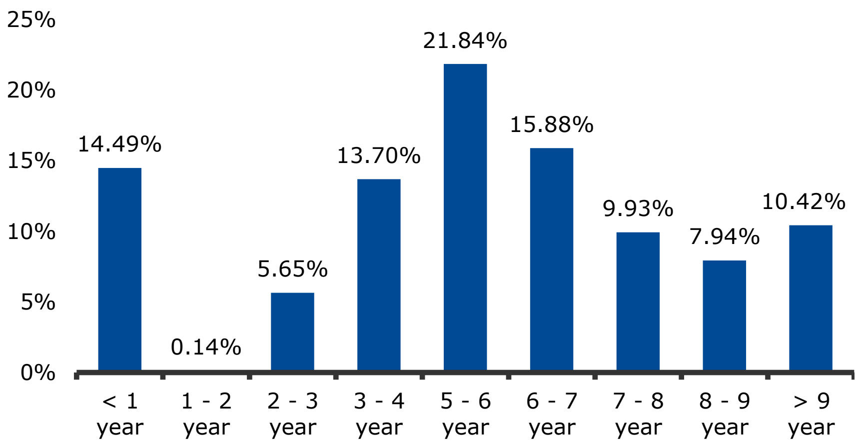



[1] Due to rounding, breakdown does not add up to 100%.

**Geographical allocation by outstanding amount**




**Maturity of invested volume breakdown outstanding amount as of Q3 2018**




| | |
|---|---|
| Average time to maturity | 4.9 years |

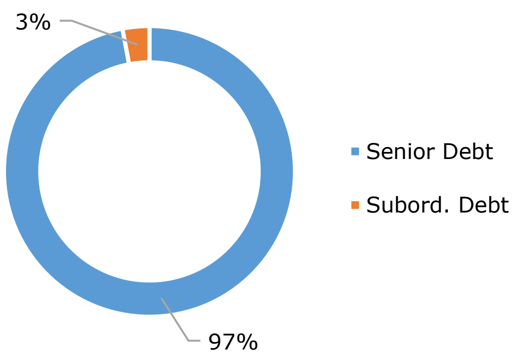
| Asset allocation | (in %) |
| --- | --- |
| Senior Debt[1] | 84.7% |
| Subord. Debt[1] | 2.8% |
| Cash[2] | 11.1% |
| Other Assets[3] | 1.4% |

[1] Amounts net of provisions/impairments.

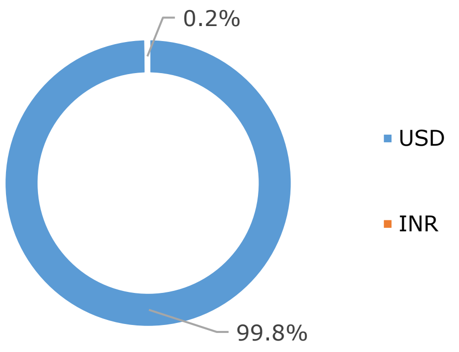
[2] Encompasses cash at banks and time deposits.

[3] Including interest receivables.

**Investment instrument allocation [1]**




**Currency in % of total invested portfolio**




[1] Excluding provisions/impairments.

