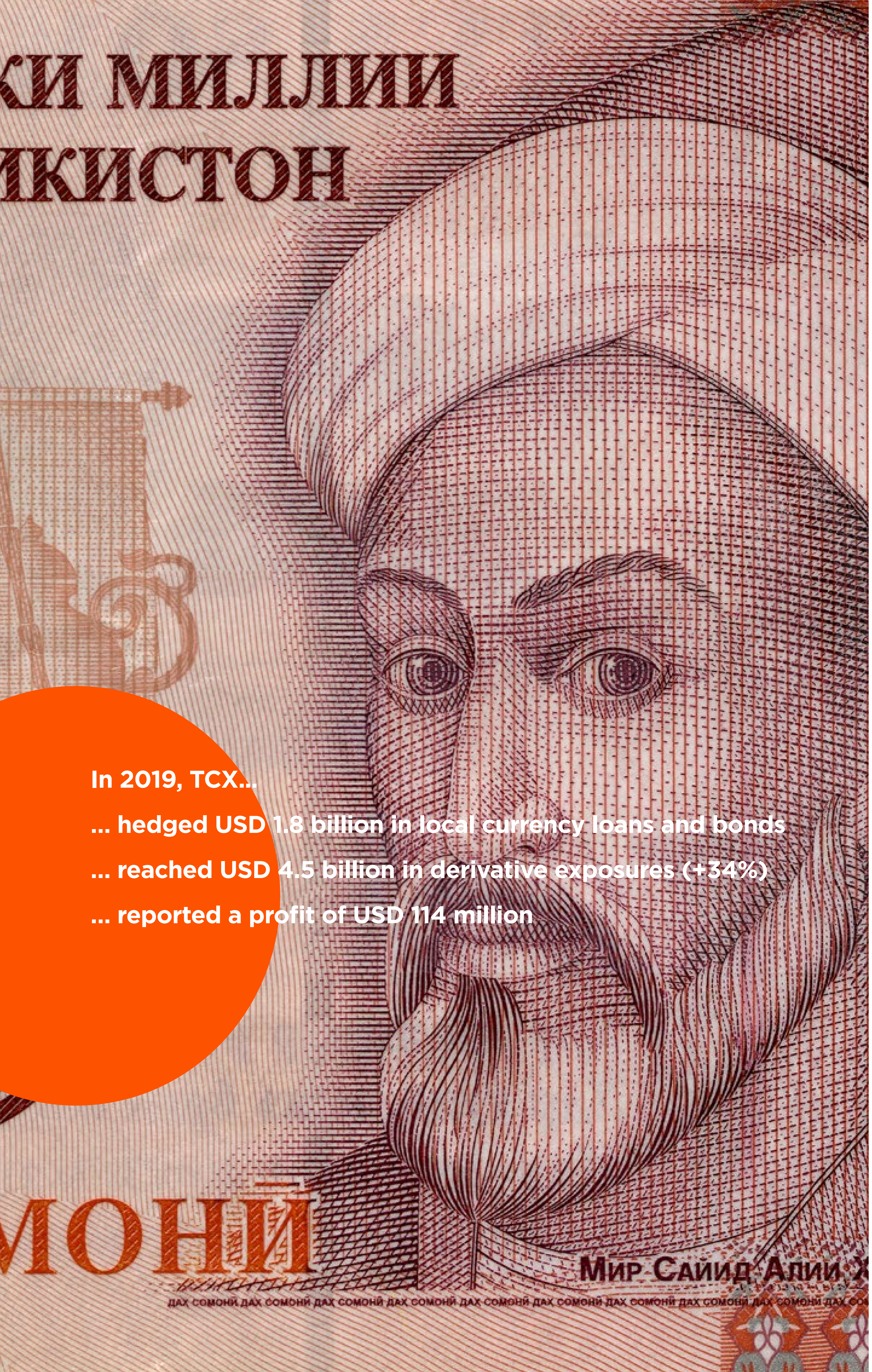
TCX

Annual Report 2019



In 2019, TCX...

... hedged USD 1.8 billion in local currency loans and bonds

... reached USD 4.5 billion in derivative exposures (+34%)

... reported a profit of USD 114 million

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1 TCX in 2019

Letter from the Supervisory Board

With pleasure and pride we present you with the annual report of The Currency Exchange Fund N.V. ('TCX') for the year 2019.

2019 was a record-breaking year from several perspectives. First and foremost because TCX has never created so much impact in the history of the Fund. This means that never before have so many borrowers in emerging and frontier markets been protected from currency risk by the Fund, as demonstrated by the fact that its annual long local currency production has grown from USD 562 million in 2016 to USD 1,356 million in 2019, an increase of almost 35% per annum.

Apart from its core business as stated above, TCX in 2019 focused on developing an active market for investors that want to invest in the high yielding currencies of emerging and frontier markets. The way this works is as follows: the Fund Manager identifies the long local currency exposures it wants to sell from TCX's portfolio, finds interested buyers, and then contacts EBRD, FMO, IFC or other issuers of local currency bonds to match the supply and demand. This catalyzes the private sector and simultaneously frees TCX capital for new, long local currency business. This activity has grown from 6 bonds issued in 2016 for a total of USD 27 million, to 37 bonds issued in 2019 for a total of USD 389 million. In addition, the Fund offset more of its long local currency risks with commercial banks. Combined, these activities caused its total short positions to grow from 35% of the portfolio in 2018, to 40 % by year-end 2019.

The value added by the Fund Manager through active portfolio management also becomes clear when comparing the long local currency volumes with the offsetting trades. Risk was onboarded as follows: 46% in Europe/Central Asia, 23% in Sub-Sahara Africa and Middle East North Africa, 18% in Latin America and 13% in Asia. The offsetting transactions were respectively 49% in the ECA region, 19% in SSA and MENA, 19% in Latin America and 13% in Asia. The approval of the new hedging policy during the 2019 EGM reflected and supported the increasing importance of this activity.

Looking forward we see the demand for local currency solutions broadening from private to public sector lending by International Financial Institutions. This is good news, since currency risk at the sovereign level strongly affects the stability of the local financial sector, especially in the low-income countries.

Last year we stated in our letter that "2019 will be the year in which TCX needs to show that it can continue to attract additional investments to fuel the growth and impact of the Fund". We also reported that one of the key messages from the interaction of the Supervisory Board with TCX's investors was their indication that TCX needed to find additional capital in 2019 to secure its future growth. Well, this happened in a convincing way!

At the start of the year we welcomed DFID (acting on behalf of the Government of the United Kingdom) as the fourth Subordinated Convertible Debt investor. Later in the year BMZ extended the tenor of its investment from 2025 to 2045, in support, for example, of long-term hedges for the infrastructure sector. In October we celebrated the capital increases of EBRD, FMO, KfW, Oikocredit and Blue Orchard Microfinance Fund. And at year end we welcomed an additional contribution from EIB, along with ASN Microkredietpool as a new investor. Altogether, TCX added USD 169 million to its capital base, a record amount since the launch of the fund.

During 2019, TCX organized, in cooperation with its partners Frontclear Management Company and OGResearch, the Burundi Financial Institutions Summit, where representatives from Burundi financial institutions, central bankers, and government officials gathered to discuss local currency financing. In the Ukraine, the Fund initiated the Infrastructure Financing and Currency Risk Management Conference for municipalities, in cooperation with the EBRD and the Ukraine Ministry of Finance. We will increase our activities aimed at information and knowledge exchange with the local financial sector significantly in the coming years, with a strong focus on Africa.

Did all go well? Naturally this is not the case. One innovation that we planned to launch in Nigeria, the deliverable Naira swap that would also protect local currency borrowers from convertibility risk, did not materialize. The time and effort needed to obtain local approvals was significantly more than expected, and we stopped the work on this product. Second, the Fund did not grow its relative size in Africa. Although the cause is positive by nature, being the higher growth of the other regions, the Fund Manager will be increasing its focus on this special and sometimes challenging region.

Although profitability is not the Fund's primary goal, it needs to achieve a long-term positive return to ensure its continuity and independence, and demonstrate that investing in emerging and frontier market risk is a rewarding activity. For that reason, we are satisfied with the highest ever profit of USD 114 million that TCX realized over 2019. For TCX's shareholders, this translated into a NAV per share of USD 670,790.- at year-end, an increase of 20.6% compared to 2018.

From an oversight perspective, we draw your attention to the Governance section of this Annual Report, notably the section on the Supervisory Board's organization and activities (page 25). In all, the Supervisory Board met 8 times during 2019, not counting the separate meetings of the Risk Oversight Committee, the Audit Committee, and the Remuneration & Appointments Committee. Additionally there were 11 meetings of the Pricing Committee appointed by the Supervisory Board, and 18 meetings of the Risk Management Committee appointed by TIM, the Fund Manager. Towards the end of 2019, the Supervisory Board once again complemented this oversight activity by asking you, as investors, for feedback on the functioning of TCX and TIM. This feedback was broadly positive.

In the Netherlands, large corporates are requested to have at least 30 % women participation at managing and supervisory board levels. This is the translation of a diversity and gender balance policy, that TCX fully supports. Reflecting this, we welcomed Sarah Russell as a Supervisory Board member in November. Coming from the private Capital Markets and Asset Management sectors, she is a valued addition to the diversity in gender, expertise, and experience in the board. Her appointment lifted the board's gender diversity to 33% women participation, and the geographical diversity to four continents.

As a Supervisory Board, we firmly believe that over time, the design flaw in the fabric of development finance will be mended, meaning that access to financing that is free of currency risks for the poorest should and will become as normal as it is for borrowers in the developed markets.

This positive vision of the future is all the more important in the context of the ongoing COVID-19 crisis. We expect the impact of the crisis to be significant and that it will be felt for quite some time in the world. And we agree with TIM's assessment (page 16) that there are at this time no material uncertainties concerning TCX's ability to continue as a going-concern entity.

On this note, we wish to thank the Fund Manager and all the parties and partners supporting the Fund Manager for a solid year during which TCX significantly increased its development impact in frontier market currency finance and frontier currency market development.

Amsterdam, 15 April 2020

The Supervisory Board of The Currency Exchange Fund N.V.

Mr. Arthur Arnold, Chair

Mr. Bernd Loewen, Vice Chair

Mrs. Lakshmi Shyam-Sunder

Mr. Aigboje Aig-Imoukhuede

Mr. Marcus Fedder

Ms. Sarah Russell

Planned changes to the Supervisory Board

On 15 April 2020 following the approval of this Annual Report, Mr. Arthur Arnold stepped down as Chair and Supervisory Board member of TCX, having completed his maximum two terms in service of the Fund. The composition of the Supervisory Board from that point in time became as follows:

Mr. Bernd Loewen, Chair

Mrs. Lakshmi Shyam-Sunder, Vice Chair

Mr. Aigboje Aig-Imoukhuede

Mr. Marcus Fedder

Ms. Sarah Russell

Post-scriptum from Mr. Arthur Arnold:

By the time you read the 2019 Annual Report, I will have stepped down as Chair and Supervisory Board member of TCX on 15 April 2020. My maximum two terms, of 8 years in total, have come to an end. It was a great journey during which we all together have made a dream come true, which was to address the lack of access to local currency finance, one of the biggest shortcomings in development finance. The impossible became possible!

At the time I am writing this message, the world has come to a stand-still because of the COVID-19 crisis. Since TCX was founded some 12 years ago, it has survived many crises in the world. Therefore, it will also survive this one. For the very simple reason that the need for local currency finance will be greater than ever, in particular in the emerging and frontier markets. The TCX model works because it is built on a very simple principle: sharing the risks. Never forget that TCX is in fact a mutual platform, enabling its shareholders/investors to provide their clients and their ultimate beneficiaries with access to local currency finance.

I thank you, all stakeholders, for your continued support for TCX's mission.

Arthur Arnold

Letter from the Managing Board

Results 2019

Portfolio size

TCX's gross derivatives portfolio outstandings (total of its long and short positions) grew 32% in 2019, from USD 3.4 billion at year-end 2018 to USD 4.5 billion at year-end 2019.

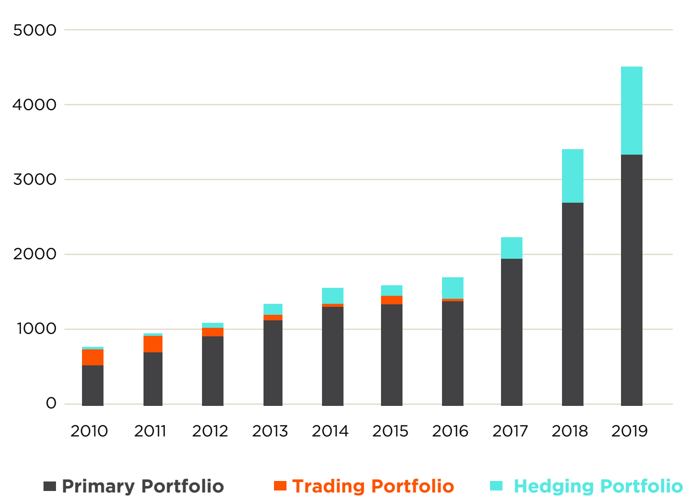
Excluding the EUR:USD hedge book whose purpose is to manage the EUR risks that arise on a portion of the local currency swap book, the portfolio outstandings grew 35% to USD 4.2 billion. This local currency portfolio was spread across 1,364 transactions in 56 local currencies (2018: 1,174 transactions and 54 currencies), including USD 3.36 billion in Primary Investments and USD 0.86 billion in Hedging Investments:[1]

Derivatives portfolio

Investment type (USD millions)	Long local Currency		Short local Currency		Gross outstandings (Long+Short)		Net Exposure (Long-Short)	
	2019	2018	2019	2018	2019	2018	2019	2018
Primary	3.002	2.325	354	378	3.356	2.703	2.648	1.947
Trading	5	5	0	0	5	5	5	5
Hedging (LCY:USD)	10	0	853	430	863	430	-843	-430
Total LCY portfolio	**3.017**	**2.330**	**1.208**	**808**	**4.225**	**3.138**	**1.809**	**1.522**
Hedging (EUR:USD)	301	288	10	0	311	288	291	288
Total TCX portfolio	**3.318**	**2.618**	**1.218**	**808**	**4.536**	**3.426**	**2.100**	**1.810**

The longer-term historical trend has been as follows:

Derivatives portfolio: gross outstandings (USD million)

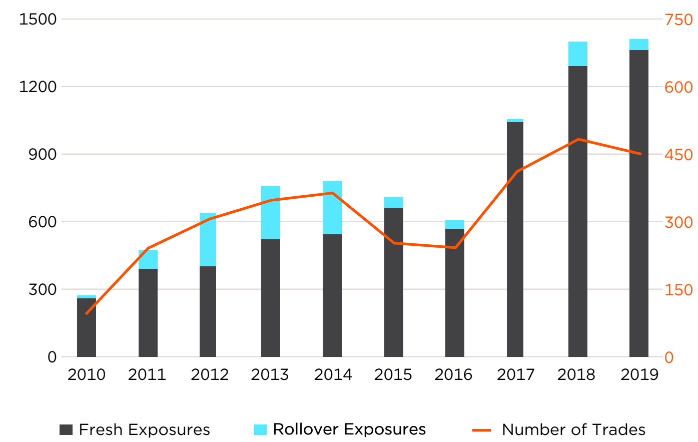


1 | Primary Investments are medium- to long-term local currency swaps and forwards transacted with TCX investors and select third-parties. These investments constitute the bulk of TCX's portfolio of local currency exposures, and may be short or long positions, depending on the counterparties' requirements. For diversification and concentration/risk management purposes, TCX also invests in derivatives with investment banks and professional counterparties. Where the purpose is portfolio diversification, the trades are classified as Trading Investments. Where the purpose is managing concentrations and mismatches in the Primary Investments portfolio, the trades are classified as Hedging Investments.

The growth in 2019 was fueled by record-high transaction volumes in two categories:

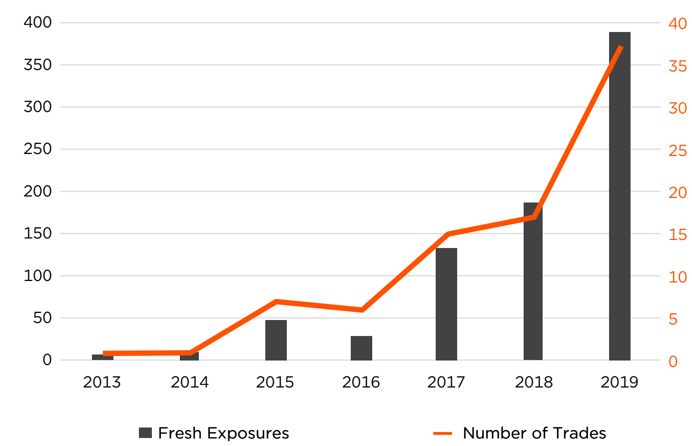
USD 1.36 billion in Primary production across 448 transactions and 48 currencies (+5% over 2018):[2]

Primary portfolio: production volumes (USD million)



USD 389 million in trades related to local currency bond issuances by TCX's investors primarily (+109% over 2018). This was spread over 37 transactions and 17 currencies, and reflects TCX's success in enhancing its capital market development impact through the build-up of short-positions that free capital (create capacity) to increase the overall size of the long Primary book.

LCY bonds: production volumes
(USD million)

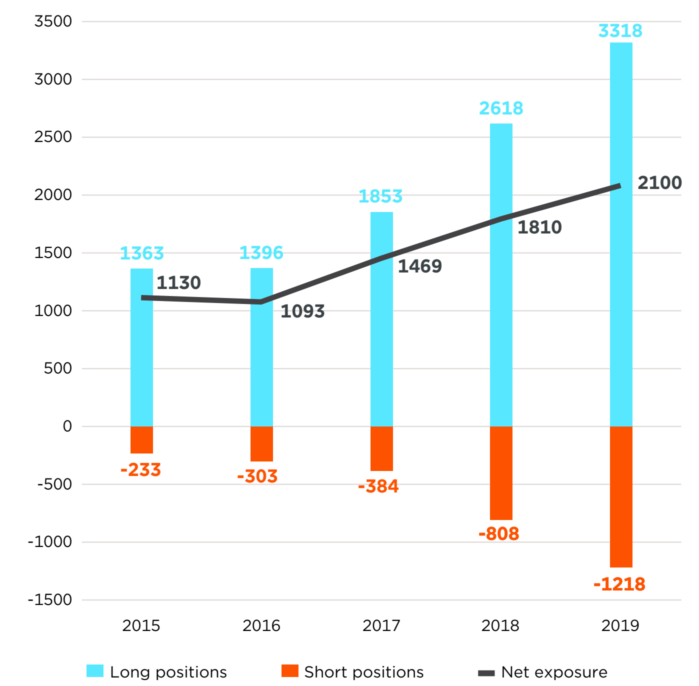


Reflecting the above, the outstanding local currency bond issuance portfolio grew from USD 366 million in 40 transactions in 14 currencies in 2018, to USD 719 million in 70 transactions in 22 currencies in 2019 (+95% by volume).

2 | The production data concerns all new trades closed during the year. Roll-overs are excluded, and scheduled amortizations and trade unwinds are not netted-out.

Turning to the net exposure (long positions minus short positions), this grew 16% year-on-year, at half the rate at which the gross portfolio grew. The cause was a 51% increase in the size of the short book, nearly twice more than the growth of the long book (+27%). As mentioned earlier, the rapid growth of the short book primarily reflects TCX's success in catalyzing and supporting the local currency bond-issuance business of its investors and other counterparties, with the added benefit that this activity releases capital and creates capacity for further portfolio growth:

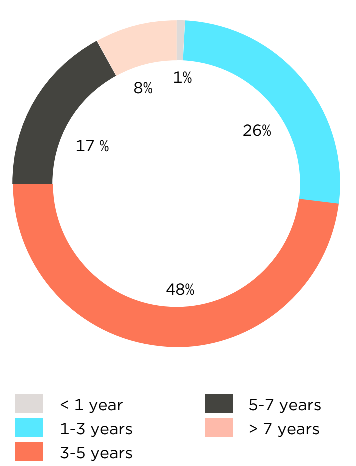
Derivatives portfolio: net exposure (USD million)



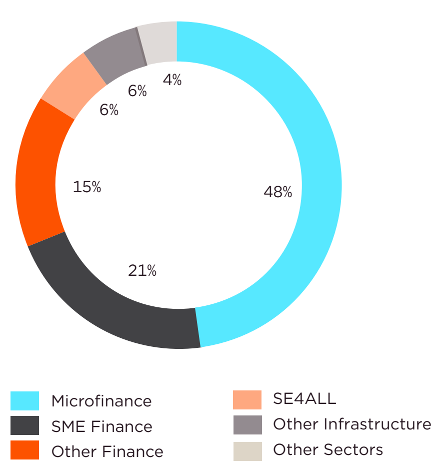
Portfolio profile

In 2019, the maturity profile and sector diversification of the Primary portfolio remained relatively stable, with 73% of the gross outstandings having an original maturity of 3 or more years (2018: 72%), and the microfinance and other financial sector segments accounting for 84% of the portfolio (2018: 84%):

Primary portfolio: original maturity profile (% gross outstandings)



Primary portfolio: sector diversification (% gross outstandings)



"TCX strives to maximize access to local currency finance in frontier markets by protecting lenders and borrowers from foreign exchange risk. It does not seek to maximize returns; it seeks to maximize development impact."

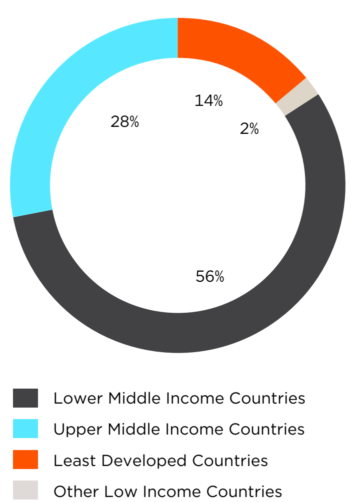
Although the share of the SE4ALL[3], infrastructure and other non-financial segments remained flat at 16% of the portfolio, the absolute size of these portfolios grew significantly, as shown below:

Primary portfolio

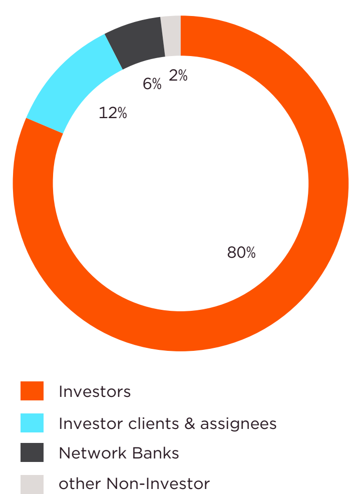
	SE4ALL 2019	SE4ALL 2018	Other infrastructure 2019	Other infrastructure 2018	Other sectors 2019	Other sectors 2018
Gross outstandings (USD mln)	200	181	187	125	123	116
% of portfolio	6%	7%	6%	5%	4%	4%
Number of deals outstanding	44	38	14	8	28	25

In terms of Development Assistance Committee (DAC) country classification, the proportion of the Primary Investments portfolio allocated to the least developed and lower income countries grew from71% of the portfolio in 2018, to 72% in 2019:

Primary portfolio: country diversification (% gross outstandings)



Primary portfolio: counterparty types (% gross outstandings)

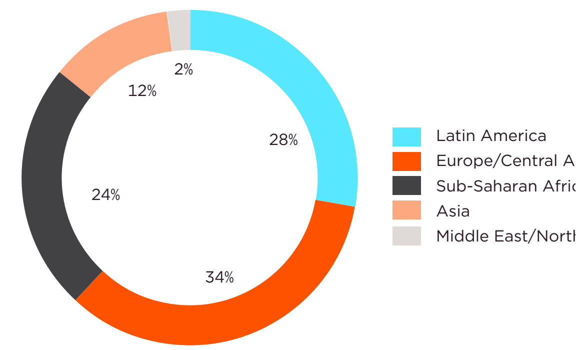


Per type of counterparty, 92% of the Primary business is investor-related. The balance is sourced from international banks and other third-parties. This deal-flow diversifies the currency mix of the portfolio and enhances TCX's development impact, notably by contributing to achieving specific development objectives targeted by the Subordinated Convertible Debt investors in the Fund (e.g., Sub-Saharan Africa, SE4ALL, etc.).

In 2019, the regional mix of the total local currency derivatives portfolio (sum of the local currency Primary, Trading and Hedging books) shifted towards Europe/Central Asia from Latin America, which accounted for 34% and 28% of the portfolio's net local currency exposure respectively (2018: 28% and 33%).[4] Sub-Saharan Africa's share of the net local currency exposure remained stable at 24% in 2019, though the net exposure in the region grew 19% to USD 435 million.

3 | SE4ALL = Sustainable Energy For All
4 | In this section on the regional mix of the local currency derivatives portfolio, we shift from discussing the gross outstandings (= long plus short positions) in the Primary portfolio to the net exposures (= long minus short positions) in the total portfolio because this matches the basis of the regional limits set by TCX (see Note 4 to the Financial Statements).

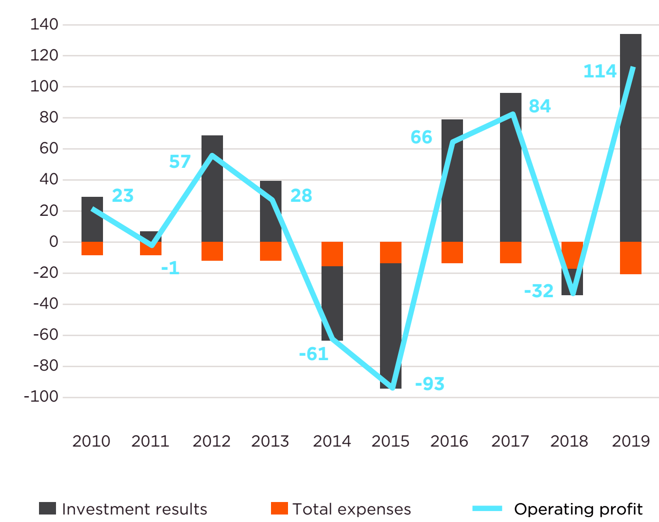
Derivatives portfolio: regional diversification (% net LCY exposure)



Performance results

The net result for 2019 was a profit of USD 114 million, including an investment gain of USD 134 million (after FX translation effects) and USD 20 million in operational expenses and financial charges:

Annual results (USD million)

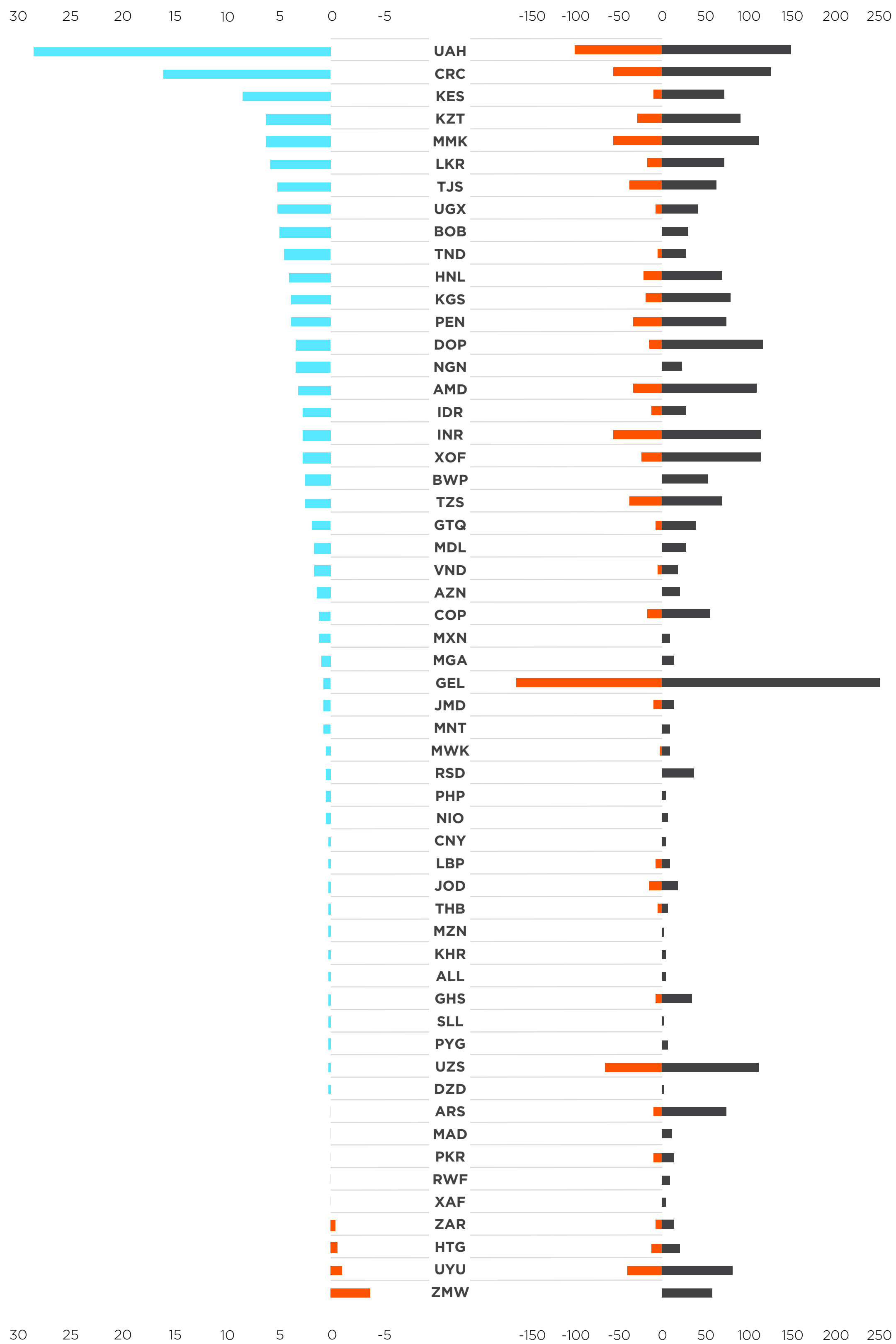


- The operational expenses[5] increased from USD 10.8 million in 2018 (0.25% of Assets Under Management[6]), to USD 11.9 million in 2019 (0.21% of AUMs).
- The financial charges consisted of USD 6.1 million related to the Subordinated Convertible Debt (2018: USD 5 million) and USD 1.4 million related to the Subordinated Loan held by the Inter-American Development Bank (IDB) (2018: USD 0.1 million). The latter charge relates to the larger size of the additional payment TCX may have to pay to IDB at maturity of the loan (in lieu of ongoing interest payments), if the Fund's NAV performance since the loan was issued continues to exceed LIBOR by the extent it did at year-end 2019 (at year-end, the estimate was USD 1.7 million, versus USD 0.3 million in 2018).
- The investment gains totaled USD 134 million (after FX translation results), a record for the Fund. The gains generally reflect the sizable interest carry in TCX's books and the strong performance of the majority of frontier and emerging market currencies. The latter was due to generally favorable fundamentals and growing interest from global investors willing to raise their risk appetite in these markets, in expectation of central bank stimuli and positive developments in the US-China trade war.

5 | Includes the management and performance fees paid to the Fund Manager, plus TCX's internal costs.
6 | As defined under the Alternative Investment Fund Management Directive, and essentially equal to the fair market value of TCX's non-derivative assets, plus the gross notional size of the derivatives portfolio. The AUMs at 31 December 2019 totaled USD 5.7 billion (2018: USD 4.3 billion).

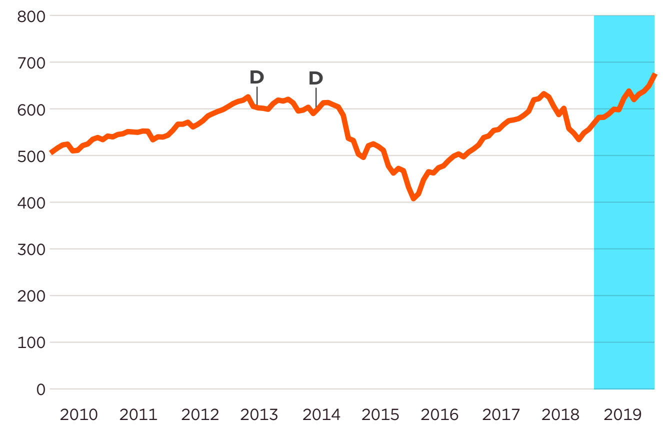
The investment result reflects the performance of the underlying currency exposures relative to the US dollar. In 2019, the contribution per currency was as follows:

Investment result **per currency** (USD million) **Average notional exposure**



Reflecting the year's results, the Net Asset Value per share grew by 20.6% year-on-year, from USD 556,414 per share at year-end 2018 to USD 670,790 per share at year-end 2019:

Net asset value per share (USD thousands)



Capital management

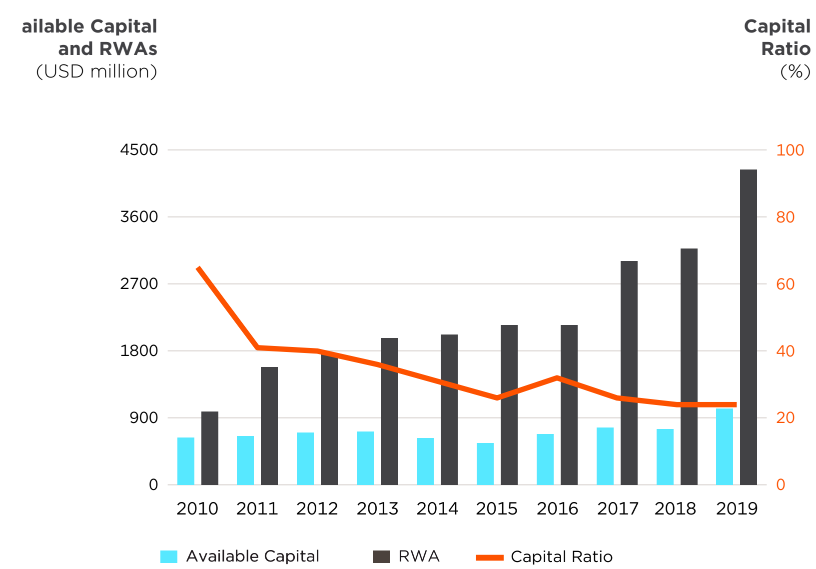
The available capital grew by 37%, from USD 746 million at year-end 2018 to USD 1,025 million at year-end 2019. The increase of USD 279 million was driven by:

- the year's profit (USD 114.3 million), plus
- USD 41.1 million in Subordinated Convertible Debt issued to the UK Department for International Development (DFID), plus
- USD 128.4 million in A-shares purchased by EBRD, FMO, KfW, EIB, Oikocredit, ASN Microkredietpool, and Blue Orchard Microfinance Fund, less
- USD 6.6 million of repayment of the Subordinated Loan provided by Inter-American Development Bank (IDB).

In addition, we benefited from BMZ extending its Subordinated Convertible Debt investment from 2025 to to 2045, reflecting their long term commitment to local currency financing and TCX.

The capital ratio (available capital to risk weighted assets) improved to 24.2% at year-end 2019, compared to 23.5% in 2018. This improvement was caused by a faster increase in available capital (+37%) than in risk weighted assets (+33% to USD 4.2 billion). The latter was largely driven by the growth of the derivatives portfolio (+32%, as shown in the table on page 8).

Capital and risk weighted assets (USD million)



Market risks (FX and interest rate risks) accounted for 92.1% of risk weighted assets at year-end 2019 (2018: 92.9%), operational risks 4.6% (2018: 4.7%), and credit risks 3.3% (2018: 2.4%).

Recent Developments

Impact of the COVID-19 crisis

The Managing Board expects the impact of the COVID-19 crisis on TCX to be significant and sustained, and although uncertainties exist concerning this assessment, we have at this time no material uncertainties concerning TCX's ability to continue as a going-concern entity.

In reaching this conclusion, we looked at the impact of the outbreak on TCX's operations (people, systems, suppliers), activities (volumes, counterparties), finances (earnings, capital, liquidity) and governance (Supervisory Board, Executive Committee, Pricing Committee, risk management, investors). Note 2 to the financial statements ("events after the reporting period") provides the details of this impact analysis. The key take-aways are as follows:

- We expect that TCX will report losses in 2020, that may reverse the gains of 2019. The bulk of these losses will be unrealized mark-to-market losses. How much of the losses will be realized over time depends on the depth and duration of the crisis, the speed of recovery, and the associated market developments. In this respect, we note that the returns will be supported by the sizeable interest carry in TCX's books, which is presently running at circa USD 125 million per annum.
- We do not see that the crisis will either stretch the Fund's ability to fund its operations or post collateral, or cause it to breach the 14% capital ratio minimum. Among the reasons for this are first, that TCX held in excess of USD 1 billion in high quality liquid assets entering the crisis, and second, that its risk weighted assets are likely to shrink through 2020, due to lower production, maturing trades, and increased efforts to offset risks. This will conserve capital and provide support for the capital ratio.
- Although TCX's operational and credit risks will increase, we do not see this as a source of material concern or loss. Certainly, we expect that the teams servicing TCX will be affected by working remotely from home while taking multiple actions to handle the crisis. This includes restructuring a significant portion of the portfolio to match the rescheduling of the underlying loans, and more active monitoring of TCX's counterparties. However, 96% of TCX's credit exposures are investment grade, and we expect the teams to be as resilient as they have proven to date.

For the longer-term, it is important to realize that TCX's mission to absorb the FX risks of lending into the emerging and frontier markets is seen by its existing and prospective investors (with whom the dialogue has accelerated) as an integral part of the economic recovery solution for these countries. Therefore, past the initial shock of the COVID-19 crisis, we see the prospects for enhanced business volumes driven by new development finance initiatives, with good chances of additional commitments to TCX's capital base (and other forms of support).

TCX Credit rating

On 1 April 2020, S&P confirmed TCX's single-A credit rating with a stable outlook, on the back of similar conclusions concerning the adequacy of its capital and liquidity cushions (and the good chances of investor support due to mission alignment).

Other Ongoing Challenges

- As the Fund increasingly operates as a warehouse of local currency risks (by on-selling to the market the exposures that it onboards when hedging the loan books of its investors), TCX becomes more dependent on the market's appetite for frontier currency risk. In the past, we have seen that periods of risk adversity towards frontier markets can result in a (temporary) inability of the Fund to offset its risks. In these circumstances, the capital usage intensifies and the growth buffer becomes the only source allowing TCX to book new business. This reinforces the need to retain capital instead of paying dividends, and to attract fresh capital to sustain the Fund's growth, in a context where the demand for TCX's product grows daily and capital raising transactions have long lead-times.
- The choice for local currency funding to match assets earning local currency is often based on short-term financial considerations by local managers ("how much will it cost me now?") rather than forward-looking risk management ("how much could I lose later?"). As a result, many clients continue to perceive as attractive the low interest rates prevailing in hard currencies and to borrow in these currencies instead of local currencies.
- In many economic sectors, TCX faces long-standing structural impediments to realizing its development impact. An example is the energy sector where many of underlying commercial contracts are denominated in US dollars and the risk is off-loaded to the end clients. Penetrating these sectors requires patient work to explain to the lenders, borrowers, regulators, and governments involved that local currency arrangements may be better suited.
- As a market risk vehicle, TCX is not in position to absorb a significant amount of the credit and country risks that inevitably arise when investing in emerging and frontier markets. The Fund is dependent, therefore, on the ability and willingness of strong parties to face these risks, either as counterparties to TCX or as guarantors of its exposures.
- TCX's Primary Investments portfolio occasionally achieves peaks in individual and regional currency concentrations due to high demand and growing transactions sizes, particularly in the infrastructure sectors. Notwithstanding the Fund Manager's efforts to place some exposures with market participants, the opportunities to offset these positions remain limited, due to TCX's mandate to be "additional" to the market. Under these circumstances, rationing the available capacity could be required.

We believe that TCX has in place the strategies, capabilities and processes necessary to overcome these challenges and the COVID-19 crisis, and we look forward to building on the momentum and achievements of the past few years.

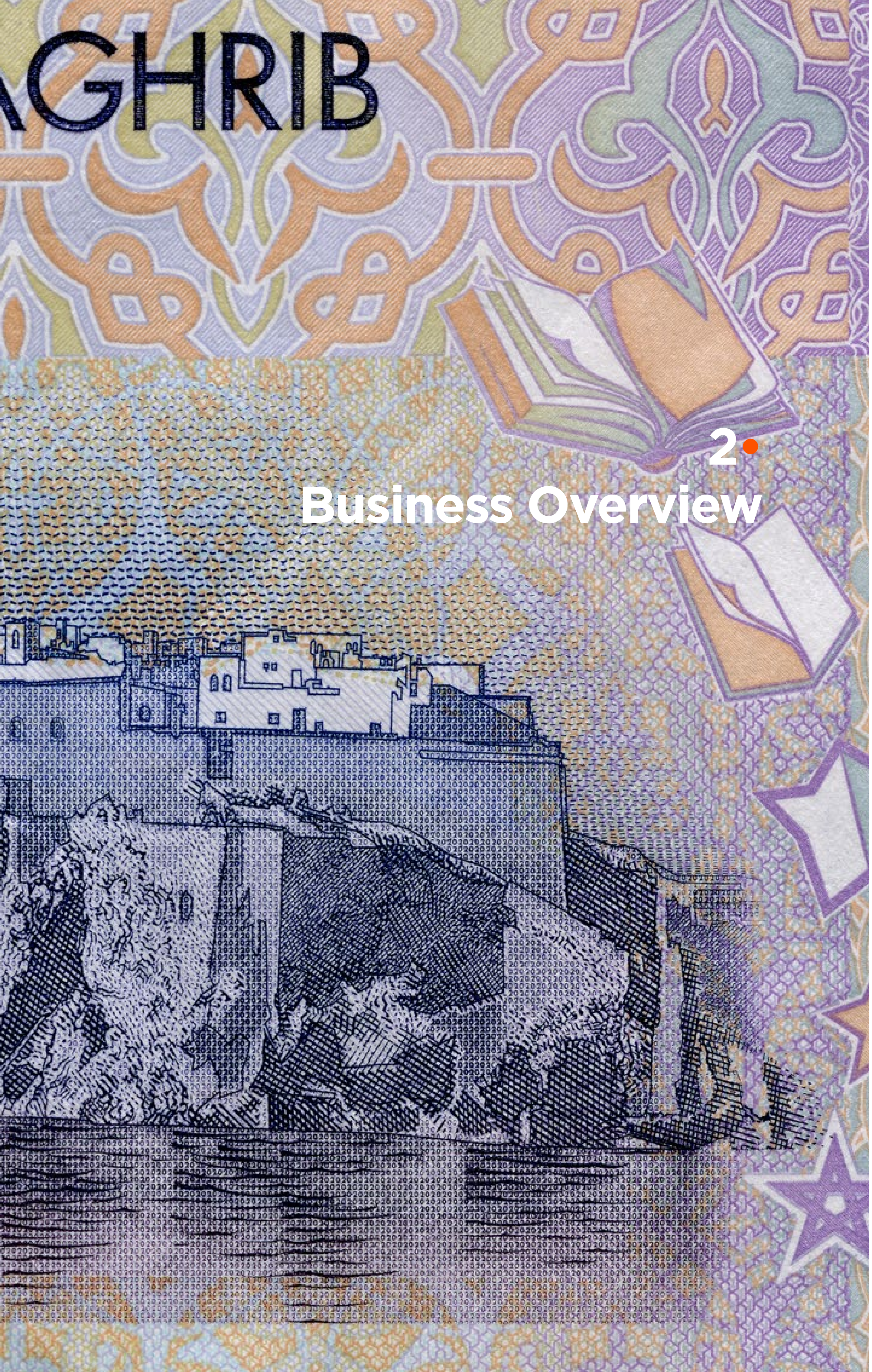
Amsterdam, 15 April 2020

The Managing Board of TCX Investment Management Company B.V.

Ruurd Brouwer, Chief Executive Officer

Bert van Lier, Chief Investment Officer

Brice Ropion, Chief Operating Officer



2 Business Overview

Business Rationale

Long-term finance in emerging markets is often provided by development banks and other international investors who naturally lend in hard currency. The local borrower, earning local currency, has limited scope to absorb a currency mismatch between income and liabilities, and thus should borrow in local currency. The international investor, however, can usually only provide local currency if it can itself be hedged.

In established markets hedging solutions are readily available, but this is rarely the case in frontier markets. Hedging products are typically provided by banks acting as intermediaries, ultimately placing the risk back into the local capital markets. In frontier markets, however, the ability to absorb these risks is limited. Thus, the intermediary model breaks down.

TCX's unique value proposition is its ability to retain, on its own balance sheet, the currency risks that arise from the hedges it provides to market participants. To operate successfully, TCX does not need a functioning local market. Its risk model is based on the portfolio diversification effect of spreading and absorbing currency risks across all regions. On average, the higher interest rates prevailing in frontier markets more than compensate for the devaluing trend of these currencies, which allows TCX to be modestly profitable over the longer-term.

Business Principles

- **Focused products:** TCX only invests in market risk management products such as currency swaps and forwards. It does not provide funding.
- **Unique risk management structure:** TCX assumes outright currency risks in highly illiquid markets, managing risk through portfolio diversification across all regions and DAC countries in the emerging and frontier markets.
- **Alignment with shareholders:** By working with its shareholders, TCX has origination access to their combined client networks and deal-flow. TCX tailors its investments for these institutions.
- **Risk-reflective pricing:** TCX invests in products that are priced in accordance with prevailing market rates and established methodologies.
- **Additionality:** TCX only invests where its counterparties have no adequately priced commercial alternatives.
- **Non-speculation:** TCX only hedges currency exposures that arise from actual underlying obligations.

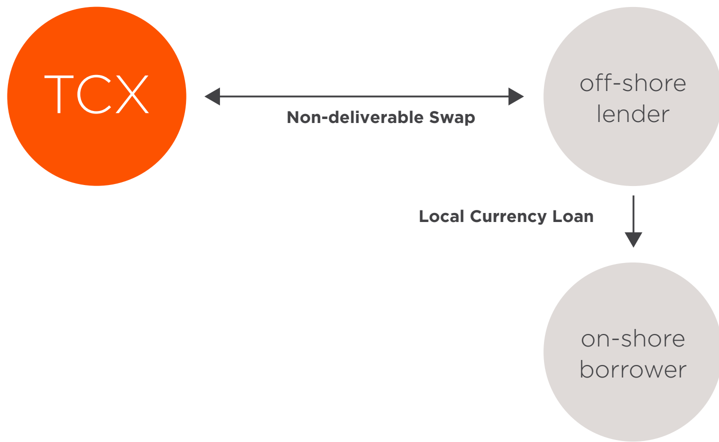
Products

TCX uses a limited set of derivative products and delivery channels to achieve its mission. This allows it to remain focused on its primary objective, which is the facilitation of long-term local currency finance in frontier markets in close alignment with its shareholders.