**According to the SPPI test conducted by the IM the following PIs are classified under amortized cost**

| Financial Institutions | Internal fund default rating[1] | Country | Country rating[2] | Currency | Remaining outstanding commitment (USD) | Outstanding Amount (USD) | Outstanding amount |
|---|---|---|---|---|---|---|---|
| Ameriabank | B+ | Armenia | B+ | USD | - | 10,000,000 | 1.99% |
| Banco Atlantida | BB | Honduras | BB- | USD | - | 15,000,000 | 2.98% |
| Banco Davivienda | B | El Salvador | B- | USD | 10,000,000 | 20,000,000 | 3.97% |
| Banco Pichincha | B+ | Ecuador | B- | USD | - | 15,000,000 | 2.98% |
| Banco ProCredit | B | Ecuador | B- | USD | - | 20,000,000 | 3.97% |
| Banco Promerica CR | BB+ | Costa Rica | BB | USD | - | 20,000,000 | 3.97% |
| Banco Promerica DR | BB- | Dominican Republic | BB- | USD | - | 5,000,000 | 0.99% |
| Banpro | B+ | Nicaragua | B | USD | - | 25,000,000 | 4.96% |
| Chase Bank[3] | C | Kenya | B | USD | - | 20,000,000 | 3.97% |
| CIFI | BB- | Panama | BBB | USD | - | 23,000,000 | 4.57% |
| Global Bank | BB+ | Panama | BBB | USD | - | 13,000,000 | 2.58% |
| HNB | B+ | Sri Lanka | B+ | USD | - | 10,000,000 | 1.99% |
| Pan Asia Bank | B | Sri Lanka | B+ | USD | - | 27,000,000 | 5.36% |
| Prasac | B+ | Cambodia | B | USD | 2,500,000 | 12,500,000 | 2.48% |
| Ratnakar Bank | BB+ | India | BBB | USD | - | 20,000,000 | 3.97% |
| Sekerbank[4] | CCC+ | Turkey | BB- | USD | - | 30,000,000 | 5.96% |
| Southeast Bank | B | Bangladesh | BB- | USD | - | 20,000,000 | 3.97% |
| SREI | B+ | India | BBB | USD | - | 30,000,000 | 5.96% |
| TBC Bank | BB+ | Georgia | BB | USD | - | 25,000,000 | 4.96% |
| The City Bank | BB- | Bangladesh | BB- | USD | - | 30,000,000 | 5.96% |
| Ukreximbank | B- | Ukraine | CCC | USD | - | 30,000,000 | 5.96% |
| Vietinbank | B+ | Vietnam | BB- | USD | - | 25,000,000 | 4.96% |
| XacBank | B- | Mongolia | B- | USD | - | 15,000,000 | 2.98% |
| **Total** | | | | | **12,500,000** | **460,500,000** | **91.43%** |

[1] The Default Rating reflects the likelihood of default of an institution. It indicates the likelihood that a company may default with respect to all its financial obligations. Ratings based on Q2 2018 data.
[2] Country rating source: Moodys.
[3] Chase Bank is under Stage 3 of the IFRS 9 staging methodology, meaning a default event has occurred. Treatment of interest: under Stage 3 interest is not accruing.
[4] Sekerbank is under Stage 2 of the IFRS 9 staging methodology, meaning that a significant deterioration in creditworthiness took place (rating fell two notches below the initial rating).

| Direct Investments | Internal fund default rating[1] | Country | Country rating[2] | Currency | Remaining outstanding commitment (USD) | Outstanding Amount (USD) | Outstanding amount |
|---|---|---|---|---|---|---|---|
| Cleantech Solar | BB | Regional South-East Asia[3] | B | USD | - | 20,000,000 | 3.97% |
| CRONIMET | BB | South Africa | BBB- | USD | - | 689,429 | 0.14% |
| Hodson Renewable | BB | India | BBB | USD | 1,424,502 | 975,498 | 0.19% |
| OGE[4] | B+ | Tanzania | B+ | USD | - | 3,000,000 | 0.60% |
| Mobisol | B+ | Tanzania | B+ | USD | - | 6,000,000 | 1.19% |
| Redavia | B- | Ghana | B- | USD | 2,000,000 | - | 0.00% |
| **Total** | | | | | **3,424,502** | **30,664,927** | **6.09%** |

[1] The Default Rating reflects the likelihood of default of an institution. It indicates the likelihood that a company may default with respect to all its financial obligations. Ratings based on Q2 2018 data.
[2] Country rating source: Moodys.
[3] Corporate loan to a Singapore holding company. Most of the underlying projects are in Cambodia, the Philippines, Malaysia, and Thailand. As most of the funds are used for projects in Cambodia, and to align the country risk methodology with the impairment model under IFRS 9, Cambodian country risk is shown
[4] Legal exposure to OGE Mauritius but risk is in Tanzania (operating company).