TCX's main investment product is a non-deliverable cross-currency swap, usually matched to the cash-flow of a local currency loan provided by one of its shareholders. The swap ensures that the lender's income is guaranteed in USD or EUR whilst the borrower's obligations are in local currency. A simpler investment product that can achieve similar results is the FX forward, also one of TCX's products.

The cross-currency swap may be provided either to the lender or to the borrower. Hedging the lender results in the investment structure presented in the figure below. The lender provides a local currency loan to the domestic borrower and hedges the associated currency exposure with TCX, so that the combined deal is an asset in the lender's functional currency e.g. the USD.

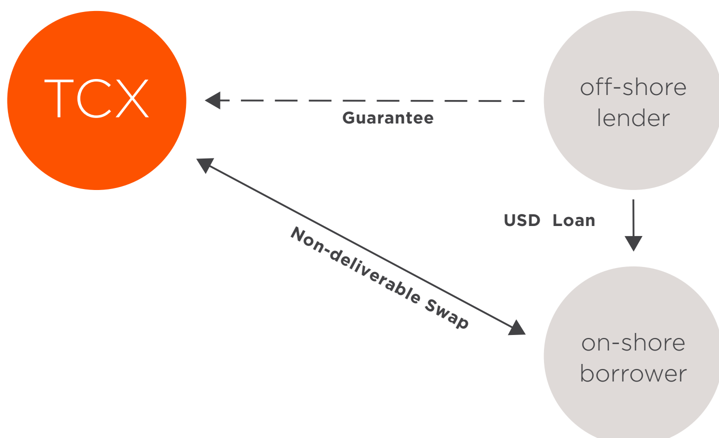
Hedging the Lender



This structure is relatively straightforward from several perspectives. The client interface (and counterparty credit risk management) remains concentrated with the lender and the hedge is not exposed to domestic legal, regulatory or tax constraints.

The hedge may also be provided to the borrower, resulting in the structure presented below. The lender provides a USD loan to the local borrower, who hedges the resulting obligation with TCX. The hedge transforms its hard currency obligation into a local currency liability.

Hedging the Borrower



The direct swap to the local entity allows a greater flexibility in the application of the hedge, since it is decoupled from the loan. The timing, size and tenor of the transaction may be specified to suit the client's needs, as may the details of the hedge terms (the client could decide, for instance, not to include the loan margin in the hedge). The direct swap structure does however require TCX to onboard the local client, address the resulting counterparty risks (via guarantees or other means), and satisfy itself that the local legal, regulatory and tax environment support the required transaction terms. For these reasons, TCX generally prefers dealing directly with lenders.

Please refer to TCX's website, **www.tcxfund.com**, for more details on TCX's investment products and the requirements to trade.

"This year's strong returns make 2019 a successful year in terms of building-up the reserves required to face the next emerging market crisis. Crises are a fact of life. TCX's objective is to withstand these."

• Latin America

Antigua and Barbuda Dollar **XCD**
Argentina Peso **ARS**
Bolivia Boliviano **BOB**
Brazil Real **BRL**
Colombia Peso **COP**
Costa Rica Colon **CRC**
Dominica Dollar **XCD**
Dominican Republic Peso **DOP**
Grenada Dollar **XCD**
Guatemala Quetzal **GTQ**
Guyana Dollar **GYD**
Haiti Gourde **HTG**
Honduras Lempira **HNL**
Jamaica Dollar **JMD**
Mexico Peso **MXN**
Montserrat Dolla **XCD**
Nicaragua Cordoba **NIO**
Paraguay Guarani **PYG**
Peru Sol **PEN**
Saint Lucia Dollar **XCD**
St. Vincent and Grenadines Dollar **XCD**
Suriname Dollar **SRD**

• Sub-Saharan Africa

Angola Kwanza **AOA**
Benin Franc CFA **XOF**
Botswana Pula **BWP**
Burkina Faso Franc CFA **XOF**
Burundi Franc **BIF**
Cameroon Franc CFA **XAF**
Central African Rep. Franc CFA **XAF**
Chad Franc CFA **XAF**
Comoros Franc **KMF**
Côte d'Ivoire Franc CFA **XOF**
Dem. Rep. of the Congo Franc **CDF**
Equatorial Guinea Franc CFA **XAF**
Ethiopia Birr **ETB**
Gabon Franc CFA **XAF**
Gambia Dalasi **GMD**
Ghana Cedi **GHS**
Guinea Franc **GNF**
Guinea-Bissau Franc CFA **XOF**
Kenya Shilling **KES**
Lesotho Loti **LSL**
Liberia Dollar **LRD**
Madagascar Ariary **MGA**
Malawi Kwacha **MWK**
Mali Franc CFA **XOF**
Mauritania Ouguiya **MRO**
Mozambique Metical **MZN**
Namibia Dollar **NAD**
Niger Franc CFA **XOF**
Nigeria Naira **NGN**
Rep. of the Congo Franc CFA **XAF**
Rwanda Franc **RWF**
Senegal Franc CFA **XOF**
Sierra Leone Leone **SLL**
Somalia Shilling **SOS**
South Africa Rand **ZAR**
Swaziland Lilangeni **SZL**
São Tomé and Príncipe Dobra **STD**
Tanzania Shilling **TZS**
Togo Franc CFA **XOF**
Uganda Shilling **UGX**
Zambia Kwacha **ZMW**

• Europe + Central Asia

Albania Lek **ALL**
Armenia Dram **AMD**
Azerbaijan Manat **AZN**
Belarus Ruble **BYN**
Bosnia and Herzegovina Mark **BAM**
Georgia Lari **GEL**
Kazakhstan Tenge **KZT**
Kyrgyz Republic Som **KGS**
Macedonia Denar **MKD**
Moldova Leu **MDL**
Mongolia Tugrik **MNT**
Serbia Dinar **RSD**
Tajikistan Somoni **TJS**
Turkey Lira **TRY**
Turkmenistan Manat **TMT**
Ukraine Hryvnia **UAH**
Uzbekistan Som **UZS**

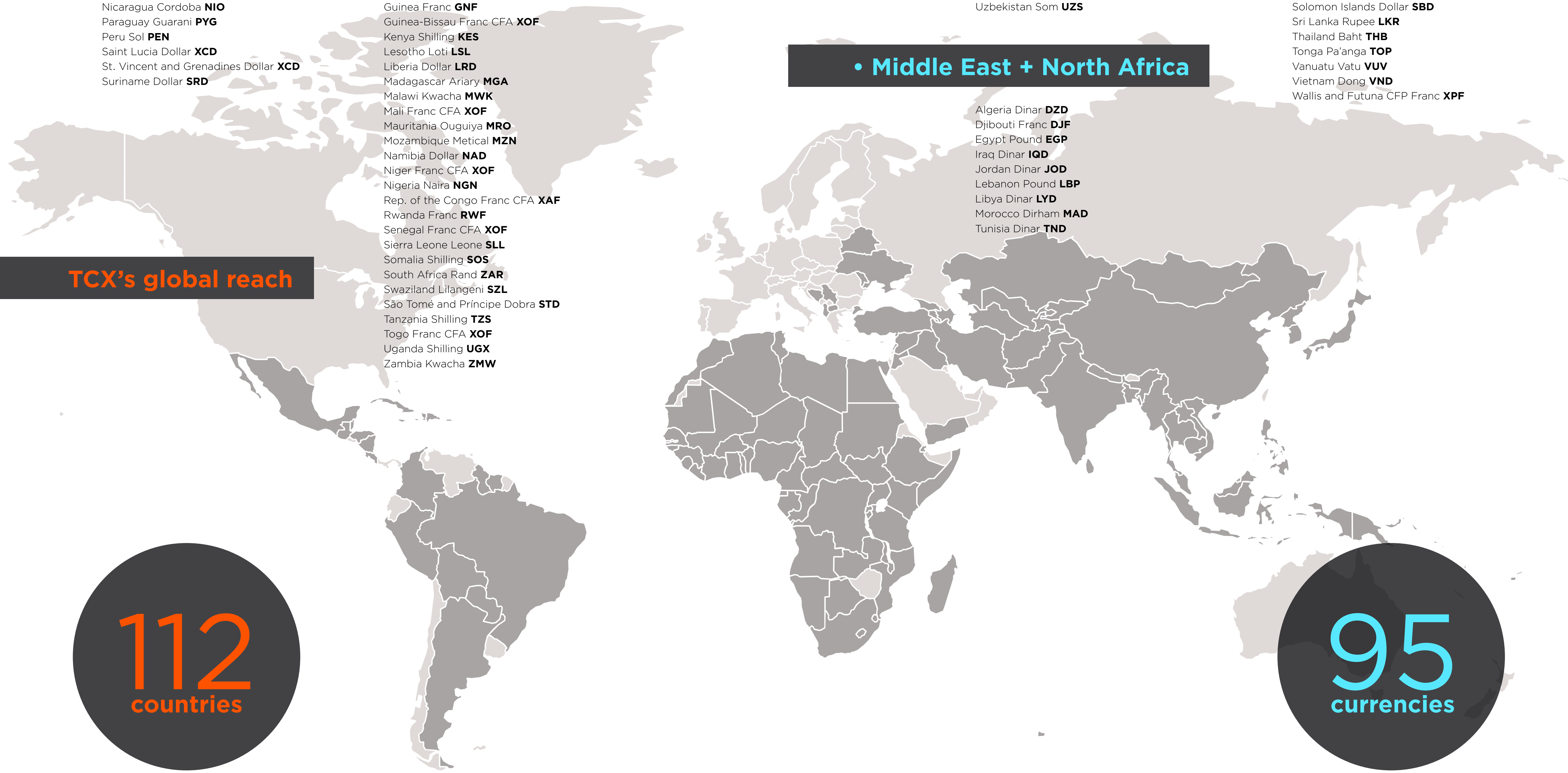
• Middle East + North Africa

Algeria Dinar **DZD**
Djibouti Franc **DJF**
Egypt Pound **EGP**
Iraq Dinar **IQD**
Jordan Dinar **JOD**
Lebanon Pound **LBP**
Libya Dinar **LYD**
Morocco Dirham **MAD**
Tunisia Dinar **TND**

• Asia

Afghanistan Afghani **AFN**
Bangladesh Taka **BDT**
Cambodia Riel **KHR**
China Renminbi **CNY**
Fiji Dollar **FJD**
India Rupee **INR**
Indonesia Rupiah **IDR**
Laos Kip **LAK**
Malaysia Ringgit **MYR**
Maldives Rufiyaa **MVR**
Myanmar Kyat **MMK**
Nepal Rupee **NPR**
Pakistan Rupee **PKR**
Papua New Guinea Kina **PGK**
Philippines Peso **PHP**
Samoa Tala **WST**
Solomon Islands Dollar **SBD**
Sri Lanka Rupee **LKR**
Thailand Baht **THB**
Tonga Pa'anga **TOP**
Vanuatu Vatu **VUV**
Vietnam Dong **VND**
Wallis and Futuna CFP Franc **XPF**

TCX's global reach

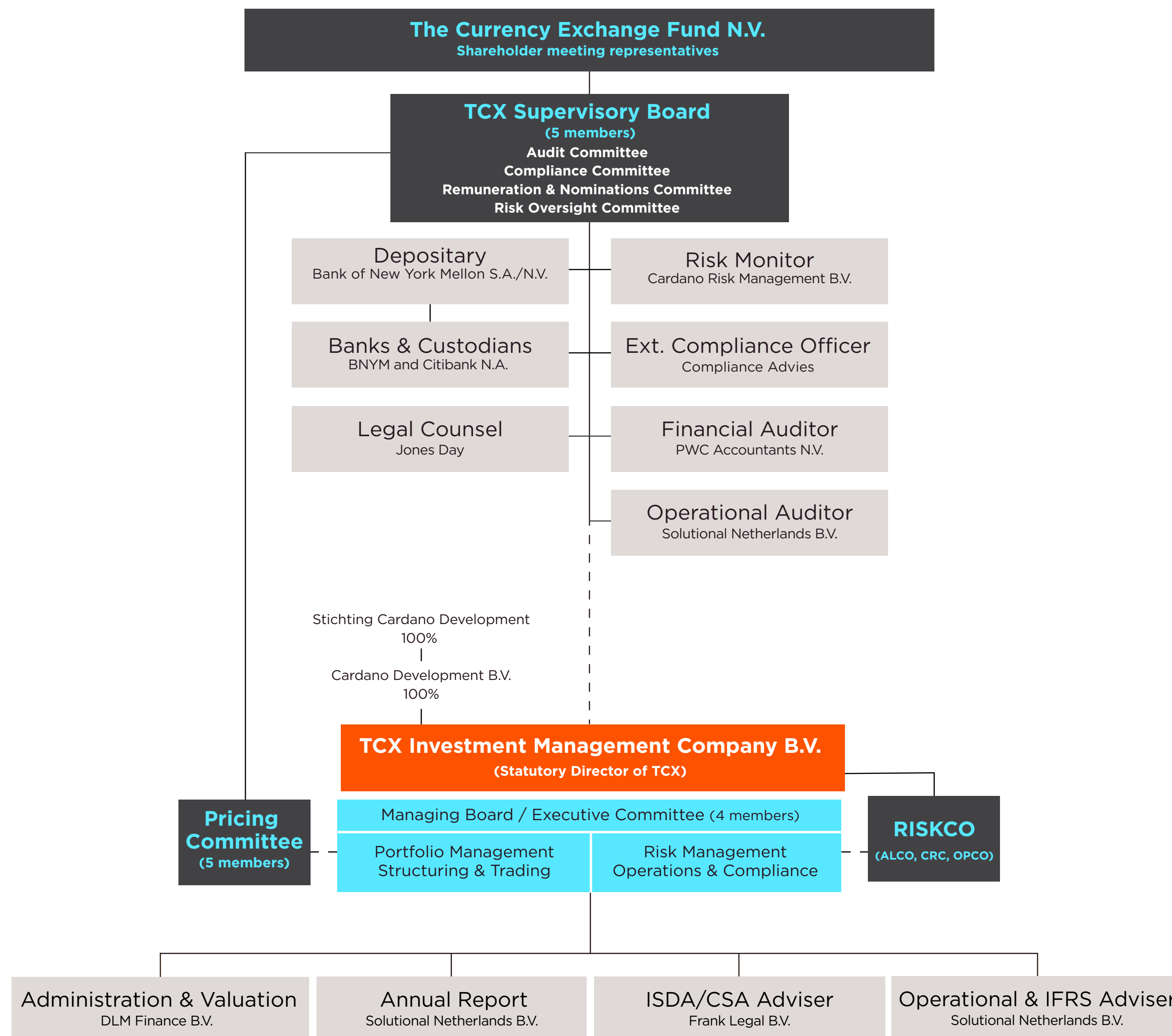


112
countries

95
currencies

3 Governance + Ownership

Organizational Chart



Fund Management

TCX Investment Management Company B.V. (TIM) is TCX's exclusive Fund Manager and the sole member of the Fund's statutory Managing Board. As such, it is responsible for the commercial, operational, compliance and risk management of the Fund, with Mr. Ruurd Brouwer as its Chief Executive Officer, Mr. Bert van Lier as its Chief Investment Officer, Mr. Othman Boukrami as its Head of Trading, and Mr. Brice Ropion as its Chief Operating Officer and head of its risk, finance, and compliance functions. These four individuals comprise TIM's Executive Committee (its Managing Board does not include Mr. Boukrami).

TIM is 100% owned by Cardano Development B.V., which itself is 100% owned by Stichting Cardano Development, a stand-alone tax-exempt not-for-profit foundation that has no ultimate beneficial owner under the relevant laws of The Netherlands.

TIM employed 22 staff members at year-end 2019. Details on the team's remuneration may be found in Note 9 of the Financial Statements.

TIM is supported by several delegates and other parties in the management of the Fund. These parties include:

- **The Fund's Risk Monitor, Cardano Risk Management B.V.,** a 100% subsidiary of Cardano Holding B.V.,[7] responsible for quantifying, monitoring, and reporting the Fund's risk exposures and capital ratios, and providing pricing, valuation and risk advisory and operational control services to the Fund;
- **The Fund's Administrator and Valuer, DLM Finance B.V.,** a company established and owned by former TIM employees, responsible for booking, settling, valuing, and reporting the Fund's positions, and preparing the Fund's accounts and NAV statements;
- **Bank of New York Mellon N.V., the Fund's Global Custodian and Depositary.** As Depositary, BNYM is responsible for monitoring the Fund's share transactions, safekeeping its assets, reconciling its cash flows, and confirming that its valuation policies and processes are being properly adhered to; and
- **Compliance Advies, the Fund's External Compliance Officer,** responsible for supporting TIM's Internal Compliance Officer on regulatory matters, and for performing an independent whistle-blowing role on code of conduct and conflict of interest incidents.

TIM is a licensed Alternative Investment Fund Manager ("AIFM") that is subject to Directive 2011/61/EU (the Alternative Investment Fund Managers Directive or "AIFMD") as implemented in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht or "Wft"). The license has no time limits and is restricted to managing TCX only, for the benefit of professional investors only. The supervisory authorities are the Financial Markets Authority of The Netherlands with respect to conduct of business, and the Central Bank of The Netherlands with respect to the prudential rules that apply to AIFMs.

7 | Cardano Holding Ltd. and Cardano Risk Management B.V. are unrelated to Stichting Cardano Development and Cardano Development B.V. (TIM's owners), except that (i) the chairman of the Board of Stichting Cardano Development is a minority owner of Cardano Holding Ltd, and (ii) there is a financial relationship between Cardano Holding Ltd. (as lender) and Stichting Cardano Development (as borrower).

"Four years of record-breaking local currency activities demonstrate that the era of local currency finance has started."

Risk Management

For integrated risk management purposes, TIM's Managing Board appoints each year the members of three committees that together constitute the **Risk Management Committee** of the Fund (a.k.a **RISKCO**). These committees are the Asset & Liability Management Committee (ALCO), the Counterparty Risk Management Committee (CRC), and the Operations Committee (OPCO).

RISKCO manages, monitors and reports on all risk issues impacting TCX, and either sets or proposes (to the TCX Supervisory Board) policies and guidelines in the areas of balance-sheet management, capital allocation, financial performance, and operational risk and control. It also decides on all counterparty risk matters, including KYC/AML and credit decisions.

Apart from members of the Managing Board and TIM staff members, RISKCO's voting members include representatives of the Risk Monitor and the Administrator, plus an independent member. During 2019, the independent risk management professional received an annual remuneration of EUR 20,000 (excluding VAT). Other members were not separately remunerated for their services on RISKCO.

Each member of RISKCO has a right of appeal to the Fund's Supervisory Board in case of disagreement with the committees' majority decisions. This important aspect of the Fund's governance structure is designed to uphold the parties' statutory and/or contractual obligations to protect at all times the interest of the investors in the Fund.

Supervisory Board

The Fund's management is supervised by the TCX Supervisory Board, which is responsible for oversight and governance of the Fund's policies and strategy.[8]

Supervisory Board members are appointed by the General Meeting by simple majority vote for a renewable period of 4 years and receive an annual remuneration of EUR 30,000 (excluding VAT), except for the Chairman who receives EUR 40,000 (excluding VAT).

Of the six current members, two are related to substantial investors in the Fund: one as a board member and one as a senior executive of a sister company of the investor. Four members are independent, including the Chair.

Supervisory Board meetings are attended by the members in person or by phone, and by the Managing Board and the Risk Monitor. Each meeting covers, inter-alia, a business and risk performance update regarding the Fund's portfolio. The Supervisory Board also debates and provides management guidance on all material issues regarding the Fund's business strategy, policies, product and market development, compliance, and governance. All matters presented to the Fund's investors are pre-discussed and approved by the Supervisory Board.

The Supervisory Board has appointed four sub-committees to help it discharge its oversight functions: an Audit Committee, a Compliance Committee, a Remunerations & Nominations Committee, and a Risk Oversight Committee. These committees operate pursuant to terms of reference determined by the Supervisory Board and the Fund's code of conduct, in line with the rules and regulations of the Dutch corporate governance code. The Supervisory Board meets regularly with these committees, and uses a standardized agenda that allows the committee members to bring matters within their remit to the immediate attention of the Supervisory Board, without holding separate meetings.

8 | Given the powers of the TCX Supervisory Board as desired by TCX's investors, the Financial Markets Authority of The Netherlands holds the TCX Supervisory Board jointly and severally responsible with the TIM Managing Board for regulatory compliance by the Fund Manager.

- The **Audit Committee** assists the Supervisory Board on the Fund's valuations, controls, and financial reporting. Members of the Audit Committee are not separately remunerated for their work on the committee.

- The **Compliance Committee** discusses and approves the regular reports of TCX's External Compliance Officer and generally considers and advises the Supervisory Board on compliance issues arising from time to time. Members of the Compliance Committee are not separately remunerated for their work on the committee.

- The **Remuneration and Nominations Committee** provides the Supervisory Board with non-binding advice regarding the variable Performance Fee payable to the Fund Manager , as well as other specific advice requested by the Supervisory Board from time to time, including the nomination of candidates to become Supervisory Board members, as part of the Board's succession planning. Members of the Remuneration Committee are not separately remunerated for their work on the committee.

- The **Risk Oversight Committee** oversees the day-to-day risk management activities of RISKCO and advises and otherwise assists the Supervisory Board in ensuring sound integrated risk management. Members of the Risk Oversight Committee are not separately remunerated for their work on the committee.

The Supervisory Board also appoints and oversees a Pricing Committee:

- The **Pricing Committee** is a unique feature of the TCX governance model, consisting of 5 independent professionals chosen for their expertise in derivative pricing in emerging markets. All pricing methodologies are approved by this committee, ensuring best-practice application of market-based risk-reflective pricing methods to all primary transactions. All members are remunerated by way of an annual lump sum of EUR 30,000 (excluding VAT), except for the Chairman who receives EUR 45,000 (excluding VAT).

Membership of the various committees is provided at the end of this Annual Report.

9 | The variable Performance Fee payable to the Fund Manager depends on scores given by the Supervisory Board for Corporate Management Quality (25%), Developmental Impact and Market Creation (30%), Capital and Portfolio Management (20%), and Long Term Return (25%), with the Supervisory Board reserving the right to disregard any pre-agreed criteria when deciding the final score. For 2019, the resulting Performance Factor was 1.52 on a scale of 0 to 1.6 (2018: 1.5). This variable Performance Factor affects both the bonus pool payable to TIM's employees (which is tied to the salary mass), and the profits accruing to TIM's owner, Cardano Development B.V. (which are tied to a fixed USD amount that is indexed to US inflation).

TCX Investors

IMPORTANT NOTICE UNDER THE LAWS OF THE EU

Interests in TCX can only be acquired by entities who qualify as Professional Investors within the meaning of article 4:1 of Directive 2011/61/EU (the Alternative Investment Fund Managers Directive), as implemented in the Financial Markets Supervision Act (Wet of het financieël toezicht) of The Netherlands.

IMPORTANT NOTICE UNDER THE LAWS OF THE USA

Interests in TCX have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and can only be acquired by persons outside of the United States and may not be offered or sold in the United States or to or for the benefit of U.S. persons.