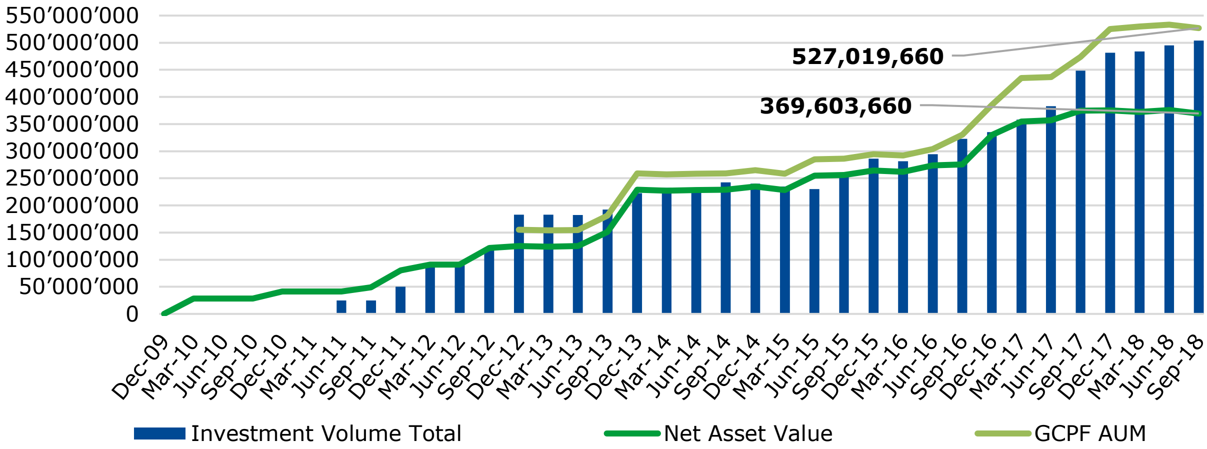
**According to the SPPI test conducted by the IM the following PIs are classified under fair value**

| Partner Institution | Internal fund default rating[1] | Country | Country rating[2] | Currency | Remaining outstanding commitment (USD) | Outstanding Amount (USD) | Outstanding amount |
|---|---|---|---|---|---|---|---|
| RMB[3] | n/a | South Africa | BB+ | USD | - | - | 0.00% |
| Aloe Invest | BB- | Namibia | BB+ | USD | - | 8,995,000 | 1.79% |
| RMB | n/a | South Africa | BB+ | USD | - | 3,505,000 | 0.70% |
| **Total** | | | | | **-** | **12,500,000** | **2.48%** |

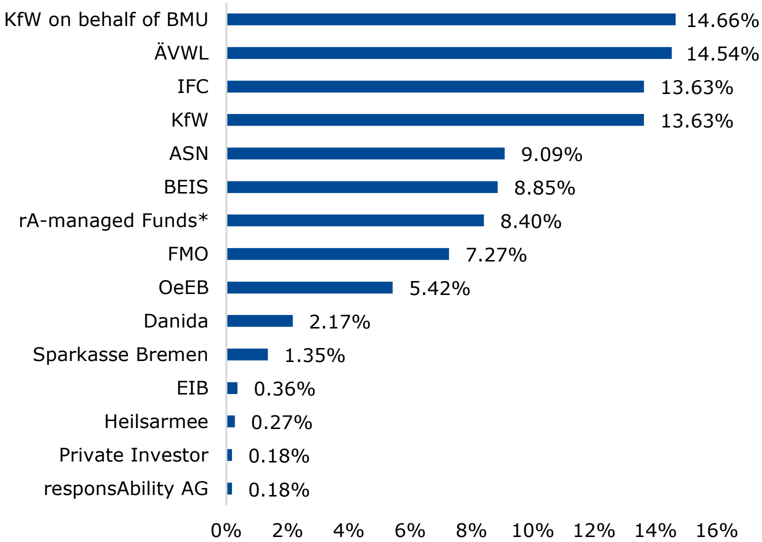
[1] The Default Rating reflects the likelihood of default of an institution. It indicates the likelihood that a company may default with respect to all its financial obligations. Ratings based on Q2 2018 data.
[2] Country rating source: Moodys.
[3] Legal exposure to RMB in South Africa but risk allocation is between Aloe Invest in Namibia and RMB in South Africa.