TCX Investors

As of 31 December 2019

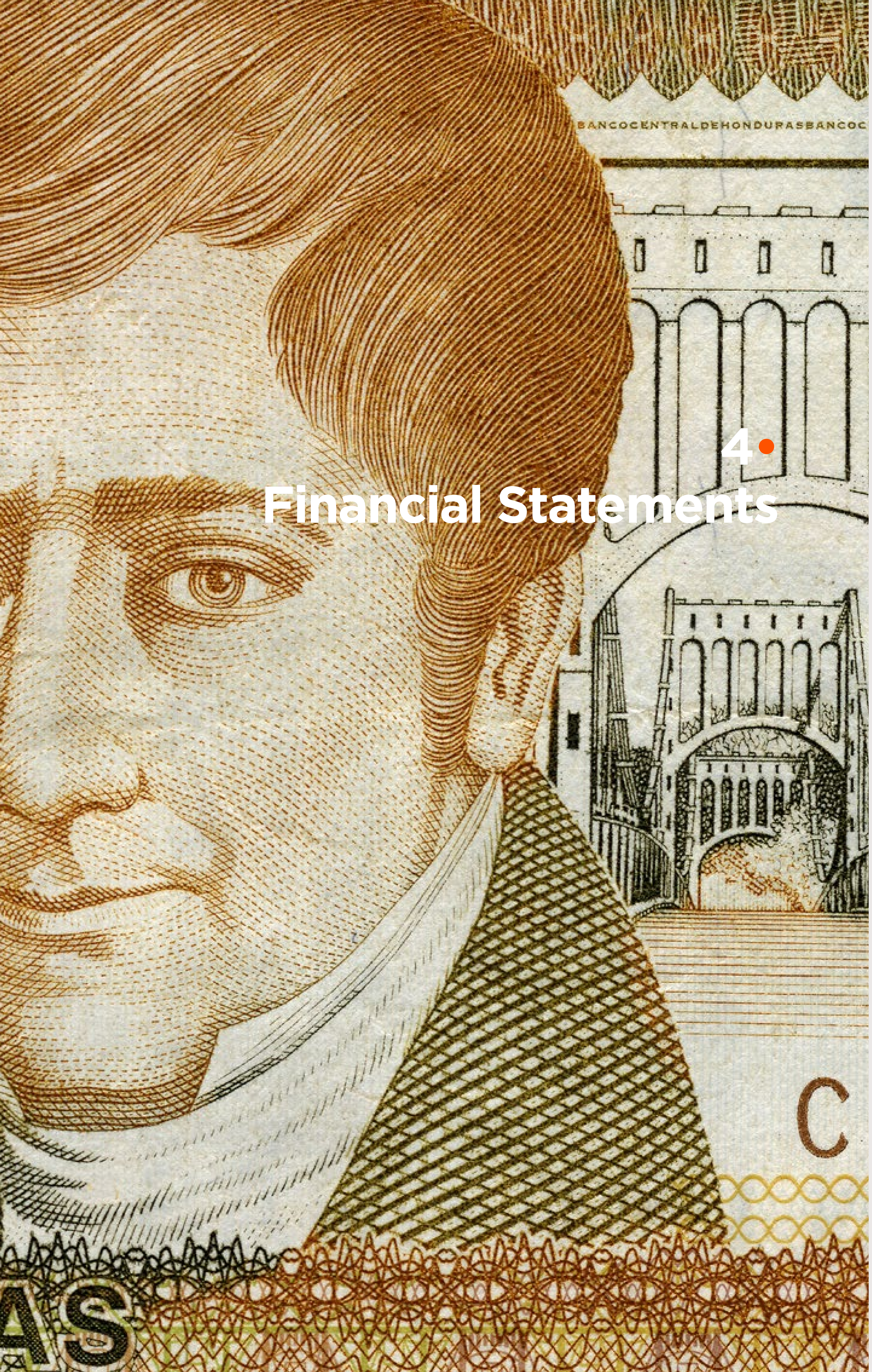
Name of Investor	A-Shares held	As % of Shares held	Issuance Value (USD)	As % of Investors
Kreditanstalt für Wiederaufbau (KfW)	188	16,79%	101.586.820	11,6%
European Bank for Reconstruction and Development (EBRD)	188	16,79%	100.759.918	11,5%
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO) (*)	188	16,79%	99.757.432	11,3%
The European Investment Bank (EIB)	120	10,71%	61.956.722	7,0%
Japan Bank for International Cooperation (JBIC)	84	7,50%	49.969.283	5,7%
Agence Francaise de Developpement (AFD)	80	7,14%	40.592.702	4,6%
International Finance Corporation (IFC)	50	4,46%	29.712.897	3,4%
African Development Bank (AfDB) (*)	49	4,38%	24.736.664	2,8%
Development Bank of Southern Africa Ltd. (DBSA)	40	3,57%	20.000.000	2,3%
OIKOCREDIT (Ecumenical Development Cooperative Society U.A.) (*) (**)	27	2,41%	15.539.091	1,8%
Belgian Investment Company for Developing Countries SA/NV (BIO)	20	1,79%	10.000.000	1,1%
ASN Microkredietpool	15	1,34%	9.567.691	1,1%
MFX Solutions LLC	14	1,25%	7.596.148	0,9%
Promotion et Partipication pour la Cooperation Economique (PROPARCO)	10	0,89%	5.074.088	0,6%
European Fund for Southeast Europe (EFSE)	10	0,89%	5.048.299	0,6%
Compania Espanola de Financiacion del Desarrollo S.A. (COFIDES)	10	0,89%	5.000.000	0,6%
OPEC Fund for International Development (OFID)	10	0,89%	4.945.084	0,6%
Blue Orchard Microfinance Fund (BOMF)	8	0,71%	4.914.799	0,6%
OIKOCREDIT obo Stichting Oxfam Novib (**)	5	0,45%	2.524.149	0,3%
OIKOCREDIT obo Grameen Credit Agricole Microfinance Foundation (GCAMF) (**)	4	0,36%	2.395.146	0,3%
Total Shareholders Equity Paid in	**1,120**	**100,0%**	**601.676.931**	**68,4%**

Subordinated Loans Disbursed (Tier 2 capital)		
IADB	**10.000.000**	**1,1%**

Subordinated Convertible Loans Disbursed (tier 1 capital)		
Netherlands Minister for Development Cooperation	70.617.623	8,0%
KfW on behalf of the German Government (BMZ)	58.155.830	6,6%
KfW on behalf of the German Government (BMZ)	26.728.875	3,0%
KfW on behalf of the German Government (BMZ)	5.662.200	0,6%
KfW on behalf of the German Government (BMU)	32.765.460	3,7%
KfW on behalf of the German Government (BMU)	22.648.000	2,6%
UK Department for International Development (DFID) (***)	40.285.900	4,6%
Total Subordinated Convertible Debt	**256.863.888**	**29,2%**

First Loss Loan Disbursed (tier 1 capital)		
Netherlands Minister for Development Cooperation	**10.900.830**	**1,2%**
Total Disbursed Capital	**879.441.649**	**100,0%**

* Investment in TCX held partly or wholly through TCX Mauritius Ltd. (AfDB 49 shares; FMO 49 shares; Oikocredit: 10 shares)
** In total, Oikocredit holds 36 shares (3.2%), consisting of 27 shares for its own account (including 10 held through TCX Mauritius), and 9 shares held on behalf of Stichting OXFAM Novib and GCAMF
*** GBP instrument. Amount shown is USD balance on issuance date. Carrying value fluctuates as function of GBP:USD rates



4 Financial Statements

Statement of financial position (as at 31 December)

(all amounts in thousand USD)	Notes	2019	2018
Assets			
Cash and cash equivalents	5	79,010	40,783
Financial assets at fair value through profit or loss	6	1,110,692	847,800
Cash collateral given	7	129,634	99,162
Other receivables	8	1,008	757
Total assets		**1,320,344**	**988,502**
Liabilities			
Cash collateral received	7	25,019	18,180
Financial liabilities at fair value through profit or loss	11	250,202	209,490
Accrued expenses and other payables	12	5,971	3,312
Subsidies granted by third-parties	14	5,386	-
Deferred subsidy income	15	2,144	4,527
Subordinated loan	16	11,733	16,952
Subordinated convertible debt	17	168,491	162,241
Grants linked to the subordinated convertible debt	17	89,212	54,337
First loss loan	17	7,369	6,780
Grants linked to the First loss loan	17	3,532	4,121
Total liabilities (excluding Class A shares)		**569,059**	**479,940**
Net assets attributable to holders of redeemable shares Class A	**18**	**751,285**	**508,562**
Total liabilities		**1,320,344**	**988,502**

Statement of comprehensive income (for the year ended 31 December)

(all amounts in thousand USD)	Notes	2019	2018
Investment result			
Net result on financial instruments at fair value through profit or loss	19	109,988	(29,815)
Provision for credit losses on Primary book		-	(66)
Interest income	21	21,068	12,098
Realised grant interest income	15	3,022	3,805
		134,078	**(13,978)**
Other results			
Contributions to Donors Assets	13	(6,129)	(4,979)
Foreign currency translation	20	(208)	(2,143)
Interest expense		(1,448)	(123)
Other results		-	89
		(7,785)	**(7,156)**
Operational expenses			
Management fee	9	(6,227)	(6,254)
Performance fee	9	(2,315)	(1,576)
Governance expenses	9	(355)	(358)
Risk monitoring fee	10	(1,232)	(1,237)
Audit fees	10	(385)	(451)
Depositary fees	10	(173)	(150)
Other general expenses	22	(1,327)	(865)
		(12,014)	(10,891)
Operating income		**114,279**	**(32,025)**
Distribution to holders of redeemable shares Class A	18	-	-
Change in net assets resulting from operations attributable to holders of redeemable shares Class A		**114,279**	**(32,025)**

The accompanying notes are an integral part of these financial statements

Statement of cash flows (for the year ended 31 December)

(all amounts in thousand USD)	Notes	2019	2018
Cash flow from operating activities			
Net receipts from Primary, Trading and Hedging financial instruments at FVtPL		79,882	69,765
Net payment for Debt instruments at FVtPL		(192,074)	(49,730)
Interest received		21,547	13,687
Risk monitoring fee paid		(1,232)	(1,237)
Management fee paid		(6,491)	(6,381)
Performance fee paid		(1,757)	(1,525)
Audit fees paid		(324)	(414)
Governance expenses paid		(355)	(358)
Depositary fees paid		(173)	(150)
Cash collateral received		(23,633)	(55,852)
Transfers of Donor Assets		(4,922)	(4,364)
Other general expenses paid		(960)	(976)
Net cash flow generated from (used in) operating activities		**(130,492)**	**(37,535)**
Cash flow from financing activities			
Proceeds from issued redeemable shares Class A		128,444	-
Payments for redemption of redeemable shares Class A	18	-	(17,793)
Proceeds from Subordinated Convertible Debt	17	41,125	28,310
Proceeds from subsidies granted		6,025	-
Repayments of subordinated loan	16	(6,667)	(3,333)
Net cash flow generated from (used in) financing activities		**168,927**	**7,184**
Net cash flow generated during the year		**38,435**	**(30,351)**
Cash and cash equivalents at the beginning of the year		40,783	73,277
Foreign currency translation of cash positions		(208)	(2,143)
Cash and cash equivalents at end of period	**5**	**79,010**	**40,783**
Analysis of cash and cash equivalents			
Cash at Citibank		49,985	32,980
Cash at BNY Mellon		29,025	7,803
Cash and cash equivalents at end of period	**5**	**79,010**	**40,783**

Statement of changes in net assets attributable to holders of redeemable shares Class A

The movements in shares Class A are as follows:

(for the year ended 31 December)

		Amounts		Number of shares	
(all amounts in thousand USD)	Notes	2019	2018	2019	2018
Net assets at beginning of year		508,562	558,380	914	938
Issuance of shares		128,444	(124)	206	6
Redemption of shares		-	(17,669)	-	(30)
Net change from transactions with shareholders		128,444	(17,793)	206	(24)
Change in net assets from operations		114,279	(32,025)		
Net assets at end of the year Class A	**18**	**751,285**	**508,562**	**1,120**	**914**

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

1. General information

The Currency Exchange Fund N.V. ("TCX" or "the Fund") is a public limited liability company incorporated and existing under the laws of The Netherlands, Chamber of Commerce number 34277912. The Fund was established in September 2007 and started commercial operations in January 2008.

The Fund's objective is to invest, along commercially sound principles, in long-term emerging-market currency and interest rate derivatives, with the purpose of developing local currency funding options, predominantly for its investors and their clients. TCX's counterparties utilize the products offered in the mitigation of currency and interest rate mismatches.

2. Events after the reporting period

Impact of the COVID-19 outbreak

The Managing Board expects the impact of the COVID-19 crisis on TCX to be significant and sustained, and although uncertainties exist concerning this assessment and it is not reasonably possible to estimate the ultimate impact, we have at this time no material uncertainties concerning TCX's ability to continue as a going-concern entity.

Our assessment is based on the following impact analysis:

Impact on operations

- All the staff in TIM, DLM Finance B.V. (TCX's Administrator & Valuer) and Cardano Risk Management B.V. (TCX's Risk Monitor) have been working from home since 16 March 2020, with secure online access to all of TCX's systems, data sets, and bank and custody accounts. Although the Business Continuity Plans of all three companies did not specifically address the risk of a pandemic, the scenarios they did prepare for and their regular need for mobile computing ensured a smooth transition to 100% remote working from home. The same applies to TCX's other service providers.
- To date, we have had no (confirmed) COVID-19 cases and no system downtime. Looking forward, we see home working and cloud computing as reducing through social and geographical distancing the risk of simultaneous infections and power or internet or system outages. We are of the opinion, therefore, that even if circumstances contributed to 50% of the members of each team (including the key persons) being out of action (at once or over time), TCX would continue to operate effectively.

Impact on TCX's Activities

- For 2020, we expect a slowdown in Primary business volumes and some unwinding of the existing portfolio, leading to a gradual reduction in the size of the portfolio (in line with its maturity profile primarily). The reduced production will be the outcome of two factors: the adverse economic impact of the COVID-19 outbreak on the emerging and frontier markets TCX serves, and reduced commercial activity by the investors' commercial teams (through which we generate over 80% of TCX's business flows). In addition, we have largely stopped quoting prices to non-investors, we have increased prices to reflect the tail risks we see, and we are actively seeking opportunities to offset TCX's exposures.
- From the credit risk perspective, we note that there was an initial burst of late payments from some counterparties transitioning to remote working from home. This revealed operational issues on their side that were quickly resolved, leading to the payments being made in full. For the longer term, we expect numerous restructurings in the swap portfolio resulting from rescheduling the underlying loans. While this will relieve the liquidity pressures on many borrowers, we see the credit risks increasing on TCX's non-investment grade clients, most of which are impact funds engaged in lending to the SME and micro-finance sectors in our target markets (we have a handful of local clients as well). The mitigants to these risks are that TCX's investors are directly involved in these counterparties, the Fund is covered by independent amounts or guarantees, and the non-investment grade portfolio accounts for only a small fraction of TCX's exposure at default (see Note 4). Nonetheless, we have intensified our due diligence on these counterparties.
- Overall, we are not concerned with the credit risks on TCX's other trading counterparties and liquidity investments, due the type of institutions (sovereigns, sub-sovereigns, DFIs, systemic banks), their credit ratings (84% of the exposure at default is rated AAA and AA, 96% is investment grade), and the degree to which the risk is diversified. In this respect, we note that the largest risk lies with Bank of New York Mellon and Citibank, which TCX uses for cash settlement and collateral management purposes. Both banks are A-rated. However, the limit on each is USD 100 million, and this is deliberately forcing us to place TCX's substantial liquidity with better-rated issuers of highly liquid USD and EUR instruments (the minimum rating for these is AA).

Impact on TCX's Finances

- For 2020, we expect TCX to report losses that may exceed the gains of 2019 due to two factors primarily: the weakening of most of the local currencies in the portfolio relative to the US Dollar, and increases in the NDF spreads to reflect the tail risks we see (combination of a sustained economic downturn and flight to quality in reaction to the outbreak). The immediate (shock) effects of these correlated developments on TCX's valuations will be partially offset by the substantial interest-carry in its books, which is presently running at around USD 125 million per annum. This will take time to be realized, however, and for March 2020, we reported a mark-to-market loss of USD 128 million.
- At year-end 2019, TCX's required capital stood at 13.6% of Risk Weighted Assets, based on the size and mix of the portfolio at that time and the worst of two stress scenarios built into our ICAAP models: "2x Lehman" and "99.9% market risk" (with the Lehman scenario leading and both taking into account the totality of the market, credit, and operational risks faced by TCX). In contrast, TCX's capital ratio at the time was 24.2%, meaning that on that date, TCX had capital to withstand a loss of USD 453 million before breaching its required capital levels. This is equal to 1.6 times our Lehman stress scenario, without considering the defensive actions that management could take to reduce the RWAs and support the capital ratio (e.g., by slowing trading and selling exposures).
- Our related ILAAP analysis shows that under such stressed circumstances plus share redemptions of up to 20% of the NAV (the maximum allowed per year), TCX's Liquidity Coverage Ratio would remain well above the 150% trigger point, not considering the shareholder redemption gate at 18% capital ratio.
- Entering the crisis at month-end February 2020, TCX's position was stronger still, with the capital ratio standing at 25.5% and cash and liquid AAA/AA-rated investments totaling USD 1.05 billion.
- The result for March 2020 was a capital ratio of 24% on the back of an 12% decrease in RWAs from USD 4.2 billion at year-end 2019 to USD 3.7 billion in March. Although there are many uncertainties at this time, the month's extreme loss is unlikely to be repeated in our view, and there is scope for the RWAs to fall further. Therefore we do not see at this time that the aggregate losses through the crisis will cause the capital ratio to fall below the 14% capital ratio minimum.
- Assuming the capital ratio does fall below 14% (the "Liquidation Trigger Event"), it is important to remember that the decision to liquidate would not be automatic. An action plan would be prepared and submitted for approval to the TCX Supervisory Board and investors. Given the cushion that would protect the trading counterparties at that point (another 2x Lehman) and the high likelihood that TCX will be perceived by its investors as part of the solution to the economic recovery of the markets it serves, our present view is that they would vote to continue. Indeed, past the initial stages of the COVID-19 crisis, we see the prospects for enhanced business volumes driven by new development finance initiatives, with good chances of additional commitments to TCX's capital base (or other forms of support).
- Reflecting the above, we note that on 1 April 2020, S&P confirmed TCX's single-A rating with a stable outlook, on the back of similar views concerning the adequacy of its capital and liquidity cushions (and the good chances of investor support due to mission alignment).

Impact on TCX's Governance

- Due to the extreme market circumstances, the governance bodies have intensified their respective roles. TIM's Executive Committee meets daily and provides the TCX Supervisory Board with weekly updates. An interim Supervisory Board meeting was held on 27 March 2020. There have been interim Pricing Committee meetings to discuss the effects of market movements and agree quotes in certain currencies. The investor base has received interim updates and the S&P report. To date, no investor has expressed an undue concern or requested that TCX repurchase their shares. On the contrary, the discussions with existing and prospective investors for additional investments in TCX are continuing with a sense of urgency, considering TCX's mission. The interaction with the Risk Monitor is on a daily basis and the frequency of the capital ratio reporting has been increased temporarily from weekly to daily.
- To date, apart from the increased frequency of the governance meetings and risk reporting, we have not perceived the need to change our control framework.

3. Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), Part 9 of Book 2 of The Netherlands Civil Code and the Dutch Act on Financial Supervision. Refer to Note 28 and 29 for a further explanation of significant accounting policies, estimates and judgments.

The financial statements were authorized for issue by the Managing Board on 15 April 2020.

4. Financial risk management

Investment objective

The Fund is an innovative and unique capital markets development initiative, focusing entirely on long-term local currency and interest rate derivatives in frontier and emerging market currencies. It presents a compelling investment opportunity for parties with a keen interest in the sustainable development of capital markets in developing countries. By investing in currency and interest rate derivatives, the Fund facilitates the provision of local currency funding to borrowers in developing countries.

Classical providers of currency and interest rate hedging in international financial markets typically operate on a matched book principle, which generally limits them to offering products for which there is a matched and liquid demand and supply. This model breaks down in most developing countries, where demand for long-term local currency exposure is illiquid or even inexistent. As a result, these products are not offered or are offered at pre-emptively high rates.

TCX is based on a fundamentally different concept, which is to assume unmatched exposures mitigated through portfolio diversification on a global scale, rather than by matching supply and demand on a currency by currency basis. This allows TCX to absorb currency and interest rate risks in highly illiquid currencies and maturities regardless of external demand.

Given that the key to this strategy is a wide diversification of risks, there are compelling mutual benefits for investors to pool their local currency activities and exposures, thereby achieving a more complete risk spreading and efficiencies of scale and scope.

Investment policy

TCX exclusively focuses on cross-currency interest rate swaps and forwards, risk-managed through internal portfolio diversification and hedging. The maximum tenor for individual currencies is set by the Pricing Committee.

The Fund's transactions are mostly invested through or with its investors, which have established local networks in emerging markets. TCX has agreed a preferential access to its transaction capacity with its investors, but it may also trade with non-investor counterparties, notably the clients and assignees of the investors or unrelated parties.

Investment process

Sound capital and risk management is essential to TCX, for it is the rationale behind its business model and critical to maintaining its credit rating. TCX has a credit rating of A that is underpinned by a sizeable capital pool and strict limits on the type and amount of risks that the Fund is allowed to take on. Together with the Cardano Risk Management B.V., Fund's external Risk Monitor, TCX Investment Management Company B.V. ("TIM") monitors the portfolio on a daily basis, and produces weekly reports to confirm the Fund's compliance with agreed risk limits and capital ratios.

To calculate the capital requirements, TCX uses models similar and inspired to the Basel regulatory capital framework for banks, adjusted for the activities and business of TCX (no specific regulatory capital regime applies to TCX). This customized framework is detailed in the Fund's Risk Charter. The calculation methods generally follow the Basel internal model approach, unless lack of market data prevents this or unless specific reasons exist to depart from this model due to the nature of TCX's business. Where market data is not available, required capital is calculated based on stress scenarios, in conformity with market practice when dealing with statistical uncertainties.

TCX's primary risk mitigating instrument is exposure diversification, whereby the portfolio is spread over a large number of currencies and interest rates, and strict limits are in place to ensure that the portfolio does not become overly concentrated per counterparty, currency, and region. Other active risk mitigating measures include the (partial) hedging of exposures through the derivative markets.

TCX has two stop-loss triggers: one requiring the Fund Manager to operate more prudently in its assumption of risk and to redress its capital ratios in a going-concern manner, the other triggering cessation of investment activities and ultimately, if desired by the investors, a managed liquidation of the portfolio (the "Liquidation Trigger Event" – see Note 18).

TCX's risk management is based on the Risk Charter approved by the Investors. The Risk Charter contains, amongst others:

- a description of the risks TCX assumes in its business;
- the policies and procedures concerning risk management;
- the applicable limit structure and investment restrictions.

Risk analysis

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. These are discussed below.

Market risk

The most important risk that TCX is exposed to is market risk, constituting 92% (2018: 93%) of the Fund's Risk Weighted Assets. TCX defines market risk as the risk of fluctuation in the valuation of its financial instruments caused by adverse market movements and market illiquidity.

The Fund's financial instruments consisted of the following groups at year end:

(all amounts in thousand USD)	2019		2018	
	Fair Value in USD	% of NAV	Fair Value in USD	% of NAV
Cross currency swaps	(102,797)	(13.7)	(143,776)	(28.3)
Forwards	(2,152)	(0.3)	4,253	0.8
Commercial papers	396,638	52.8	336,697	66.2
Floating rate notes	510,925	68.0	321,044	63.1
Fixed rate bonds	48,435	6.4	110,127	21.7
Frontier Clearing Fund Junior	9,441	1.3	9,965	2.0
Financial instruments at fair value through profit or loss	**860,490**	**114.5**	**638,310**	**125.5**
Cash collateral given	129,634	17.3	99,162	19.5
Cash collateral received	(25,019)	(3.3)	(18,180)	(3.6)
Cash and cash equivalents	79,010	10.5	40,783	8.0
Subsidies granted by third-parties	(5,386)	(0.7)	-	-
Deferred subsidy income	(2,144)	(0.3)	(4,527)	(0.9)
Other	(4,963)	(0.7)	(2,555)	(0.5)
Subordinated loan	(11,733)	(1.6)	(16,952)	(3.3)
Subordinated convertible debt	(168,491)	(22.4)	(162,241)	(31.9)
Grants linked to the subordinated convertible debt	(89,212)	(11.8)	(54,337)	(10.7)
First loss loan	(10,901)	(1.5)	(10,901)	(2.1)
Net assets attributable to holders of redeemable shares Class A	**751,285**	**100.0**	**508,562**	**100.0**

TCX is subject to market risk on these financial instruments by taking on interest rate and currency risks in its transactions. This market risk is managed in separated risk books. This methodology allows segregating risk measurement techniques depending on the depth and quality of available market data. The more extensive the available data, the more sophisticated the measurement technique available.

TCX's market risks are managed in four books:

1. currency exchange rate risks;
2. interest rate risk in mature markets;
3. interest rate risks in frontier and emerging markets;
4. spread risk between local benchmark and non-deliverable forward ("NDF") rates.[1]

The book structure is built using well-established transfer pricing techniques. Any TCX transaction can give rise to different entries in each of the four risk books. The different risk books are aggregated into a combined risk model. Whereas sufficient market data is available for currency risks (Book 1) and interest rate risk in mature markets (Book 2) to support statistical methods, historical data for local emerging market interest rates (Book 3) and spread risk between local benchmark and NDF rates (Book 4) are insufficiently available for these methods and therefore these risks are assessed using stress testing. The risk measurement horizon for all books is one month, and results are annualized using the usual calibration multiples in accordance with the Basel guidelines.

1 | The NDF spread that TCX applies refers to the spread risk between domestic and international interest rates over the life of the swap. The spread applies because TCX prices its non-deliverable swaps off local onshore benchmarks (e.g. a Treasury bill rate), which do not incorporate the country risk, liquidity risk, and other risk premiums required by offshore investors.

The market risk of TCX is measured and monitored using four major methods:

- Expected Tail Loss ("ETL");
- Value at Risk ("VaR");
- Stress testing;
- Monitoring of exposures against strict concentration limits.

Expected Tail Loss and Value at Risk: The ETL and VaR methods are useful when sufficient observable data is available to estimate extreme events. Both are internationally accepted risk measures that are recognized for reporting market risk to national supervisory authorities and are used for performance measurement and asset-liability management, among other purposes.

ETL and VaR measures incorporate three parameters:

- Confidence level;
- Holding or unwinding period;
- Information period.

The ETL method is applied to TCX's FX risk book (Book 1). For this book, the ETL is based on the average of the 1% worst (tail) events observed over all one-month periods since January 1996. This approach is used because the 99% confidence level lies somewhere between the third and fourth worst months, and the intervals between the points in the tail are large enough that intervening points could lead to substantial jumps in the measure. Thus, the averaging method is recommended to stabilize the risk measure while doing justice to the full size of the tail.

The VaR method is applied to TCX's established market interest rate book (Book 2) where historical data is abundant enough to estimate the impact of extreme events through historical simulation using monthly historical price changes since January 1996. This approach yields a distribution of changes in values, with the VaR determined at the 99% confidence level.

For the purpose of these financial statement disclosures, it is important to note that there are well known limitations to using history based VaR or ETL:

- The data provided reflects positions as at year-end that do not necessarily reflect the risk positions held at other moments in time. As disclosed in the chapter "Investment Processes", the Risk Monitor quantifies and monitors the exposures of the Fund on a daily basis;
- The VaR and ETL are statistical methods based on a distribution from historical observations. Therefore, it is possible that there could be, in any future period, an observation of a higher loss.

Stress testing: There is no objective justification to assume that historic returns are exemplary for worst case scenarios in the future, especially in the case of emerging markets where unprecedented events are even more likely. Therefore, stress tests are performed on most relevant variables for the TCX portfolio, notably currency and interest rates. Stress testing involves the modeling of unprecedented events and therefore market movements beyond historically observed shocks. The purpose of stress testing is to create awareness of the consolidated event sensitivity of TCX's position, and to set limits at portfolio level (stress testing is not meant for limit setting purposes on a book-by-book basis). In the risk management of TCX, three types of stress tests are used:

- Combination of historical stress tests;
- Macroeconomic scenarios (commodity prices, global melt down);
- Sensitivity analyses.

Stress testing is in particular applied to calculating the value at risk in TCX's local currency interest rate book (Book 3) and TCX's use of NDF spreads (Book 4), since historical data is insufficiently available to estimate the value at risk in these books.

At 31 December 2019, taking the foregoing methodologies into account, the Fund had an aggregate value at risk for market related factors (by convention, its market VaR) of USD 89.2 million (2018: USD 67.4 million), consisting of the following:

(all amounts in USD millions)	2019	2018
Foreign currency exchange risk (Book 1)	60.0	42.5
Interest rate risk mature market (Book 2)	6.8	4.5
Interest rate risk emerging markets (Book 3)	21.7	19.9
NDF (Non-Deliverable Forward) spread (Book 4)	3.1	2.3
Adjustment for cross-effects	(2.4)	(1.8)
Total	**89.2**	**67.4**

The increase in market VaR can be explained by the growth of the portfolio and changes in relative concentrations in the portfolio.

Currency concentration limits: a fundamental premise of TCX is that geographic diversification reduces currency and interest rate risks at portfolio level. This diversification effect can only be achieved when TCX avoids over-exposure in any one currency or region. To prevent this, concentration limits are set on the notional of the contracts for each currency, set relative to (a) TCX's Tier 1 + Tier 2 capital levels, (b) its total portfolio size, and (c) an absolute number as defined by the size and liquidity of the currency market. The maximum net amount invested in a country or currency is the lesser of:

- 25% of total capital (including share capital, retained earnings and Tier 2 capital); and
- 10% of the aggregate FX exposures in DAC currencies of the (fictitious) portfolio where TCX
- would have zero growth buffer (i.e., 10% of "potential maximum net portfolio").

All limits are subject to periodic review.

Deductions from the gross exposure amount (netting)[2] is equal to 100% of the nominal amount of a related hedge[3] if the following conditions are met:

- there are no cross-border risks between the hedged exposure and the hedge;
- the counterparty to the hedge has a minimum rating of BBB and the transaction is appropriately collateralized, taking into account wrong-way risks if any in the determination of key counterparty credit terms such as frequency of valuation, independent amount and minimum transfer amount.

In case a hedging investment does not meet these criteria, no deductions to the exposure amounts are allowed unless approved by RISKCO on a case by case basis. Moreover, TCX's gross currency exposure (before netting deductions) may not exceed 40% of total capital.

Separately, a capital buffer is added to cover the mismatch and replacement risks of hedged portfolios that would otherwise benefit from 100% capital relief.

The application of the currency concentration limit as provided above means that on 31 December 2019 each individual currency has a notional limit of USD 245.0 million (2018: USD 178.4 million). The Fund's largest exposures per currency compared to this limit (net of offsetting hedging transactions) were as follows:

	% of limit 31 December 2019	% of limit 31 December 2018
Uzbekistani Som	45.8	9.5
Dominican Republic Peso	42.9	56.9
Georgian Lari	38.6	55.8
West African CFA franc	34.4	52.9
Armenian dram	32.0	28.8

Regional concentration limits: the diversification over the regions is enforced through limits for maximum regional exposures. Regional limits are determined depending on the possibilities to diversify within the region. The table below shows the concentration limits per region calculated based on notional amounts per region divided by the total portfolio notional amount (net of hedging transactions):

	Maximum regional concentrations	Actual concentrations 31 December 2019	Actual concentrations 31 December 2018
Latin America	40%	28%	33%
Emerging Europe / Central Asia	40%	34%	28%
Sub-Sahara Africa	50%	24%	24%
Asia	40%	12%	13%
Middle East / North Africa	30%	2%	2%

2 | The nominal exposure relief of a hedge is applied for the term of the hedged exposure only.
3 | Transactions qualify as a hedge only if they are in the same local currency as the hedged exposure. The use of proxy hedging for concentration or market risk capital relief is explicitly ruled out.

Hedging: Hedging is defined as short or long cross-currency derivatives entered into for concentration and balance sheet management purposes. The Fund has the following hedging transactions as at 31 December:

(all amounts in thousand USD)	Fair value 2019	Notional value 2019	Fair value 2018	Notional value 2018
Short USD				
Armenian Dram	(921)	40,634	(49)	16,591
Argentine Peso	2,043	3,500	4,031	8,000
Azerbaijani Manat	(8)	7,000	-	-
Bolivian Bolíviano	47	5,000	-	-
Chinese Yuan Renminbi	(57)	5,207	-	-
Colombian Peso	674	10,375	1,483	15,311
Costa Rican Colon	(282)	4,000	286	19,000
Dominican Peso	700	14,926	108	10,000
Georgian Lari	186	92,711	12	21,854
Ghanaian Cedi	(11)	11,500	(8)	2,002
Guatemalan Quetzales	(265)	8,500	-	-
Honduran Lempira	127	31,000	-	-
Haitian Gourde	2,188	17,000	-	-
Indonesian Rupiah	(840)	8,500	137	19,500
Indian Rupee	(290)	23,090	13	38,503
Jamaican Dollar	192	10,039	(344)	10,039
Jordanian Dinar	(236)	10,713	(438)	17,862
Kenyan Shilling	(183)	1,500	(458)	14,500
Kazakhstani Tenge	(209)	20,280	449	20,280
Kyrgyzstani Som	(467)	31,180	41	7,425
Lebanese Pound	342	30,000	-	-
Sri Lankan Rupee	(6)	14,000	-	-
Burmese Kyat	(1,791)	35,812	-	-
Malawian Kwacha	(282)	4,471	29	2,471
Mozambican Metical	(10)	500	-	-
Peruvian Nuevo So	(1,267)	30,888	1,267	34,511
Philippine Peso	(151)	1,500	(17)	1,500
Pakistan Rupee	-	-	604	6,010
Thai Baht	(225)	2,000	(57)	3,000
Tajikistan Somoni	(280)	5,000	(222)	7,201
Tanzanian Shilling	(1,419)	18,300	(58)	5,000
Ukrainian Hryvnia	(24,319)	105,486	(311)	21,433
Ugandan Shilling	(1,190)	7,000	(354)	6,500
Uruguayan Peso	(537)	42,656	(3,544)	37,656
Uzbekistani Som	1,127	65,388	(6)	5,000
Vietnamese Dong	(234)	21,000	-	-
West Africa Franc	-	-	(40)	1,102
South African Rand	(301)	5,945	104	5,000
Zambian Kwacha	(5)	731	(2,620)	2,500
Long USD				
Euro	127	10,004	-	-

(all amounts in thousands USD)	Fair value 2019	Notional value 2019	Fair value 2018	Notional value 2018
Short EUR				
Argentine Peso	2,092	3,358	2,316	5,074
Colombian Peso	(97)	2,751	72	2,805
Algerian Dinars	(79)	3,387	-	-
Ghanaian Cedi	(209)	1,831	(108)	1,867
Indian Rupee	(2,526)	22,256	(2,085)	28,230
Kazakhstani Tenge	(566)	6,125	(57)	6,244
Malawian Kwacha	(294)	1,123	(132)	1,145
Thai Baht	(298)	2,393	-	-
Tunesische Dinar	124	16,843	-	-
Tanzanian Shilling	(296)	1,895	(90)	3,388
Ukrainian Hryvnia	(4,154)	6,512	74	6,640
Ugandan Shilling	(276)	1,471	(4)	1,500
West Africa Franc	(676)	32,955	(314)	10,303
South African Rand	(810)	3,195	(308)	3,258
Long EUR				
Euro	(14,819)	310,629	(12,780)	288,308
Total hedging transactions	**(50,917)**	**1,174,060**	**(13,378)**	**718,513**

The Euro hedge book above has the specific purpose of offsetting one part of the short Euro positions that TCX builds on a portion of its Primary Investments portfolio. The other part of these short Euro positions is covered through the purchase of Euro-denominated Liquidity Investments, which the Fund must report separately. Depending on the movements in the EUR:USD exchange rate, this can lead to recording translation gains or losses on the liquidity portfolio (see Note 20), whereas, economically, TCX's net overall Euro position is deliberately neutral.

Credit risk

TCX's credit risk exposure originates from its liquidity and derivatives investments. TCX limits the credit risks it incurs by concentrating liquidity investments with the best-rated counterparties, and by using either guarantees from highly-rated institutions or Credit Support Annexes to ISDA Master Agreements (i.e., ISDA CSA agreements). The purpose of ISDA CSA agreements is to trigger periodic collateral transfers based on the fluctuating fair market value of TCX's portfolio with each counterparty.

In general, under the ISDA CSA master netting agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances (for instance, when a credit event such as a default occurs), all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is payable in settlement of all transactions.

TCX's credit risk measures make use of internal credit ratings with associated Probabilities of Default (PD). For Loss Given Default (LGD), the decision is based on the country of incorporation of the counterparty and the type of counterparty. The Exposure at Default (EAD) is equal to the current mark-to-market of the trades with the counterparty (net of any collateral held), plus the potential future exposure on the trades, calculated as the 99% VaR for the applicable period of exposure (i.e., the period between collateral calls in the case of collateralized exposures).

An internal rating and associated PD is assigned by RISKCO to each counterparty prior to execution the first transaction. If and when an external rating of one of the three large global rating agencies is available, this rating is the primary basis for the rating assessment. The PD attached to each rating class is generally based on the empirical default rate of this rating class over the last five years, as published by Standard & Poor's. The ratings-based EAD of the portfolio is shown in the following table:

(all amounts in thousands USD)	Internal Credit rating	EAD 2019	EAD 2018
	AAA	683,314	631,544
	AA	351,932	181,883
	A	113,863	75,447
	BBB	35,026	14,692
	BB	45,492	17,276
	B	2,964	467
Total		**1,232,591**	**921,309**

The Risk Weighted Assets for the credit risk exposures shown above totals USD 136.6 million (2018: USD 76.2 million), after taking into account the applicable PDs and LGDs. The growth in 2019 was due to the increased size of the portfolio and a marginal shift in the ratings profiles from 96% in the 'A' categories to 93% in 2019.

Under IFRS, TCX's ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the right to offset is not current but enforceable only on the occurrence of future events such as a default or other credit events. The following table sets out the fair value of recognized financial instruments that are subject to these agreements:

2019 (all amounts in thousands USD)	Gross Amount	Amounts offset included in fair value	Fair value included in statement of financial position	Related financial instruments not offset[4]	Net Amount
Financial assets					
Cross currency swaps	116,020	-	116,020	-	-
Forwards	29,233	-	29,233	-	-
Total financial assets	145,253	-	145,253	(25,019)	120,234
Financial liabilities					
Cross currency swaps	(218,817)	-	(218,817)	-	-
Forwards	(31,385)	-	(31,385)	-	-
Total financial liabilities	(250,202)	-	(250,202)	129,634	(120,568)
Total	**(104,949)**	**-**	**(104,949)**	**104,615**	**(334)**

2018 (all amounts in thousands USD)	Gross Amount	Amounts offset included in fair value	Fair value included in statement of financial position	Related financial instruments not offset[5]	Net Amount
Financial assets					
Cross currency swaps	47,704	-	47,704	-	-
Forwards	22,263	-	22,263	-	-
Total financial assets	69,967	-	69,967	(18,180)	51,787
Financial liabilities					
Cross currency swaps	(191,480)	-	(191,480)	-	-
Forwards	(18,010)	-	(18,010)	-	-
Total financial liabilities	(209,490)	-	(209,490)	99,162	(110,328)
Total	**(139,523)**	**-**	**(139,523)**	**80,982**	**(58,541)**

4 | Consists of collateral received or paid
5 | Consists of collateral received or paid

Liquidity risk

Investments: Liquidity risks include the risk that TCX cannot fulfil its obligations in a timely fashion due to cross-border transfer timing constraints. To minimize the risk of underfunding in any single currency, TCX maintains minimum liquidity levels to cover future payment obligations in any currency that is not classified as freely convertible. These limits are determined by RISKCO, depending on the currency's convertibility risks. As per 31 December 2019, no traded currency other than the Euro is approved as freely convertible.

To protect TCX from liquidity risk, the single day liquidity gap for each currency may not be larger than half the average spot FX daily trading volume (determined by the Risk Monitor using the average over the past year). To monitor the liquidity risk, a gap analysis is performed monthly that provides an overview of all expected cash flows of all transactions. This includes coupon receipts on bonds, periodic interest exchange on swaps, principal (re)payments on cross-currency swaps and settlements on currency swaps.

Liquidity limits for non-freely convertible currencies are set for a business-as-usual scenario and for a stress scenario. In the business-as-usual scenario, no negative gap is allowed for the first week and the first month (i.e. TCX must have full local currency liquidity to cover foreseeable cash outflows for the next week and the next month). Under a stress scenario, TCX may need more local funds. In this respect the following maximum negative gaps are allowed:

- For the first week: equal to 100% the average turnover of one trading day;
- For the first month: equal to 300% the average turnover of one trading day.

For freely convertible currencies, negative liquidity gaps are allowed up to 10% of the liquidity investment portfolio for the first month. The total gap of all convertible currencies should be lower than 50% of the liquidity investments portfolio. To prevent unnecessary risk taking in the liquidity portfolio, a rise in interest rates of 1% may not cause a loss higher than 1% of the liquidity portfolio.

The gap analysis for the year ended 31 December 2019 is as follows:

(all amounts in thousands USD)

Currency EUR	One week	One month	Over one month
Cash In	44,073	2,252	380,785
Cash Out	(32)	(229)	(86,131)
Net Position	44,041	2,023	294,654
Cum Net Position	44,041	46,064	340,718
Limit	**(512,506)**	**(512,506)**	

Currency USD	One week	One month	Over one month
Cash In	29,160	107,365	1,022,923
Cash Out	(844)	(4,296)	(654,222)
Net Position	28,316	103,069	368,701
Cum Net Position	28,316	131,385	500,086
Limit	**(512,506)**	**(512,506)**	

The gap analysis for the year ended 31 December 2018 is as follows:

(all amounts in thousands USD)

Currency EUR	One week	One month	Over one month
Cash In	14,706	21,520	326,739
Cash Out	-	(200)	(79,993)
Net Position	14,706	21,320	246,746
Cum Net Position	14,706	36,026	282,772
Limit	**(373,009)**	**(373,009)**	-

Currency USD	One week	One month	Over one month
Cash In	28,782	28,156	851,393
Cash Out	(431)	(4,056)	(594,061)
Net Position	28,351	24,100	257,332
Cum Net Position	28,351	52,450	309,782
Limit	**(373,009)**	**(373,009)**	**-**

TCX invests its liquid assets in cash deposits, commercial papers, fixed rate bonds and floating rate notes. About 72% (2018: 72%) of these assets have a remaining term shorter than 1 year. Though longer-dated, the other 28% (2018: 28%) are considered highly liquid investments as well (i.e., top-rated paper issued by government, government-backed, and banking institutions). The Fund invests in commercial paper for an amount of USD 396,638 representing 52.8% of the NAV (2018: USD 336,697 representing 66.2% of the NAV) which are readily convertible into cash.

TCX provides clients with conditional deliverable products. Under normal circumstances, these products are deliverable (i.e., TCX receives domestic currency locally against payment of USD or EUR obligations offshore), and thus lead to the need for TCX to repatriate inflowing funds into the Netherlands, but in case of inconvertibility or non-transferability, the products automatically become non-deliverable (i.e., all cash flows occur in USD or EUR offshore). Thus, TCX has no local currency transfer obligations or risks after the occurrence of such an event.

The currency in which TCX had conditional deliverable products outstanding at 31 December 2019 is the Kenyan Shilling for a total notional of USD 8.5 million (2018: Kenyan Shilling and Dominican Republic Peso for a total notional of USD 14.3 million).

Subsidies granted and deferred subsidy: The Fund's financial liabilities include subsidies granted and deferred subsidy for an undiscounted cash flow amount of USD 7,530 (2018: USD 4,527), representing 0.6% (2018: 0.5%) of the total financial liabilities (see Note 14 and 15 for further details). The subsidy has no fixed maturity date and depends on the development of the subsidized project.

Subordinated Loan: The Fund's financial liabilities include a Subordinated Loan for an undiscounted cash flow amount of USD 11,733 (2018: USD 16,952), representing 0.9% (2018: 1.7%) of the total financial liabilities (see Note 16 for further details). The Subordinated Loan has a final maturity date of 15 February 2021.

Subordinated Convertible Debt: The Fund's financial liabilities include Subordinated Convertible Debt for a nominal amount of USD 257,703 (2018: USD 216,578), consisting of an undiscounted cash flow amount of USD 168,491 (2018: USD 162,241), representing 12.8% (2018: 16.2%) of the total financial liabilities, and "Grants linked to the Subordinated Convertible Debt", for an amount of USD 89,212 representing 6.8% of the total financial liabilities (2018: USD 54,337 and 5.4% respectively) (see Note 17 for further details). The maturity date of the Subordinated Convertible Debt and the Grants linked thereto is 31 December 2045 with the exception of USD 70.6 million linked to DGIS which have a maturity date of 31 December 2025 (subject to certain provisions). Each Subordinated Convertible Lender has the option to convert, in whole or in part, its outstanding commitment into Class B Shares of the Fund.

First loss loan: The Fund's financial liabilities include a First loss loan for an undiscounted cash flow amount of USD 10,901 (2018: USD 10,901), representing 0.8% (2018: 1.1%) of the total financial liabilities (see Note 17 for further details). The First loss loan has a final maturity date and repayment date of 31 December 2025.

Redeemable shares Class A: TCX's Shares Class A are "puttable instruments". Repurchase is at each investor's option up to an annual maximum of 20% of the Fund's issued Shares A outstanding at the start of each calendar year. Assuming that investors make maximum use of this put option, the undiscounted repurchase profile of the Fund's Shares A would be as provided in the table below (see Note 18 for further details regarding repurchase rights):

(all amounts in thousands USD)

Year of maturity	2019	2018
2019	-	101,712
2020	120,206	81,370
2021	96,164	65,096
2022	76,932	52,077
2023	61,545	41,661
2024	49,236	33,329
2025	39,389	133,317
2026 and further till 2045	307,813	-
Total	**751,285**	**508,562**

Other liabilities: The Fund holds other liabilities for an undiscounted cash flow amount of USD 5,971 (2018: USD 3,312) with a maturity date of less than 3 months, representing 0.5% of the total financial liabilities (2018: 0.3%).

Fair value of other financial assets and financial liabilities

There is no material difference between the value of the other financial assets and liabilities, as shown in the balance sheet, and their fair value due to the short term nature, except for the Subordinated Convertible Debt (see Note 17 for further details), Subordinated Loan (Note 16) and First loss loan (Note 17).

5. Cash and cash equivalents

At 31 December 2019 and 2018, no restrictions on the use of cash and cash equivalents exist.

6. Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss consist of the following instruments at 31 December of each year:

	2019		2018	
(all amounts in thousands USD)	Fair value in USD	% of NAV	Fair value in USD	% of NAV
Level 2 financial instruments				
Commercial paper	396,638	52.8	336,697	66.2
Debt instruments	559,360	74.5	431,171	84.8
Cross currency interest rate swaps – Hedging	7,781	1.0	2,064	0.4
FX Forward contracts – Hedging	6,440	0.9	11,676	2.3
Level 3 financial instruments				
Cross currency interest rate swaps – Primary	108,239	14.4	45,640	9.0
FX Forward contracts – Primary	22,793	3.0	10,587	2.1
Frontier Clearing Fund Junior (TCX)	9,441	1.3	9,965	2.0
Total	1,110,692	147.9	847,800	166.8

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The policy of classification and the process of fair value measurement of level 3 investments is explained in Note 28. The Level 3 investments are detailed as follows (for liabilities see Note 11):

(all amounts in thousands USD)	2019	2018
Assets	140,473	66,192
Liabilities	(183,984)	(181,309)
Total	**(43,511)**	**(115,117)**

The following table shows the movements in Level 3 financial instruments (both assets and liabilities) during the year (all amounts in thousands USD):

For the year 2019	Assets	Liabilities
Balance at 1 January 2019	**66,192**	**(181,309)**
Transfers into or out of the Level investment category 3	-	-
Adjusted Opening balance	**66,192**	**(181,309)**
Early termination swap contract	(309)	2,542
Matured deals	(10,775)	22,981
Unrealized gains and (losses)	85,365	(28,198)
Balance at 31 December 2019	**140,473**	**(183,984)**

For the year 2018	Assets	Liabilities
Balance at 1 January 2018	**67,455**	**(75,255)**
Transfers into or out of the Level investment category 3	-	-
Adjusted Opening balance	**67,455**	**(75,255)**
Early termination swap contract	(129)	402
Matured deals	(14,137)	14,905
Unrealized gains and (losses)	13,003	(121,361)
Balance at 31 December 2018	**66,192**	**(181,309)**

All results on financial instruments classified as Level 3 are presented in the statement of comprehensive income under results on financial instruments at fair value through profit or loss.

There are no results on financial instruments at fair value through profit or loss as a result of changes in calculation assumptions (2019: no results).

The results on financial instruments at fair value through profit or loss include an amount of USD 2,233 (2018: USD 273) resulting from early termination of swap contracts.

A parallel shift in interest rates of 1 basis point results in a change in fair value through profit or loss of USD 187 (2018: USD 176).

The Fund periodically estimates the non-performance risk on its derivative liabilities (DVA, or own credit risk) and the counterparty risk on its derivative assets (CVA). These CVA/DVA estimates take into account the Fund's collateral positions and are made in a manner consistent the Fund's risk management policies and market practice, in order to maximize the use of observable market parameters when deemed relevant. In 2019, no CVA adjustment was made (2018: no adjustment).

7. Cash collateral

As at 31 December 2019, the Fund transferred cash to margin accounts as collateral against open derivatives contracts for a total net amount of USD 104,615 (2018: USD 80,982). The margin accounts were created based on the Credit Support Annex to the ISDA Master Agreements as agreed with various counterparties. The margin accounts are interest bearing (refer to the credit risk disclosure in Note 4).

8. Other receivables

At 31 December the other receivables consist of the following:

(all amounts in thousands USD)	2019	2018
Interest receivable	298	314
Prepaid management fee	535	271
Other	175	172
Total other receivables	**1,008**	**757**

9. Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management (Senior management of TCX Investment Management B.V.) of the Fund. The following parties are considered related parties.

Managing board

TCX Investment Management Company B.V. received remuneration for services provided as the Fund's statutory director which is included in the overall agreement with both parties. See below under Fund Manager for further details.

Supervisory Board

The Supervisory Board members are entitled to receive fixed annual fees, excluding any applicable VAT, of EUR 40 for the Chairman (2018: EUR 45), EUR 30 for each other member (2018: EUR 26 for each other members). These fees are presented as part of the governance expenses. In relation to 2019, a total of EUR 138 (2018: EUR 132) has been expensed, including the applicable VAT. The amount expensed each year depends on the EUR:USD exchange rate, the VAT treatment of the fees, the timing of actual payments, Supervisory Board appointments, and AGM decisions on fee levels. In addition, each member has the option to decline receiving their fees. In 2019, one regular member did so (2018: one).

Fund Manager

The main responsibilities of the Fund Manager are to manage the Fund's investments according to the Fund's strategy and risk management and investment and operational guidelines, to represent the Fund in communication with its stakeholders, counterparties and services providers and to ensure the Fund's optimal access to international and local markets to promote the Fund's investment products.

Management and performance fee: According to the Fund Management Agreement, the Fund Manager is remunerated for its activities as follows:

- Cost recovery component: the Supervisory Board agrees to an annual budget payable monthly in advance, with reconciliation to actual costs at year end. For the current period, the Fund Manager received EUR 5,800 equal to USD 6,227 (2018: EUR 5,400 equaling USD 6,254);
- Annual performance fee: the Fund Manager receives an annual performance fee driven by parameters agreed with the Supervisory Board of the Fund and approved by shareholders. The total performance fee taken into account (accrued) for the year 2019 amounts to USD 1,729 . Together with the approved surplus over the performance fee estimate accrued for the year 2018 of USD 586, the total performance fee recognized in the 2019 statement of comprehensive income amounts to USD 2,315. In 2018 the total recognized performance fee amounted to USD 1,576, representing the accrued performance fee for the performance over the year 2018 of USD 1,210, plus the approved surplus over the performance fee estimate accrued for the year 2017 of USD 366.

Remuneration of directors and staff of the Fund Manager: At the end of 2019, the Fund Manager had 22 employees (2018: 20). The entire team is classified as "identified staff" for regulatory purposes. In conformity with the AIFMD, this means that all staff are subject to malus and claw-back arrangements with respect to their variable compensation, and the variable compensation of senior management, "risk-takers", and control staff is subject to pre-defined deferral arrangements.

Historically, the team's fixed and variable remuneration awards have been as follows:

2019 (all amounts in thousands)	Fixed EUR	Variable EUR	Total EUR	Total USD[7]
Senior Management (4 staff)	938	396	1,334	1,499
Other personnel	1,444	434	1,878	2,110
Total remuneration in 2019	**2,382**	**830**	**3,212**	**3,609**

2018 (all amounts in thousands)	Fixed EUR	Variable EUR	Total EUR	Total USD[8]
Senior Management (4 staff)	908	343	1,251	1,432
Other personnel	1,314	315	1,629	1,865
Total remuneration in 2018	**2,222**	**658**	**2,880**	**3,297**

The variable remuneration awarded in any given year relates to individual performance over the previous year. For the staff subject to deferral, 60% is payable in cash in the year of award; the remainder (40%) is payable in equal cash installments over the following 3 years (subject to malus and claw-back).

6 | In February 2020, the Supervisory Board approved a performance fee of USD 1,766 for 2019. The excess of USD 37 compared to the amount accrued in 2019 will be recognized in 2020
7 | Translated at the year-end USD/EUR exchange rate of EUR 0.890
8 | Translated at the year-end USD/EUR exchange rate of EUR 0.874

10. Relevant contracts for the Fund's operations

Fund Manager

The Fund has entered into a Fund Management Agreement with the Fund Manager to provide portfolio management, risk management, and fund administration and valuation services to the Fund. See Note 9 for details of the contractual arrangements.

Fund Administrator and Valuer

The Fund Manager has delegated the Fund's administration and valuation functions to a third-party service The Fund Manager has delegated the Fund's administration and valuation functions to a third-party service provider, DLM Finance B.V. ("the Administrator"), under a bilateral agreement with the Fund Manager. The main responsibilities of the Administrator are administering, settling and valuing the Fund's investments, collateral management, and maintaining and preparing portfolio reports.

Additionally, the Administrator keeps the books of the Fund and prepares periodic financial reports for the benefit of the Pricing Committee, the Supervisory Board and its committees, the investors, and regulators. The expenses for these services are included in the Management Fee discussed in Note 9 above.

Risk Monitor

Historically, the Fund's risk monitoring has been provided by Cardano Risk Management B.V. ("CRM") under the terms of a trilateral agreement with the Fund Manager and the Fund. Amongst other functions, CRM is responsible for executing the daily risk, asset, and cash flow monitoring functions, the provision of an independent opinion on pricing and valuation, providing expert input on the modeling and execution of derivatives transactions, and supporting the Fund Manager in research and risk management.

For 2019, Cardano Risk Management B.V. received a fixed fee equal to EUR 1,103 or USD 1,232 (2018: EUR 1,050 equaling USD 1,237).

Depositary and Custodian

The Fund has appointed Bank of New York Mellon N.V. ("BNYM") to act as its independent Depositary. In this capacity, BNYM is responsible for general oversight of the Fund Manager, monitoring transactions in TCX shares, safe-keeping the Fund's assets, reconciling its cash flows, and ensuring that its valuation policies and procedures are implemented properly and consistently. BNYM also acts as the Fund's custodian.

For 2019, BNYM received depositary fees of USD 173 (2018: USD 150). These fees fluctuate monthly as a function of the value of TCX's investments.

Assurance providers

The Fund has appointed PricewaterhouseCoopers Accountants N.V. as its Independent Auditor. The Independent Auditor's remuneration in 2019 consisted EUR 206 in audit fees, equal to USD 230 (2018: EUR 231 equaling USD 268). The Independent Auditor is engaged to perform the audit of the financial statements, NAV audits, review procedures and other non-audit services.

The remaining part USD 155 (2018: USD 183) of the total audit fees of USD 385 (2018: USD 451) is related to the operational audit of the Fund by Solutional Netherlands B.V., which resulted in the issuance of an unqualified ISAE 3402 Type II report and assurance on the IT system migration during the year 2019.

11. Financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss consist of the following instruments at 31 December of each year (see Note 6 for further information).

(all amounts in thousands USD)	2019		2018	
	Fair value in USD	% of NAV	Fair value in USD	% of NAV
Level 2 financial instruments				
Cross currency interest rate swaps – Hedging	38,708	5.2	14,291	2.8
FX Forward contracts – Trading	1,079	0.1	1,063	0.2
FX Forward contracts – Hedging	26,431	3.5	12,827	2.5
Level 3 financial instruments				
Cross currency interest rate swaps - Primary	180,109	24.0	177,189	34.8
FX Forward contracts – Primary	3,875	0.5	4,120	0.8
Total	**250,202**	**33.3**	**209,490**	**41.1**

12. Accrued expenses and other payables

As at 31 December the accrued expenses and other payables consist of the following:

(all amounts in thousands USD)	2019	2018
Donor Commitments	3,229	2,022
Audit fee payable	122	61
Other general fees payable	423	53
Accrued interest on DFID subordinated loan	463	-
Management fee and performance fee payable	1,734	1,176
Total accrued expenses and other payables	**5,971**	**3,312**

Donor Commitments

The Fund has agreed with BMU as a holder of the Subordinated Convertible Debt (see Note 17) that it will distribute to BMU certain amounts each year in the form of either cash or additional Donor Commitments supported by retained cash (or "Donor Assets") to be used to finance special projects, grants or investments approved by BMU (see Note 13). In 2019 and 2018, BMU elected to receive this distribution in the form of additional Donor Commitments.

When using cash Donor Assets for making an investment that may be redeemed at a later date, any redemption proceeds received by the Fund will be transferred back to the Donor Assets. The Fund is entitled to any interest, dividend or other income received from these investments.

The obligation of the Fund to use the Donor Assets to honor the Donor Commitments ranks junior to the Fund's senior unsecured obligations and pari passu with any other subordinated obligations of the Fund.

13. Distributions to the Donors

The Fund has agreed with the providers of the Subordinated Convertible Debt (the Donors listed in Note 17) that it will distribute to them the following amounts:

- In the case of DGIS, on January 1 of each year, on their share of the Subordinated Debt Outstanding on December 31 of the previous year, an amount equal to 2.5% per annum flat up to 2025, such to be distributed in cash or additions to the First Loss Loan, at the discretion of DGIS; and
- In the case of BMZ, on January 1 of each year, on their share of the Subordinated Debt Outstanding on December 31 of the previous year, an amount equal to 2.5% up to 2020, 2.0% up to 2025, and 1.5% up to 2045, such to be distributed in cash;
- In the case of BMU, on January 1 of each year, on their share of the Subordinated Debt Outstanding on December 31 of the previous year, an amount equal to 2.5% per annum flat up to 2020, 2.0% up to 2025, and 1.5% up to 2045, such to be distributed in cash or additional Donor Commitments, at the discretion of BMU (see Note 12);
- In the case of DFID, on January 1 of each year, on their share of the Subordinated Debt Outstanding on December 31 of the previous year, an amount equal to 1.5% per annum flat up to 2020, 1% up to 2025, and 0.5% uo tp 2045, such to be distributed in cash.

These distributions to the Donors are presented on a net basis in the statement of comprehensive income and are detailed as follows:

(all amounts in thousands USD)	Note	2019	2018
Interest calculated based on market interest rates		(9,036)	(11,296)
Amortization of government grants	17	2,907	6,317
Distributions to the Donors		**(6,129)**	**(4,979)**

14. Subsidies granted by third-parties

Objective

The Fund may make arrangements with government donors, multi-lateral organizations, and other parties to subsidize the rates it quotes in certain currencies or sectors in case of structural impediments to local currency financings. In 2016, the first such facility was launched by the Fund in cooperation with the Livelihoods and Food Securities Trust Fund (LIFT) – a UN-administered fund operating in Myanmar. The purpose of the facility is to enable foreign development financiers to offer Kyat denominated loans to micro-finance institutions in compliance with the maximum interest rate set by the Central Bank of Myanmar on foreign lending. In May 2019, the second LIFT program was launched.

Status

As per 31 December 2019 the Fund had received all tranches of the LIFT facility for a total amount of USD 9,925, and has been steadily executing the related in subsidized transactions.

Movement during the period

(all amounts in thousands USD)	2019	2018
Opening balance	-	1,197
Received subsidies from LIFT	6,025	-
Subsidies on transactions executed during the year	(639)	(1,197)
Total end of year	**5,386**	**-**

15. Deferred subsidy income

The subsidies on transactions executed during each year are deferred over the lifetime of the executed transactions and recognized on each interest settlement date in the Statement of Comprehensive Income.

(all amounts in thousands USD)	2019	2018
Opening balance	4,527	7,135
Deferred subsidy assigned to executed transactions during the year	639	1,197
Recognised interest grant through Statement of Comprehensive Income	(3,022)	(3,805)
Total end of year	**2,144**	**4,527**

16. Subordinated loan

Objective

The Subordinated Loan has been provided by the Inter-American Development Bank ("IDB") with the objective to provide TCX with financing to support its investment activities directed towards the currencies of Latin American and Caribbean countries.

Status

The Fund drew USD 20 million (100% of IDB's the commitment) on 18 December 2012.

Subordination

Repayment obligations of the Subordinated Loan are subordinated and rank junior to all the other liabilities of the Fund excluding the Subordinated Convertible Debt and the First Loss Loan (see Notes 17).

Repayment and interest

The Fund shall repay the full amount outstanding of the Subordinated Loan in six equal semi-annual installments of principal as follows:

- the first installment shall be due on 15 August 2018 and each half year period thereafter, subject to the rights attached to the put option (see below);
- the final installment shall be due on 15 February 2021.

The Subordinated Loan does not pay any regular interest but includes a compounded return which is paid out with the final installment. The return is calculated as i) the minimum of the compounded 3-month LIBOR rate, as applicable on the 15th day of each quarter and the internal return on TCX's equity, or zero if the internal return on TCX's equity is negative plus ii) the adjusted compound IRR.

Movement of the Subordinated Loan during the reporting period

(all amounts in thousands USD)	2019	2018
Opening balance	16,952	20,162
Compounded return	1,448	123
Repayment	(6,667)	(3,333)
Total end of year	**11,733**	**16,952**

Fair value information

The estimation of the fair value of the Subordinated Loan at 31 December 2019 was calculated based on an internally developed valuation model (Level 3) and amounted to USD 10.9 million (2018: USD 17.1 million). The following major assumptions were used in the internally developed valuation model which is based on an income approach:

- The facility is senior to equity and the subordinated convertible debt but junior to other senior liabilities;
- No own credit risk is taken into account;
- The exercise frequency for the put option is fixed beforehand as well as the intervals between the decision to exercise and prepayment (until maturity of the option in 2018);
- The instantaneous volatility shocks to the TCX equity return are assumed to be 20% on an annual basis. Interest rates are assumed to be uncorrelated with TCX equity and are modeled by using a Hull-White extended Vasicek model.

A change in the credit spread of +50bps results in a change in fair value of USD -1 (2018: USD -102). A change in the volatility of the TCX NAV of plus or minus 1% will change the fair value of USD: +/- USD 7 (2018:+/-USD 36).

17. Subordinated Convertible Debt and Grants linked to the Subordinated Convertible Debt

Objective

The Subordinated Convertible Debt has been provided by Donors with the objective to:

- provide to the Fund a financing that provides a first loss protection to its Shareholders, in order to enhance the risk-return profile of their investment;
- enhance the Fund's capability and incentive to transact in Least Developed Countries and Other Low Income Countries, which are the two lowest categories of countries in the OECD Development Assistance Committee's list of Official Development Assistance recipients. The Donors specifically wish to target such countries situated in Sub Sahara Africa with their investment; and
- enhance the Fund's capability and incentive to transact in SE4ALL (Universal Energy Access, Renewable Energy and Energy Efficiency) projects carried out in countries mentioned in the OECD Development Assistance Committee list.

Status

The Donors are:

I. The Netherlands Minister for International Trade and Development Cooperation (DGIS with a EUR 50 million commitment),
II. KfW acting on behalf of the German Federal Ministry for Economic Cooperation & Development (BMZ, with a EUR 62.5 million and USD 5,7 million commitment) .
III. KfW acting in its own name but for the account of the German Federal Ministry for the Environment, Nature Conservation, and Building & Nuclear Safety (BMU, with a EUR 30 million and USD 22.7 million commitment respectively),
IV. The UK Department for International Development acting on behalf of Her Brittanic Majesty's Secretary of State for International Development (DIFD with a GBP 31 million commitment since March 2019).

All commitments are 100% disbursed.

The obligations towards DGIS, BMU and BMZ were converted into USD on disbursement at the then applicable exchange rate.

The obligation towards DFID is outstanding in GBP in TCX's books.

In summary the status of the Subordinated Convertible Debt is as follows:

Donor	Maturity Year end	Interest % as per 31/12/2019	Interest % as per 01/01/2020	Interest % as per 01/01/2025	Outstanding USD
DGIS	2025	2.5	2.5	2.5	70,618
BMZ	2045	2.5	2.0	1.5	90,547
BMU	2045	2.5	2.0	1.5	55,413
DFID	2045	1.5	1.0	0.5	41,125
Total per 31 December 2019					**257,703**

Donor	Maturity Year end	Interest % as per 31/12/2019	Interest % as per 01/01/2020	Interest % as per 01/01/2025	Outstanding USD
DGIS	2025	2.5	2.5	2.5	70,618
BMZ	2045	2.5	2.5	2.5	90,547
BMU	2045	2.5	2.0	1.5	55,413
Total per 31 December 2018					**216,577**

Subordination

The Subordinated Convertible Debt is subordinated to all senior and subordinated obligations of the Fund and is furthermore repayable upon liquidation only to the extent that each and every holder of Class A shares has achieved a compounded 3-month USD Libor flat return on its investment (the Threshold Shareholder IRR). It is not freely transferable.

Conversion

The Donors have the option at all times to convert the outstanding commitments in the Subordinated Convertible Debt in whole or in part into shares Class B. The number of shares Class B shall be calculated in respect to the portion of the outstanding commitment and the number of shares Class B to be issued to a lender. The conversion price payable by a converting lender on the conversion date shall be the equal to the per-share net asset value of the Fund's Shares A applicable immediately after conversion (including the first loss effect of the Subordinated Convertible Debt and/or Shares B outstanding). The lenders' conversion rights are not transferable. During the period, no conversion options were exercised.

Restriction to redeem Shares B

The Shares B shall have the same rights as any other class of Shares in the Fund, except that the shares Class B will not participate in any dividend and will not be redeemable until the Fund's shareholders have achieved the Threshold.

9 | In September 2019, TCX Mauritius transferred to TCX all the rights and obligations regarding this portion of the Subordinated Convertible Debt, such that KfW/BMZ is now a direct lender to TCX.

Repayment and interest

Unless previously converted to Shares B, the USD amount outstanding under the Subordinated Convertible Debt becomes redeemable in full on their maturity date. As outlined in Note 12, the Fund has agreed to make certain distributions to the Donors in lieu of the usual interest payments.

Fair value information

The estimation of the fair value of the Subordinated Convertible Debt at 31 December 2019 was calculated based on an internally developed valuation model (Level 3) and amounted to USD 151 million (2018: USD 117 million). The following material assumptions were used in the internally developed valuation model which is based on an income approach:

- The facility is junior to the net assets attributable to holders of redeemable shares Class A;
- No early exercise of the conversion is taken into account;
- The conditional annual payment of the interest on the facility has comparable value with an end of period payment of compounded LIBOR;
- The volatility of the TCX NAV used in the Black & Scholes option valuation is based on the results of a TCX financial business model with an implied volatility of 20%.

A change in the credit spread of +50bps results in a change in fair value of USD -9,005 (2018: USD -4,249). A change in the volatility of the TCX NAV of plus or minus 1% will change the fair value of: USD +/- 2,292 (2018: USD +/- 1,484).

Movements during the period and cumulative positions at the end of reporting period

(all amounts in thousands USD)	Subordinated Convertible Debt at market interest	Government grants	Total
Total position at 31 December 2017	**142,437**	**45,831**	**188,268**
Amortization during the year	5,729	(5,729)	-
The 2018 Commitment			
Drawdown KfW (BMU) December 2018	10,866	11,782	22,648
Drawdown KfW (BMZ) December 2018	3,209	2,453	5,662
Total position at 31 December 2018	**162,241**	**54,337**	**216,578**
Extinquishment KfW 2017 third loan*)			
Extinghuisment of previous loan facility	8,758	(8,758)	-
Renewed and extended loan facility	(25,201)	25,201	-
Amortization			
Amortization during the year	2,318	(2,318)	-
The 2019 Commitment			
Drawdown DFID July 2019	19,959	20,326	40,285
FX result DFID (GBP:USD)	416	424	840
Total position at 31 December 2019	**168,491**	**89,212**	**257,703**

*) As a result of the extension of the maturity and the adjustement in interest rates, the KFW 2017 third loan facility (BMZ) has been accounted for as an extinguishment. The fair value and related grant element have been reclassified for the remaing maturity of the loan in 2019.

First loss loan

Objective

The First loss loan has been provided by the Netherlands Minister for International Trade & Development Cooperation ("DGIS") with the objective to enhance TCX's capability and incentive to transact in the lowest two categories of countries as defined by the OECD Development Assistance Committee List of Official Development Assistance Recipients. DGIS specifically wishes to target women and countries situated in Sub Sahara Africa.

Status

The First loss loan agreement was executed on 21 December 2016 for a total amount of USD 10,901. The execution of the agreement was based on a transfer of Donor Commitments as disclosed in Note 12.

Subordination

Repayment obligations of the First loss loan ranks pari passu with the obligations of the Fund under Subordinated Convertible Debt (see Note 17) in a going-concern scenario. In case the Fund decides to liquidate pursuant to a Liquidation Trigger Event (see Note 18), there is no repayment obligation (the principal resets to zero).

Repayment and interest

The Fund shall repay the full amount outstanding of the First loan loss including outstanding interest on 31 December 2025. The First loss loan is subject to an annual interest of 2.5% flat on the amount outstanding at December 31 each year.

Fair value information

The estimation of the fair value of the First loss loan at 31 December 2019 was calculated based on an internally developed valuation model (Level 3) and amounted to USD4.5 million (2018: USD 5.2 million). The following material assumptions were used in the internally developed valuation model which is based on an income approach:

- The facility is junior to the net assets attributable to holders of redeemable shares Class A and ranks pari passu with the Subordinated Convertible Debt;
- No early exercise of the conversion is taken into account;
- Inclusion of a 2.5% fixed versus floating USD interest rate swap with a maturity date of 31 December 2025;
- The volatility of the TCX NAV used in the Black & Scholes option valuation is based on the results of a TCX financial business model with an implied volatility of 20%.