# Funding Structure & Financial Performance

### Assets under Management (AUM) of the Fund (USD)

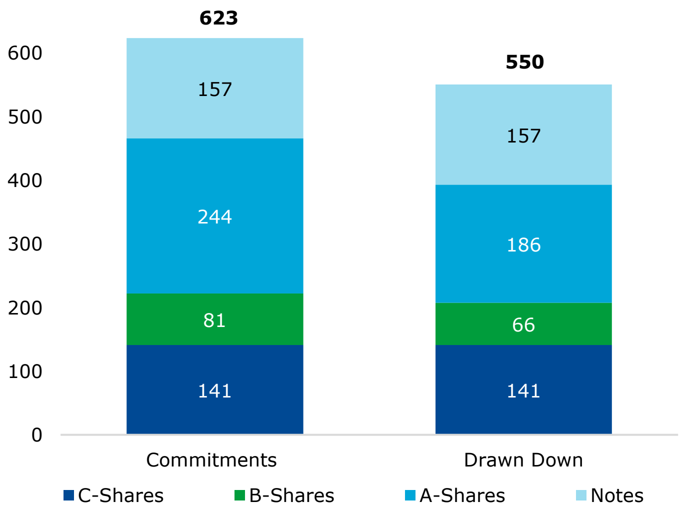



### Subscribed capital by investor (%)




Note: In percentage of total drawn amount plus Notes at nominal.
* rA-managed Funds’ subscribed capital: rA MSME Fund: 4.86%; rA Mikro and KMU Fund: 2.45%; rA Leaders Fund: 1.09%.

### Funding split (USDm)




Note: Drawn Down: NAV excluding dividends; C Shares: excluding Target Return current year, provisions not accounted for.

**Global  Climate PartnershipS.A. SICAV-SIF – Financial statements as of 30 September 2018 (USD)**

| | Q3 2018 | Q2 2018 |
|---|---|---|
| **ASSETS** | | |
| Loans and advances to Partner Institutions[1] | 466,598,948 | 468,404,930 |
| Gross loans outstanding | 503,664,927 | 494,882,886 |
| Provisions | -37,065,979 | -26,477,956 |
| Unrealised gains on derivative financial instruments | -400,178 | -375,724 |
| Interest receivable on loans to Partner Institutions | 7,741,778 | 1,927,250 |
| Other receivables and prepayments | 236,585 | 179,468 |
| Cash and cash equivalents[2] | 59,009,654 | 67,678,633 |
| **TOTAL ASSETS** | **533,186,787** | **537,814,557** |

[1] Excluding provisioned amount – breakdown directly below included for clarification.
[2] Cash at banks, time deposits, and short term cash balances.

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Distribution payable to holders of Class A Shares prior year | - | - |
| Distribution payable to holders of Class B Shares prior year | - | - |
| Distribution payable to holders of Class A | 5,361,545 | 3,440,149 |
| Distribution payable to holders of Class B | 2,494,302 | 1,633,690 |
| Accrued Fund management fees | 1,359,162 | 1,337,200 |
| Accrued bonus to the Investment Manager | 1,168,290 | 776,851 |
| Accrued bonus to the Investmet Manager prior year | - | - |
| Accrued TA Facility contribution | 729,325 | 482,118 |
| Accrued TA Facility contribution prior year | - | - |
| Direct operating expenses payable | 1,558,777 | 1,270,591 |
| Structuring fees payable | - | 562,500 |
| Interest received in advance on Loans and advances to Partner Institutions | - | - |
| Interest on Notes | 1,798,572 | 478,742 |
| Net interest payable on derivative financial instruments | - | - |
| Other payables | - | - |
| **TOTAL CURRENT LIABILITIES** | **14,469,974** | **9,981,842** |