A change in the credit spread of +50bps results in a change in fair value of USD -134 (2018: USD -181). A change in the volatility of the TCX NAV of plus or minus 1% will change the fair value of: USD +/- 112 (2018: USD +/- 60).

Movements during period and cumulative positions at the end of reporting period

(all amounts in thousands USD)	First loss loan at market interest	Government grants	Total
Total position at 31 December 2017	**6,192**	**4,709**	**10,901**
Amortization during the year	588	(588)	-
Total position at 31 December 2018	**6,780**	**4,121**	**10,901**
Amortization during the year	589	(589)	-
Total position at 31 December 2019	**7,369**	**3,532**	**10,901**

18. Share capital

Structure of the Fund's capital

The authorized share capital amounts to sixty thousand euro (EUR 60,000) and is divided into:

- 1,000 classes of Class A shares, numbered from A1 to and including A1,000, each class containing ten (10) shares with a par value of one euro (EUR 1) each; and
- five hundred (500) classes of Class B shares, numbered from B1 up to and including B500, each class containing ten (10) shares with a par value of one euro (EUR 1) each; and
- One (1) C Ordinary Share, numbered C1, with a par value of forty-five thousand euro (EUR 45,000), which share shall be regarded as one (1) class of shares).

At 31 December 2019, 1,120 Shares Class A are in issue(31 December 2018: 914 shares) and are fully paid. No Shares Class B are in issue. The single C Ordinary Share is held in treasury by TCX itself.

Subscriptions

The Fund accepts from time to time offers to subscribe to newly issued Shares Class A from "professional investors" only (within the meaning of Article 1:1 of The Netherlands Financial Markets Supervision Act), upon approval by the Fund's General Meeting of the terms of the issuance and the identity of the new investor.

Repurchases

Each investor has the option to exit the Fund by offering its shares for repurchase on a quarterly basis, at Net Asset Value.

Repurchases are subject to an annual cap of 20% of Shares Class A and Shares Class B outstanding at the start of each calendar year. Separately, the shareholders have the ability to request on 31 December 2040 for full repurchase of their shares. The repurchse can be postponed by the Fund Manager until 31 December 2045 without the cap applying.

Repurchase of shares can only occur if the Primary Investments volume existing between TCX and the exiting Investor after redemption does not breach the limits defined in the Investors Agreement.

On 18 September 2019 the Extraordinary General Meeting approved a proposal to adjust Clause 25.12 of the Investor Agreement by changing the dates of repurchase to align with the tenor of the Convertible Subordinated Loan Agreement. As a result, the Investor Agreement provides a repurchase request may be submitted ultimately by 31 December 2040, and the Fund Manager shall be entitled to postpone the repurchase to any time between 1 January 2041 and 31 December 2045.

Rights and obligations

Each shareholder has the number of votes at a General Meeting equal to the number of Shares it holds. Each Subordinated Convertible Lender may vote on certain matters defined in the Investors Agreement, and in these cases has the number of votes equal to the number of shares Class B that it would have held if the Convertible Subordinated Debt would have been converted into shares Class B on the last business day of the previous financial year. The shareholders and Subordinated Convertible Debt investors shall exercise their voting rights in accordance with and pursuant to the terms, conditions and spirit of the Investors Agreement.

TCX Investment Company Mauritius Limited

The Fund's General Meeting has approved TCX Investment Company Mauritius Limited ("TCXM") as a vehicle for facilitating the investment of three investors in the Fund, which are TCXM's owners.

Capital management

The Fund´s capital management objectives are included in Note 4. The Fund's internal capital requirements to meet its objective are satisfied through a diversified financial structure. The breakdown is as follows at 31 December:

(all amounts in thousands USD)	2019	2018
Net assets attributable to holders of Shares Class A	751,285	508,562
Subordinated Convertible Debt	168,491	162,241
Grants linked to the Subordinated Convertible Debt	89,212	54,337
First loss loan	10,901	10,901
Frontier Clearing investment capital usage	(6,609)	(6,976)
Total Tier 1 capital	**1,013,280**	**729,065**

The Fund has one Subordinated Loan classified as Tier 2 capital (see Note 16 for further details).

(all amounts in thousand USD)	2019	2018
Subordinated Loan	11,733	16,952
Total Tier 2 capital	**11,733**	**16,952**

The definitions of Tier 1 and Tier 2 capital are internal to TCX and are presently driven chiefly by the relative ranking of the instruments in case of a forced or voluntary liquidation of the Fund. Both tiers are junior to the senior creditors of the Funds (TCX's counterparties), and qualify in this sense as 'capital' available to support the obligations towards them. Next comes the non-convertible subordinated debt (Tier 2), and the Shares Class A, which top Tier 1. These are held by development finance institutions and funds, whereas the Convertible Subordinated Debt and the First-Loss Loan are held by government Donors.

The Fund's capital requirements are based on two ratios:

- Minimum Total Capital ratio[10] of 14% (Tier 1 plus Tier 2 capital over Risk Weighted Assets); (at 31 December 2019: 24%; 2018: 24%)
- Minimum Tier 1 ratio of 10% (Tier 1 capital over Risk Weighted Assets); (at 31 December 2019: 24%; 2018: 23%);

If either ratio falls below the agreed threshold, a Liquidation Trigger Event will have occurred, requiring the Fund Manager to liquidate the Fund within a period of one year following an unremediated stand-still period, subject to investor approval. The capital ratios are tested at the end of each business day.

The Fund maintains an internal capital adequacy assessment process ("ICAAP") to periodically review and assess the Fund's capital position, notably the amounts available to support the portfolio's growth while reserving sufficient amounts to cover stress scenarios.

During the reporting period, the Fund complied with these minimum internal capital requirements.

Dividend and dividend policy

In accordance with the Investors' Agreement, dividends may be paid out to shareholders if the Fund generates a profit that outpaces the Fund's growth potential, leading to inefficient capitalization for the foreseeable future.

19. Net result on financial instruments at fair value through profit or loss

The net results on financial instruments at fair value through profit or loss are detailed follows:

2019	Profits		Losses		Net
(all amounts in thousand USD)	unrealised	realised	unrealised	realised	result
Cross Currency Swaps- Primary	140,983	282,014	(81,304)	(184,435)	157,258
Cross Currency Swaps- Hedging	8,870	4,816	(27,570)	(20,562)	(34,446)
FX forward- Primary	20,702	6,241	(8,250)	(2,499)	16,194
FX forward- Trading	-	-	(16)	-	(16)
FX forward- Hedging	11,229	5,787	(30,069)	(11,645)	(24,698)
FX Spots	-	241	-	(77)	164
Debt instruments	1,644	3,181	(6,071)	(3,222)	(4,468)
Total	**183,428**	**302,280**	**(153,280)**	**(222,440)**	**109,988**

2018	Profits		Losses		Net
(all amounts in thousand USD)	unrealised	realised	unrealised	realised	result
Cross Currency Swaps- Primary	94,698	122,891	(195,668)	(39,573)	(17,652)
Cross Currency Swaps- Hedging	3,537	1,036	(16,790)	(9,574)	(21,791)
FX forward- Primary	13,664	12,365	(20,003)	(1,546)	4,480
FX forward- Trading	-	-	(1,063)	-	(1,063)
FX forward- Hedging	34,075	1,373	(12,478)	(17,131)	5,839
FX Spots	-	120	-	(196)	(76)
Debt instruments	3,858	2,049	(4,877)	(582)	448
Total	**149,832**	**139,834**	**(250,879)**	**(68,602)**	**(29,815)**

The interest component included in the Cross Currency Swaps amounts to USD 125,416 (2018: USD 108,454).

20. Foreign currency translation

Realized and unrealized exchange rate differences consist of realized and unrealized translation gains and losses on assets and liabilities denominated in currencies other than the US Dollar. The total foreign currency translation result amounts to a loss of USD 208 (2018: loss of USD 2,143). For the translation of the non-USD positions at balance sheet date, a closing rate of EUR 0.890 (2018: EUR 0.873) per USD has been applied in preparation of these financial statements.

10 | Capital ratio: The Capital ratio is a solvency indicator, explaining the relationship between risk capital and risk weighted assets. The Fund's (minimum) capital ratio implicitly acts as the Fund's (maximum) leverage ratio within the meaning of the AIFMD.

21. Interest income

The following table details the interest income during the reporting period.

(all amounts in thousands USD)	2019	2018
Financial instruments at fair value through profit or loss		
Commercial paper	7,728	5,475
Floated rate notes	9,623	5,485
Fixed rate bonds	1,704	450
Subtotal debt instruments	19,055	11,410
Cash and cash equivalents		
Cash collateral	2,013	688
Subtotal cash and cash equivalents	2,013	688
Total interest income	**21,068**	**12,098**

22. Other general expenses

The following table details the other general expenses during the period.

(all amounts in thousands USD)	2019	2018
Legal fees	408	238
Rating agency fees	77	79
Guarantee fee	95	51
Compliance fees	30	39
Tax advisory fees	67	-
Reasearch fees	371	420
Other expenses	279	38
Total other general expenses	**1,327**	**865**

23. Personnel

The Fund did not employ any personnel during the reporting period ending 31 December 2019 (2018: none)

24. Assets Under Management

As defined under the AIFMD, the Assets Under Management ('AUM') of the Fund at 31 December 2019 totaled USD 5,710 million (2018: USD 4,345 million), including the derivatives portfolio at notional value.

25. Leverage

As defined under the AIFMD, the Leverage of the Fund at 31 December 2019 was 7.2 times its NAV using the Gross Method, and 5.4 times its NAV using the Commitment Method (2018: 7.9 times and 6.3 times, respectively). The Fund calculates these leverage measures solely for reporting purposes to the Dutch Central Bank. For risk and capital management purposes, the Fund relies instead on monitoring its available capital to risk weighted assets ratio, as detailed in Note 18.

26. Fund documentation

The totality of the documents concerning TCX's corporate status and its objectives, funding arrangements, policies, management, operations, and financial results are available to existing investors in the secure area of the Fund's website (www.tcxfund.com). For permission to access this secure area of the website, prospective investors are invited to contact the Fund Manager at info@tcxfund.com. For non-investors, the website only provides publicly released information.

27. Proposal for profit appropriation

Appropriation of profit will be determined in accordance with articles 29 and 31 of the Articles of Association of the Fund (see page 64).

The statutory managing board proposes to the general meeting to allocate the operating income of USD 114,279 for the period ended 31 December 2019 as follows: for an amount of USD 114,279 to the other reserves corresponding with each relevant class of shares. As per 31 December 2019, 1,120 shares are in issue. No dividends shall be distributed to shareholders with respect to the period ended 31 December 2019.

Significant accounting policies, estimates and judgments

28. Summary of significant accounting policies

Basis of preparation

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Certain financial assets and financial liabilities are stated at amortized cost.

The Statement of financial position presents the assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. The Fund's assets and liabilities are generally held for the purpose of being traded or are generally expected to be realised within one year with the exception of the Primary Investments, the long-term Subordinated Loan, the Subordinate Convertible Debt, Subsidies and the associated Grant and subsidy elements linked thereto.

The accounting policies have been consistently applied by the Fund and are consistent with those used in the previous year. All amounts have been rounded to the nearest thousand unless otherwise indicated.

Adoption of new standards and amendments to existing standards: There are no standards, amendments to standards or interpretations that are effective for annual period beginning on 1 January that have a material effect on the financial statement of the Fund.

New standards, amendments and interpretations to existing standards which are relevant to the Fund and not yet effective: Amendments to IAS 1 and IAS 8 Definition of material - The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Fund do not expect that the adoption of the amendments listed above will have a material impact on the financial statements of the Fund in future periods.

Functional currency translation

Functional currency and presentation currency: The functional currency of the Fund is the United States Dollar (USD), reflecting the fact that the majority of the transactions are settled in USD. The Fund has adopted the USD as its presentation currency as all of the contributions made by the investors of the Fund are denominated in USD.

Transactions and balances: All recognized assets and liabilities denominated in non-USD currencies are translated into USD equivalents using year-end spot rates. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Resulting exchange differences on the financial instruments at fair value through profit or loss in foreign currencies are recorded in the income statement as part of the investment result. Realized and unrealized exchange differences on other assets and liabilities are also recorded in the income statement and disclosed as foreign currency translation.

Financial instruments

Classification: *Financial instruments at fair value through profit or loss* - the Fund classifies all derivative financial instruments (which may include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate options, both written and purchased as well as other derivative financial instruments) as financial instruments at fair value through profit or loss. The Fund classifies investments in debt securities as financial instruments at fair value through profit or loss.

Subordinated (convertible) debt, grants linked to the subordinated convertible debt, First loss loan and grants linked to the First loss loan - the Fund classifies these instruments as financial liabilities in accordance with the substance of the contractual arrangements, given that the total expected cash flows attributable to the instrument over its life are not based substantially on the profit, the change in the recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of the Fund during the life of the instrument.

The following financial instruments are classified as financial instruments at amortized cost:

Other receivables, accrued expenses and other payables, cash collateral (paid and given) and cash and cash equivalents.

The Fund's accounting policy regarding the redeemable shares Class A is described below.

Recognition: The Fund recognizes all financial instruments on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial instruments at fair value through profit or loss are initially recognized using trade date accounting. Gains and losses are recognized from this date on.

Drawdowns under the Subordinated Convertible Debt and First Loss Loan facility are treated as loans that include a grant element (further referred to as Grants linked to the Subordinated Convertible Debt and Grants linked to the First Loss Loan, together "the Grants"). The Grants are calculated as the difference between the initial carrying value of the loans (its fair value) and the proceeds received (its book value).

Measurement: All financial instruments are initially measured at fair value (transaction price). Furthermore, the following measurement principles are applied:

Financial instruments at fair value through profit or loss - Transaction costs on financial instruments at fair value through profit or loss are expensed immediately. After initial recognition, financial instruments at fair value through profit or loss are measured at fair value, with changes in their fair value recognized as gains or losses in the statement of comprehensive income.

Subordinated (convertible) debt, grants linked to the subordinated convertible debt, First loss loan and grants linked to the First loss loan - the Subordinated Convertible Debt, First Loss Loan and the Subordinated Loan are recorded as liabilities on an amortized cost basis using the effective interest rate method until extinguished upon conversion, restructuring or at the instrument's maturity date. The Grants are amortized over the lifetime of the Subordinated Convertible Debt and First Loan Loss respectively.

Other receivables, accrued expenses and other payables, cash collateral (paid and given) and cash and cash equivalent- these financial instruments are recognized at fair value and subsequently stated at amortized cost using the effective interest method.

Fair value measurement principles: *Commercial paper and Debt Instruments* - For all financial instruments at fair value through profit or loss which are highly rated and liquid such as commercial paper, floating rate notes, certificates of deposit, T-bills, T-bonds for which quoted prices in an active market are available as reference, the fair value is determined based on market standard cash flow methodologies and are further referred to as Level 2 financial instruments.

Cross currency interest rate swaps (CCIRS) and FX Forward contracts - - the Fund employs these instruments in its portfolio for three reasons:

- Primary Investments: long-term investment transactions in developing country currencies directly in line with the primary purpose of the Fund;
- Trading Investments: transactions with investment banks, usually short-term, with the purpose of diversifying the Fund's overall currency exposure; and
- Hedging Investments: transactions with the purpose of concentration and balance sheet management.

Primary Investment are transacted to realize TCX's mission to provide hedges that are additional to markets, i.e. not transacted by market parties. This typically arises when the investment has a maturity longer than the market offers or TCX offers a product for which there is no market at all. To manage price discovery in such an environment, TCX has instituted a Pricing Committee, which approves the pricing methodology of the Fund based on a proposal of the Fund Manager. The Risk Monitor is responsible for monitoring that the various pricing methodologies approved by the Pricing Committee, are implemented correctly. By definition, the additionality principle means that there is little, if any, directly observable and/or comparable market data. Therefore, the techniques used to value TCX's Primary Investments qualify as Level 3 valuation techniques (valuation technique using inputs that are not market observable) using the income approach based on future cash flows.

TCX's Trading and Hedging Investments are typically closed within the available market offering for the currencies in which they occur. TCX should be able to move into and out of the positions relatively quickly to enhance the diversification benefits, manage portfolio concentrations, or protect its capital. They are valued based on a valuation technique using inputs based on observable market data. In particular, the Fund uses market rates obtained from public sources, such as Bloomberg and Reuters, in the pricing of its derivative over-the-counter products. Therefore, the techniques used to value TCX's Trading and Hedging Investments qualify in principle as Level 2 valuation techniques "valuation techniques using inputs based on observable market data".

Frontier Clearing Fund Junior (TCX) - the fair value of the Frontier Clearing Fund Junior Units are determined using valuation models for which not all inputs are market observable prices or rates. The fair valuation of these units is based on discounted future cash flows and is published monthly by the custodian of the Frontier Clearing Funds.

Impairment of financial instruments at amortized cost: TThe Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a provision for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, net of any collateral held.

Derecognition: The Fund de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition. A transfer will qualify for de-recognition when the Fund transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting financial instruments: Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

Subsidies granted by third parties and deferred subsidy income

The Fund recognizes subsidies granted on the Statement of financial position once the Fund complies to all conditions and the Fund has received the cash, all in accordance with the subsidy agreement. The subsidies granted are reclassified as deferred subsidies income when transactions are executed. Deferred subsidy income is recognized in Statement of Comprehensive Income on a systematic basis over the period of the allocated financial instruments and presented as an adjustment to the (change in) fair value of the transaction.

Statement of cash flows

The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the Fund's cash flows for the period divided into cash flows from operations and financing activities and how the cash flows have affected cash funds.

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for repurchase of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

Shares Class A

The Fund´s Class A shares are redeemable at the shareholder's option and are classified as financial liabilities. These shares are recognized and measured at their net asset value, being the net present value of the assets minus the net present value of the liabilities. Any distributions to holders of these shares are recognized in the income statement as distribution to holders of redeemable shares Class A.

Income and expense recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. For debt instruments, commercial papers, cash collateral and interest received from Donor Assets, the change in fair value will be classified as a result on financial instruments at fair value through profit or loss. The interest revenue and expense on these instruments are presented as interest income as a separate line item. The benefits of government grants are amortized and presented in the statement of comprehensive income over the lifetime of the Subordinated Convertible Debt and are deducted from the line item Contributions to Donor Assets.

The Management Fee is based on invoices as long as they do not exceed the budget approved by the Supervisory Board. The Performance Fee is determined based on a separate performance assessment by the Supervisory Board against the performance targets agreed with the Fund Manager and approved by the Investors.

Taxation

The Fund has received a ruling from the Dutch tax authorities that it is eligible for an exemption from corporate income tax (The Fund is a "vrijgestelde beleggingsinstelling" or "VBI"), under the terms of legislation passed through The Netherlands' Parliament on 1 August 2007. Related to this the Fund is also exempt from withholding any taxes due on any dividends paid to its shareholders.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, short-term deposits in banks and brokers and cash collateral provided in respect of derivatives, securities sold short and securities borrowing transactions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Events after the reporting period

The financial statements are adjusted to reflect material events that occurred between the end of the reporting period and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Material events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

29. Significant accounting estimates and judgment in applying accounting policies

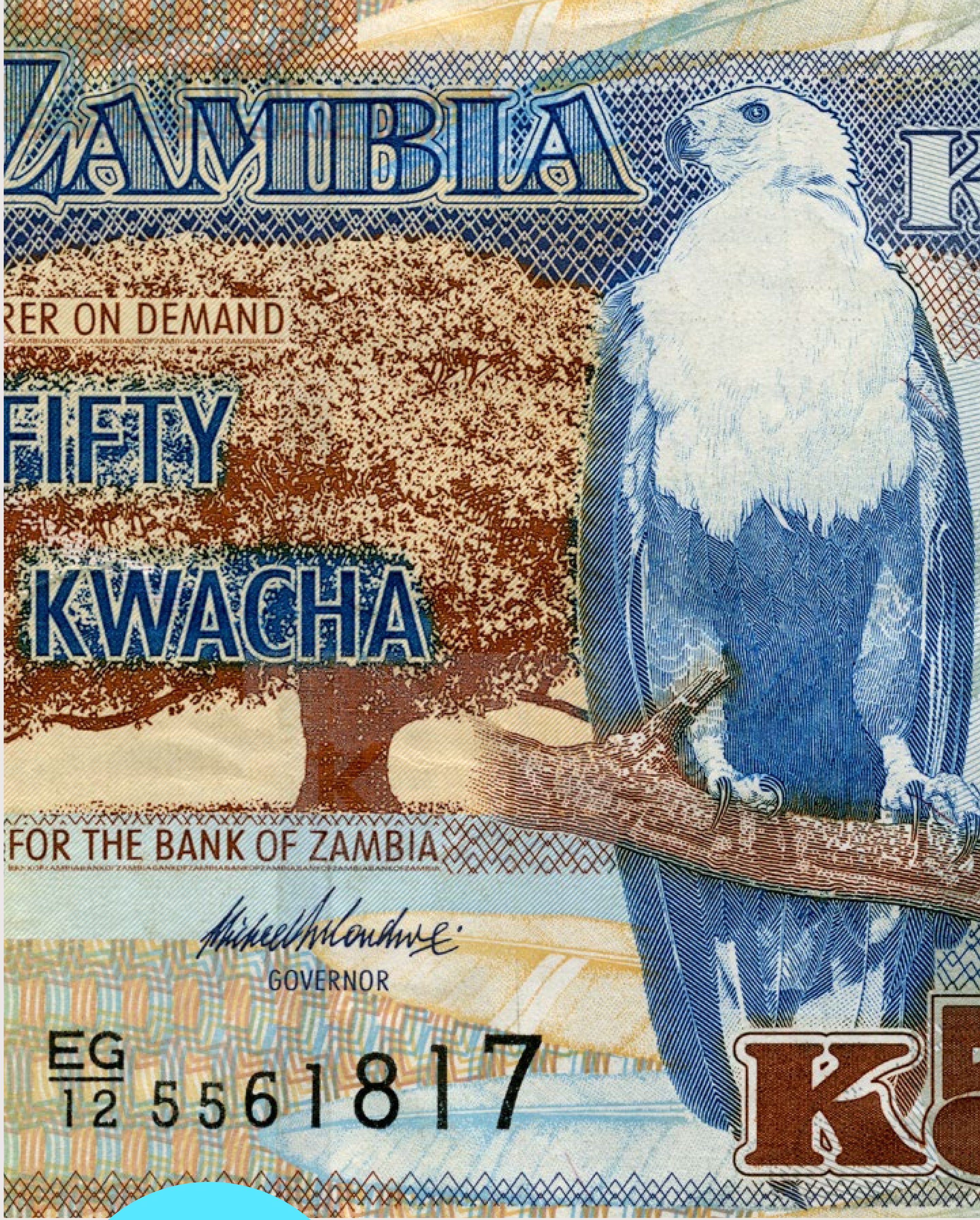
Application of the accounting policies in the preparation of the financial statements requires the Fund Manager to apply judgment involving assumptions and estimates concerning future results and other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not materially differ from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described below.

Valuation of financial instruments: The fair value measurement of financial instruments may include valuation based on non-market observable inputs, for instance where the Fund invests with maturities longer than those available on the market or when there are no markets at all. The valuation process of such investments is organized as follows.