| | | |
|---|---|---|
| **NON CURRENT LIABILITIES** | | |
| Net assets attributable to holders of redeemable ordinary Shares Class A Shares | 185,675,373 | 185,675,373 |
| Net assets attributable to holders of redeemable ordinary Shares Class B Shares | 65,925,373 | 65,925,373 |
| Unrealised loss on derivative financial instruments | - | |
| Notes | 156,969,000 | 157,005,000 |
| **TOTAL NON CURRENT LIABILITIES** | **408,569,746** | **408,605,746** |

| | | |
|---|---|---|
| **EQUITY** | | |
| Share capital | 141,324,176 | 141,324,176 |
| Profit / Loss brought forward | -15,317,744 | -15,317,744 |
| Profit for the year | -15,859,365 | -6,779,464 |
| **TOTAL EQUITY** | **110,147,067** | **119,226,969** |
| **TOTAL LIABILITIES AND EQUITY** | **533,186,787** | **537,814,557** |

Possible differences in the reporting of the Balance Sheet compared to the Financial Statements as reported by the accountant / auditor.

# Impact

## 1. Key impact figures - Summary

| 1.1 $CO_2$ emissions reduction and energy savings | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| Expected lifetime $CO_2$ emissions reductions from projects funded by GCPF, since inception (million t $CO_2$) | 0.16 | 1.28 | 2.20 | 3.04 | 4.21 | 8.38 | 10.17 | 11.70 |
| Cumulative realized $CO_2$ emissions reduction (million t $CO_2$)[1] | 0.002 | 0.034 | 0.121 | 0.245 | 0.413 | 0.771 | 1.220 | 1.623 |
| Annual $CO_2$ emissions reductions achieved (t $CO_2$/year) | 6,685 | 59,920 | 103,776 | 144,539 | 190,129 | 393,184 | 454,886 | 527,062 |
| Cumulative number of subloans since inception | 200 | 9,102 | 13,794 | 25,443 | 33,814 | 48,106 | 53,404 | 70,886 |

[1] Figures updated upwards to include savings taking place when the equipment was already in place but the loan was not yet reported.

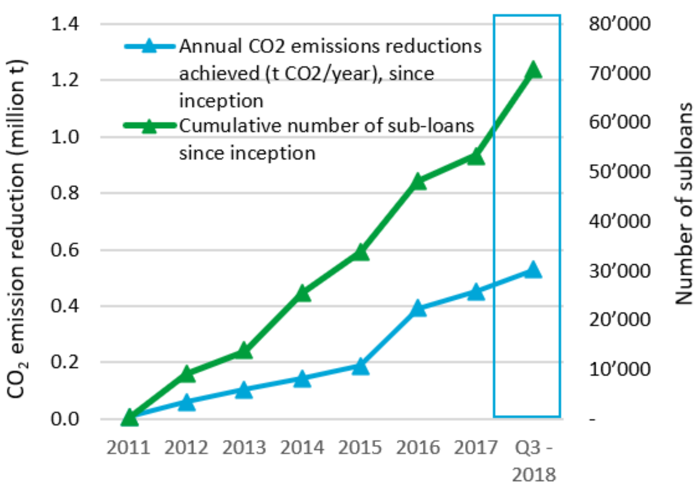
| 1.2 $CO_2$ emissions reduction and energy savings proportional to GCPF funding | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| Expected lifetime $CO_2$ emissions reductions from projects funded by GCPF since inception (million t $CO_2$) | 0.16 | 1.15 | 1.59 | 2.19 | 3.18 | 5.38 | 6.22 | 6.79 |
| Annual $CO_2$ emissions reductions achieved (t $CO_2$/year) | 6,685 | 51,198 | 71,593 | 99,683 | 139,304 | 246,094 | 276,457 | 302,291 |

| 1.3 $CO_2$ emissions reduction and energy savings | $CO_2$ reductions ($tCO_2$/year) | $CO_2$ reductions (%)[2] | Energy savings (MWh/year) | Energy savings (%)[3] | Renewal energy production (MWh/year) | Renewable energy capacity (MW) |
|---|---|---|---|---|---|---|
| Loans disbursed in Q3 - 2018 | 17,693 | 47% | 17,155 | 39% | 28,310 | 15 |
| Loans disbursed since inception, living assets | 527,062 | 46% | 584,626 | 44% | 862,369 | 279 |

[2] Including RE production projects.
[3] Excluding RE production projects.

## 2. Key impact figures – $CO_2$

### 2.1 Realized $CO_2$ emissions reductions and subloans

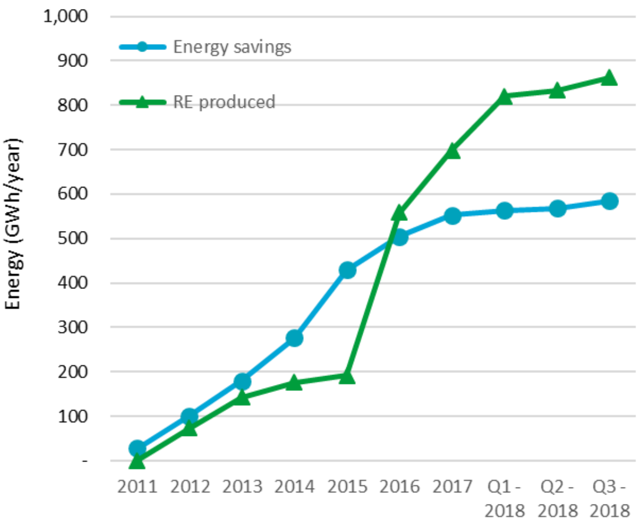



## Q3 2018 Highlights

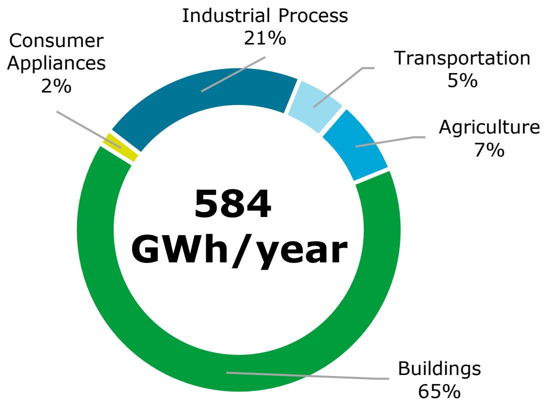
- **17,693 t** of additional $CO_2$ emissions reduced per year
- **151,222 t** of additional realized $CO_2$ emissions reductions
- **1,904** new subloans
- **47%** average $CO_2$ emissions reduction projects reported during the quarter

## 3. Key impact figures – Energy

### 3.1 Annual energy savings and RE produced (GWh/year)




### 3.2. Annual energy savings by technology sector[1]




[1] The category "Other"has been removed from the graph as it represents less than 1% of the total.

## Q3 2018 Highlights

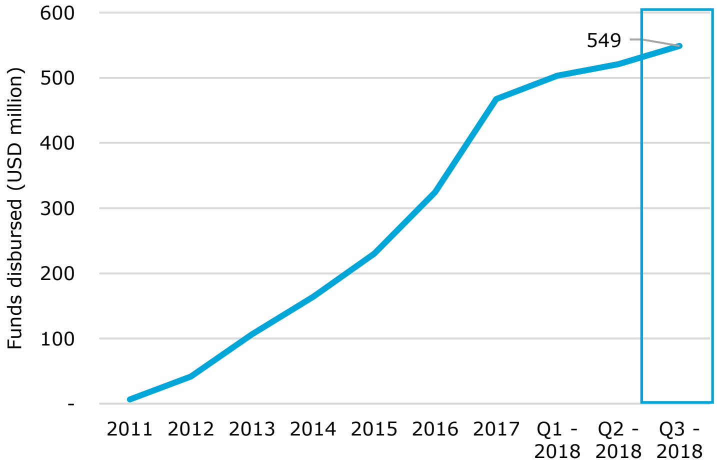
**17,155** MWh/year of energy will be saved by the projects reported during the quarter

**28,310** MWh/year of renewable energy will be produced by the new projects reported, mostly by a 10MW solar photovoltaic project reported by HNB

**+15** MW of new installed renewable energy capacity

## 4. Key impact figures – Financials

### 4.1. Disbursed subloans, since inception of fund (USD million)




## Q3 2018 Highlights

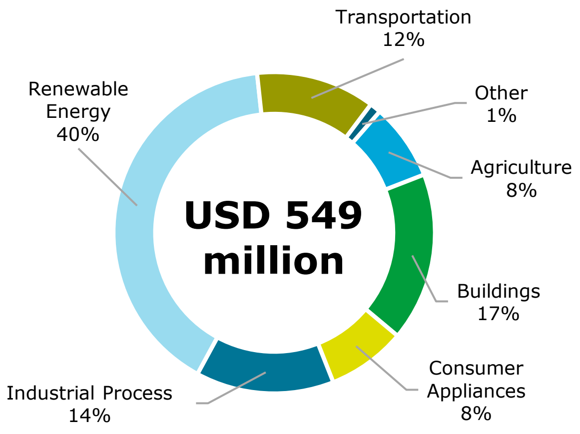
**USD 28.2 million** in new subloans

**1,904** new subloans

Largest disbursements of **USD 6.6 million** and **USD 2.2 million** were reported by HNB and Banco Davivienda

**124** USD/t $CO_2$ average investment efficiency of projects reported. Lower than the weighted average of the whole portfolio (83 USD/t $CO_2$) due to low investment efficiency loans reported in the transportation sector

### 4.2. On lent volumes % by technology, since inception



# Fund Facts

| | |
|---|---|
| **Fund name** | GCPF (Global Climate Partnership Fund SA) |
| **Fund domicile and type** | Luxembourg, SICAV-SIF, closed-end investment company |
| **Regulation** | As the Fund is managed in the public interest, it is exempt from the scope of the AIFM law pursuant to article 2(2) thereof |
| **Investment Manager** | responsAbility Investments AG, Zurich |
| **Administrative and Domiciliary Agent** | Banque de Luxembourg, Luxembourg |
| **Custodian bank** | Banque de Luxembourg, Luxembourg |
| **Inception date** | 22 December 2009 |
| **Operation start** | October 2010 |
| **Initiators** | Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMU)<br>KfW Entwicklungsbank |
| **Fund currency** | USD |
| **Distribution** | Annually |
| **Valuation (NAV calculation)** | Quarterly (last calendar day of March, June, September and December) |
| **Minimum subscription** | USD equivalent of EUR 200,000 valued at the day of the subscription |
| **Subscription/Commitment** | At each closing (at the discretion of the Board of Directors), investors commit to subscribe or directly subscribe to a specific share class and/or the notes |
| **Redemption of units** | At maturity (all share classes have a defined maturity) |
| **Term** | Closed-ended fund with unlimited duration |
| **Fees and Expenses p.a.** | Direct operating expenses (approx. 0.5% of NAV)<br>Investment manager fees and expenses (1.2% of invested assets, 1.0% for invested assets above USD 300m)<br>Performance fees (up to 30% of the investment manager fees, decision by the Fund's Board of Directors)<br>Technical Assistance facility contribution (up to 0.2% of NAV, decision by the Fund's Board of Directors) |

| **Classes** | Notes | Class A Shares (senior) | Class B Shares (mezzanine) | Class C Shares (first loss) |
|---|---|---|---|---|
| **Features** | Floating rate interest rate of USD 6 months Libor plus a spread or fixed rate<br>Duration: 5 - 7 years for each tranche | Target dividend plus a complementary dividend (if target dividend exceeded)<br>Target dividend is USD 6 months Libor plus a spread agreed with the Board of Directors<br>Duration: 5 – 15 years for each tranche | Target dividend plus a complementary dividend (if target dividend exceeded)<br>Target dividend is USD 6 months Libor plus a spread agreed with the Board of Directors<br>Duration: 5 – 15 years for each tranche | Target return: a fixed rate target return or floating rate target return p.a. set in the relevant commitment agreement and/or subscription form<br>Duration: unlimited |

**Complaints**
Any complaints to the Fund can be submitted either in written form to responsAbility Investments AG, Josefstrasse 59, 8005 Zurich, or electronically through complaints@gcpf.lu.

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