The Fund Manager applies the commonly used, standard methodology (Discounted Cash Flow) for calculating the net present value of the Cross Currency Interest Rate Swaps (CCIRS) and foreign currency forward contracts. The procedure is as follows:

- Market data is gathered and processed in accordance with approved sources by the Fund´s back office.
- From the curve-building algorithm, discount factors are derived for each leg of the CCIRS or forward contract.
- For each leg, if the future cash flows are known (in the case of fixed-rate products) these future cash flows are discounted using the discount factors referred to above to arrive at the net present value of the leg.
- For each leg, if the future cash flows are unknown (in the case of floating-rate products) the back office calculates forward rates from the discount factors; then, using the forward rates, the back office calculates the expected cash flows. Expected cash flows are discounted using the discount factors to arrive at the net present value of the leg.
- The net present value of the non-USD leg (or non-EUR leg when applicable) is converted to USD (EUR, respectively) at the market observable spot rate.
- The fair value of the CCIRS and foreign currency forward contracts to the Fund is obtained by subtracting the net present value of the paying leg from the receivable leg.

The resulting valuation is compared with the independently derived valuation of the Risk Monitor using a similar approach. The Risk Monitor circulates a plausibility report to the Fund Manager on a monthly basis. All differences greater than 1% at individual transaction level are cross-checked and ironed-out where justified.



"Financial institutions - especially DFIs and MDBs - should not offload currency risk to the clients they want to support. It's unsustainable to lend in currencies other than the currencies the borrowers earn."

Other Information

Profit appropriation

Appropriation of profit will be determined in accordance with articles 29 and 31 of the Articles of Association of the Fund. The relevant provisions read as follows:

Article 29

1. The Fund shall ensure that the annual accounts, the annual report, the report of the supervisory board, insofar instituted pursuant to article 20, and the information to be added by virtue of the law are held at its office as from the day on which the annual meeting is convened. Shareholders, and beneficiaries of a life interest in shares to whom the right to vote the shares accrue, may inspect the documents at that place and shall obtain a copy thereof, free of charge.
2. The general meeting shall adopt the annual accounts. The annual accounts may not be adopted in the event that the general meeting has been unable to inspect the auditor´s statement referred to in article 27, paragraph 4, unless a legal ground is given in the information required to be added by law for the lack of the auditor´s statement referred to in article 27, paragraph 4.
3. Unconditional adoption of the annual accounts shall not automatically serve to constitute a discharge of the members of the statutory managing board for the management, and of the members of the supervisory board, insofar instituted pursuant to article 20, for their supervision, insofar as such management of supervision is apparent from the annual accounts. The general meeting shall resolve such a discharge separately.
4. The provisions of these articles of association regarding the annual report and the information to be added by virtue of the law need not be applied if the Fund is a member of a group and all other relevant requirements of the law have been met.

Article 31

1. The statutory managing board shall determine which part of the profits shall be reserved by allocating that part to each relevant dividend reserve that corresponded with the relevant class of shares.
2. The profits that are not reserved in accordance with paragraph 1 shall be at the disposal of the general meeting.
3. Dividends may be paid only up to an amount, which does not exceed the amount of the distributable part of the net assets.
4. Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.
5. The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
6. The general meeting may be subject to due observance of the provision of paragraph 2 resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.
7. For the computation of the profit distribution, the shares held by the Fund in its own capital shall not be included.

In Control Statement

The Managing Board of TCX Investment Management Company B.V. (TIM or the Fund Manager) confirms that, as sole member of the Statutory Managing Board of The Currency Exchange Fund N.V. (TCX or the Fund), it is responsible for the risk management, internal control, integrity, and compliance systems of the Fund.

The Fund and TIM have entered into a long-term services agreement with each other and a number of operational partners to appropriately manage the Fund's systems and risks. These partners notably include Cardano Risk Management B.V. regarding risk monitoring; DLM Finance B.V., regarding back office, valuation and fund administration services; and Compliance Advies Financiële Ondernemingen regarding compliance services. Together with TIM, these unrelated parties form the TCX Operational Group.

All material processes relating to TCX's operational management, including responsibilities assigned within the TCX Operational Group in each step of TCX's management processes and the risk assessment thereof, are described in the TCX Operational Guidelines. All of the Fund's operational processes are designed for compliance with the AIFMD. These guidelines are reviewed annually at least, each review possibly resulting in amendments signed off by all members of the TCX Operational Group. All service agreements with members of the TCX Operational Group require compliance with these guidelines. Each member of the TCX Operational Group provides us with an annual statement of compliance and control concerning TCX's operations during the previous financial year.

TCX's operations are managed on the basis of strict segregation of duties, with the various members of the TCX Operational Group assuming specific responsibilities. As a result, TCX's processes have an elaborate system of built-in operational checks. All material data entry is subject to a 4-eyes principle, either system-enforced or by means of written confirmations of required checks. The segregation of responsibilities is achieved, at its highest level, through independent reporting by the Fund Manager, Risk Monitor and External Compliance Officer to the TCX Supervisory Board.

All of TCX's processes include periodic controls on the effectiveness of their functioning and compliance with agreed procedures and recording. An important control function is reserved to the quarterly reviews of the External Compliance Officer. These were performed in 2019 for each calendar quarter. No review identified the occurrence of an incident, control issue or concern of any material nature. Another important reference is the annual operational audit, completed on 19 December 2019 by Solutional Netherlands B.V., the Fund's operational auditor, in cooperation with the Fund's financial auditor, PriceWaterhouseCoopers Accountants N.V. The scope of the operational audit was to report on the design and effectiveness of all material controls identified in the Operational Guidelines, including those related to the preparation of the financial statements. The result was an unqualified audit opinion on the Fund's ISAE 3402 Type II report, which confirmed that the control framework of the Fund is designed appropriately and is operating effectively in all material aspects.

TCX performs regular risk assessments with input from all TCX Operational Group members. The main high-level risk issues affecting TCX are as follows:

Regulatory risk: TCX operates in an environment that has become increasingly regulated since the 2008 financial crisis, in Europe, the United States, and elsewhere. These regulations have an impact at the market, entity, and product levels, and their breadth, depth, and evolving nature pose an ongoing challenge for TCX. TCX manages these regulatory compliance risks by acquiring the necessary subject-matter expertise from legal, financial, and other advisers in support of its Internal Compliance Officer, who is responsible for the periodic review of all key agreements, policies, and processes to ensure full compliance at all times, with monthly updates to the Risk Management Committee and quarterly updates to the TCX Supervisory Board.

Reputational risk: TCX's business model gives rise to client, supplier, and employee acceptance issues that require careful attention to ensure that the Fund's reputation as a quality provider of financial services remains intact at all times. TCX manages these issues through strict adherence to the Fund's code of conduct, know-your-client, anti-money laundering, and environmental & sustainability policies and procedures. Compliance with these procedures is reported on a quarterly basis to the TCX Supervisory Board.

Credit risk: TCX's business model requires active management of the counterparty credit risks that inevitably arise from its investment activities. TCX manages these risks through suitable client selection criteria and by submitting regular credit reviews to the Risk Management Committee, imposing minimum credit rating standards, setting maximum credit limits, and using collateral, guarantees and/or hedges to minimize or reduce the exposure under these limits. Reporting frequency by the Risk Monitor is weekly to the Fund Manager, monthly to the Risk Management Committee, and periodically to the TCX Supervisory Board.

Market risk: TCX's business model, based on continued enforcement of diversification, requires good market information, careful balancing of exposures and excellent administrative systems. Inappropriate market risk management leads, among other things, to mispricing of transactions and misjudgment of the Fund's NAV. TCX manages these issues through a system of separate evaluation of market data between the back-office and risk management (both pre-trade and post-trade), as well as frequent plausibility checks between the two (at least monthly). Risk management monitors exposures and quotes against agreed limits on a real-time basis, with weekly reporting by the Risk Monitor to the Fund Manager, monthly reporting to the Risk Management Committee, and periodic reporting to the Supervisory Board.

Operational risk: TCX is managed by a group of companies relying on each other's compliance with pre-agreed procedures that are drafted to cover all material operational processes. Material risk is that responsibilities may not be appropriately allocated and/or understood, or that agreed processes that have been designed to appropriately safeguard against human error, internal fraud and other operational risks are not followed. Compliance is enforced within the steps of these processes (minimum 4-eyes principle) as well as through periodic internal and external controls.

Business continuity: TCX is reliant on several IT systems run by the TCX Operational Group, notably its back-office management systems, its risk monitoring systems, and its intranet and website. Mismanagement of IT risks could lead to continuity issues, breaches of payment obligations, and to the loss of data integrity and cash flows. Each member of the TCX Operational Group therefore has in place business continuity and disaster recovery plans that ensure the continuity of business-critical processes. These plans are tested periodically.

During 2019, TCX experienced no new credit loss, no NAV valuation incidents, no compliance incidents, and no material operational incidents.

In conclusion, we therefore confirm:

- that TCX has designed an adequate set of documented management controls that are appropriate to its business;
- that, based on the periodic checks that have been performed and reported on by the TCX Operational Group, and based on our direct observations of processes on an on-going basis, it is our belief that these controls exist and have functioned effectively during the financial year ending 31 December 2019;
- that no material issues or incidents have occurred in the financial year ending 31 December 2019;
- that no activities have been reported to us that are in conflict with the TCX Code of Conduct (as adopted in the current Operational guidelines); and
- that we do not expect to significantly adjust the basis of TCX's set-up in 2020.

Impact of the COVID-19 crisis

The conclusion above is unaffected by our current handling of the COVID-19 crisis, which includes 100% remote working from home by all of the teams servicing TCX. Their business continuity plans were geared towards this possibility, and at this time we see no need to adjust the control framework or systems to cope with this ongoing situation. For additional information, please see Note 2 to the Financial Statements.

Amsterdam, 15 April 2020

The Managing Board of TCX Investment Management Company B.V.

Ruurd Brouwer, Chief Executive Officer
Bert van Lier, Chief Investment Officer
Brice Ropion, Chief Operating Officer

Depositary report

Considering that

- The Bank of New York Mellon SA/NV, Amsterdam branch ("the Depositary") is appointed to act as depositary of The Currency Exchange Fund NV ("the fund") in accordance with section 21(1) of the Alternative Investment Fund Managers Directive (2011/61/EU) (the "AIFM Directive");
- Such appointment and the mutual rights and obligations of the Fund Manager and the Depositary of the Fund have been agreed upon in the depositary agreement dated the 21st of December 2015 between such parties, including the schedules to that agreement (the "Depositary Agreement");
- The Depositary issues this statement exclusively to the Fund Manager in relation to the activities of the Fund Manager and relates to the period 1st of January 2019 up to and including 31st of December 2019, ("the period").

Responsibilities of the Depositary

The Depositary acts as a depositary within the meaning of the AIFM Directive and provides its services in accordance with the AIFM Directive, the EU implementing regulation, applicable Dutch laws and regulations and the policy rules issued by the European Securities and Markets Authority and the Dutch Financial Markets Authority (the "Regulations"). The responsibilities of the Depositary have been described in the Depositary Agreement and include, in addition to the safekeeping, recordkeeping and ownership verification tasks (as defined in article 21(8) AIFM Directive), several monitoring and oversight tasks (as defined in article 21(7) and 21(9) AIFM Directive):

- Monitoring of the Fund's cash flows, including identification of significant and inconsistent cash flows and reconciliation of the cash flows with the Fund's administration;
- Ensuring that the sale, issue, re-purchase, redemption, cancellation and valuation of units or shares of the Fund are carried out in accordance with the applicable national law and the fund documentation;
- Ensuring that in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual time limits;
- Validating if the Fund is managed in compliance with the investment restrictions and leverage limits as defined in the fund documentation.

Statement of the Depositary

The Depositary has carried out such activities during the period as considered necessary to fulfil its responsibilities as depositary of the Fund. The Depositary is of the opinion that, based on the information made available and the explanations provided by the Fund Manager, in all material respects, the Fund Manager has carried out its activities which are in scope of the monitoring and oversight duties of the Depositary, in accordance with the regulations and the fund documentation.

Miscellaneous

This statement does not create, and is not intended to create, any right for a person or an entity that is not a party to the Depositary Agreement.

Amsterdam, 25 February 2020

Ton Tol, Head of Netherlands Trust and Depositary

The Bank of New York Mellon SA/NV, Amsterdam branch

Independent auditor's report

To: the general meeting and the supervisory board of The Currency Exchange Fund N.V.

Report on the financial statements 2019

Our opinion In our opinion, the financial statements of The Currency Exchange Fund N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited We have audited the accompanying financial statements 2019 of The Currency Exchange Fund N.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the following statements for 2019: the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares Class A and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence We are independent of The Currency Exchange Fund N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of matter related to the uncertainty related to the effects of the COVID-19 virus

We draw attention to note 1 in the financial statements in which the managing board has described the possible impact and consequences of the COVID-19 (Corona virus) on the Company and the environment in which the Company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- general information;
- letter from the supervisory board;
- letter from the managing board;
- business overview;
- governance and ownership;
- in control statement;
- depositary report;
- members of the supervisory board;
- members of the managing board and executive committee;
- members of the pricing committee; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the letter from the managing board and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the managing board and the supervisory board for the financial statements

The managing board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the managing board should prepare the financial statements using the going-concern basis of accounting unless the managing board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The managing board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 17 April 2020

PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.J. van Groenestein RA

Appendix to our auditor's report on the financial statements 2019 of The Currency Exchange Fund N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board.
- Concluding on the appropriateness of the managing board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Scalability is a key advantage of TCX: the larger the business volumes, the greater the diversification effects and economies of scale, and the greater the efficiency of the capital deployed."

Members of the Supervisory Board

The appointment of Supervisory Board members is subject to the approval of the General Meeting and of the Financial Markets Authority of the Netherlands. The Supervisory Board presently consists of the following individuals:

Mr. Arthur Arnold, Chairman

Since 2009 Arthur Arnold has been an independent non-executive director for, or advisor to, several companies, financial institutions and investment funds in Africa, in different market segments including micro-finance, consumer finance and SME finance. Prior to this he was CEO of FMO (from 2005 to 2008), and President and CEO of WOCCU, The World Council of Credit Unions (from 2000 to 2004). His earlier career was in commercial and investment banking, as Director of Financial Markets and Chairman of the Managing Board of Rabobank International (from 1992 to 1999), and with ABN AMRO Bank (from 1968 to 1992), where he worked in Africa, the Middle East, Europe and the USA, and his last position was EVP Corporate Finance in Amsterdam. He studied Economics at Erasmus University, and has attended senior management and executive training programs at Harvard Business School and INSEAD. He joined the TCX Supervisory Board in May 2012.

Mr. Aigboje Aig-Imoukhuede

Aigboje Aig-Imoukhuede is Chairman of Coronation Capital Ltd., an Africa-focused equity and proprietary investment firm that he founded in 2014 and operates out of Nigeria and Mauritius. Between 2002 and 2013, he was Group Managing Director and CEO of Access Bank Plc., responsible for transforming the bank into a top-5 leadership position in Nigeria, with assets of USD 12 billion and 350 branches employing 20,000 staff in 9 countries. Prior to this he was an Executive Director at Guaranty Trust Bank Plc. (1991-2002) and an Assistant Manager at Prime Merchant Bank Ltd. (1989-1991). His achievements include chairing presidential and banking industry committees in Nigeria, and founding an OTC exchange that specializes in fixed income securities and derivatives. His awards include Commander of the Order of the Niger, Ernst & Young Entrepreneur of the Year (West Africa), and African Banker Magazine's "African Banker of the Year". He is President of the Nigeria Stock Exchange and a member of the Nigerian Bar. He holds law degrees from the University of Benin and the Nigerian Law School, and is currently a MBA candidate at the London School of Economics. He joined the TCX Supervisory Board in December 2015.

Mr. Marcus Fedder

Marcus Fedder is a non-executive Director and Chair of the Audit Committee of the International Finance Facility for Immunization. He has been involved with microfinance since 2009, including co-founding a MIV, serving on the investment committee of an impact investor, and serving as a non-executive director for two MFIs. Prior to this, he built a 20-year career in international banking and development finance, including appointments as Vice Chair of Toronto Dominion Securities with responsibility for all businesses in Europe and Asia-Pacific, and Treasurer of the European Bank for Reconstruction and Development (EBRD). He has worked at the World Bank advising governments and central banks on debt and asset and liability management, and at CIBC and Deutsche Bank in interest and currency derivatives. He holds a PhD in politics from the Freie Universitaet Berlin, and post graduate degrees in international relations from Cambridge and the London School of Economics. He joined the TCX Supervisory Board in January 2017.

Mr. Bernd Loewen, Vice Chairman

Bernd Loewen currently oversees finance, the internal organization and consulting division, credit administration, and human resources within the Executive Board of KfW Group. He joined the Executive Board in July 2009 and initially was accountable for the risk and finance departments at KfW up to the separation of the CRO and CFO function as of January 1, 2016. Prior to joining KfW, he spent 5 years as Member of the Management Board for Investment Banking and Treasury of mBank SA in Poland, and 10 years in increasingly senior commercial and non-commercial positions at Commerzbank in Germany and the USA. He holds the equivalent of a MBA from Westfälische Wilhelms Universität Münster, and is an Advisory Member of the Steering Committee of the Federal Agency for Financial Market Stabilization in Frankfurt, Germany. He joined the TCX Supervisory Board in May 2014.

Mrs. Lakshmi Shyam-Sunder

Lakshmi Shyam-Sunder was appointed Vice President and Chief Risk Officer of the World Bank Group in 2014. She was previously Chief Financial Officer and Director, Finance and Risk, at the Multilateral Investment Guarantee Agency (MIGA), the political and credit enhancement arm of the World Bank Group. Prior to joining MIGA in 2011, she held a variety of positions at the International Finance Corporation, including Director for Corporate Risk. Before joining the World Bank Group, she was a faculty member of the MIT Sloan School of Management, where she had previously obtained a Ph.D in Finance. She also served on the faculty of the Tuck School of Business Administration. She has consulted for a wide range of institutions in the USA and in emerging markets, and has been on the board and finance and risk committees of several institutions in these markets. She joined the TCX Supervisory Board in May 2015.

Ms. Sarah Russell

Ms. Sarah Russell joined the TCX Supervisory Board in November 2019. Prior to that Ms. Russell was CEO of Aegon Asset Management Holdings NV from 2010 until 2019, and a member of the Management Board of Aegon NV from 2016 to 2019. Before joining Aegon, she built a 14-year career at ABN AMRO Bank, culminating in her appointment as Senior Executive Vice President and CEO of ABN AMRO Asset Management Holdings NV, a position that she held from 2006 to 2008. At ABN AMRO Bank she also served as Managing Director and CFO of the Wholesale Clients Business Unit (2004-2005), Global Head of Financial Markets Research and Financial Markets Infrastructure Support (2002-2004), Business Manager to Senior Executive Vice President of Global Financial Markets (2000-2002), Director and Head of Corporate Sales Australia and New Zealand (1998-2000), Director and Head of Commodities in Sydney (1997-1998). Her earlier career was spent at Toronto Dominion Bank Australia Limited. She also served as Vice Chairman of the Supervisory Board of La Banque Postale Asset Management SA (2015-2019) and a member of the boards of directors of Nederlandse Investeringsinstelling NV (2015-2019) and The American Chamber of Commerce in the Netherlands (2017-2019). Presently, she is a Supervisory Board member of Nordea Bank Abp (since 2010) and Chairman of the Audit Committee (member since 2011, Chairman since 2017). Ms. Russell holds a Master of Applied Finance from Macquarie Universtiy in Sydney, Australia and is a Fellow of the Australian Institute of Company Directors.

Expiry dates of the mandates of the members of the Supervisory Board

Mr. Arnold	April 2020 (end of second term; not renewable)
Mr. Fedder	January 2021 (renewable for a second term)
Mr. Loewen	May 2022 (end of second term; not renewable)
Mrs. Shyam-Sunder	May 2023 (end of second term; not renewable)
Ms. Russell	September 2023 (renewable for a second term)
Mr. Aig-Imoukhuede	December 2023 (end of second term; not renewable)

Membership of the sub-committees of the Supervisory Board

Audit Committee

Mr. Bernd Loewen (Chair)

Mr. Marcus Fedder

Compliance Committee

All Supervisory Board members

Mr. Brice Ropion, Internal Compliance Officer, TCX Investment Management Company BV (non-voting)

Mr. Arjan van der Heiden, External Compliance Officer, Compliance Advies (non-voting)

Remuneration Committee

Mrs. Lakshmi Shyam-Sunder (Chair)

Mr. Arthur Arnold

Risk Oversight Committee

Mr. Marcus Fedder (Chair)

Mr. Aigboje Aig-Imoukhuede

Mr. Ruurd Brouwer, CEO, TCX Investment Management Company B.V. (non-voting)

Mr. Harald Naus, CEO, Cardano Risk Management B.V. (non-voting)

Members of the Managing Board and Executive Committee

The Fund's sole director and managing board member is its Fund Manager, TCX Investment Management Company B.V. ("TIM"). TIM has its own Managing Board, consisting of three statutory directors. In addition, there is a broader Executive Committee, consisting of the Managing Board plus one non-statutory director. The appointment of of all directors is subject to the approval of the TCX Supervisory Board and the Financial Markets Authority of the Netherlands.

The current directors are:

Mr. Ruurd Brouwer, Chief Executive Officer and Managing Board member

Ruurd Brouwer joined TIM in 2014 and has overall responsibility for the management of the Fund, including its growth strategy, capital structure, and investor relations. Prior to joining TIM, he worked for 16 years at FMO, the Dutch development bank, in various positions including Director of Investment & Mission Review (and Chair of FMO's Credit Committee), Director of Financial Institutions, and Director of Africa & Government Funds. Prior to FMO he was a Policy Official at the Dutch Ministry of Foreign Affairs. He has been active as a supervisory board member and investment committee member of financial institutions and investment funds focused on Africa, and as a guest lecturer at the Erasmus School of Economics and The Hague University of Applied Sciences, teaching on financial stability, banking, risk management, and developing economies. He holds a Master in International Finance from the University of Amsterdam.

Mr. Bert van Lier, Chief Investment Officer and Managing Board member

Bert van Lier joined TIM in 2008 and is responsible for TCX's commercial activities, including origination, structuring, pricing, trading and portfolio management and strategy. Prior to joining TIM, he built a varied 18-year career at ING Bank, including 5 years as Managing Director responsible for Structured Product Sales in The Netherlands, and Global Equity Derivative Sales. He holds a MBA from Tilburg University and an Executive Master of Finance and Control from VU University Amsterdam.

Mr. Brice Ropion, Chief Operating Officer and Managing Board member

Brice Ropion joined TIM in 2010 and is responsible for TCX's non-commercial activities, including risk, compliance, fund operations and valuation, financial administration and accounting, and audit and control. Prior to joining TIM, he built a 20-year career at ABN AMRO Bank, including 8 years in portfolio and risk management functions with a focus on financial institutions, and 12 years in commercial and branch management functions in the bank's international division. He holds a Master in International Affairs from George Washington University, and a Bachelor in Economics and Political Science from Cornell University.

Mr. Othman Boukrami, Head of Trading

Othman Boukrami joined TIM in 2009 as a Senior Vice President in its Trading team, and was promoted to Head of Trading in 2015. Prior to joining TIM he worked for four years at the African Development Bank, first as a Senior Risk Officer and then as a Senior Investment Officer. He was previously a Senior Treasuy Dealer at Citigroup, He holds a Bachelor in Economics & Finance from the École Supérieure de Commerce in Algiers, a Master in Banking & Finance from the University of Lyon, a Master in International Securities, Investment & Banking from the University of Reading, and a PhD in Finance from the University of Lyon.

Members of the Pricing Committee

The members of the Pricing Committee are appointed by the TCX Supervisory Board. The current members are as follows:

Mr. Nikolaus Siegfried, Chairman

Nikolaus Siegfried has been a partner at SlowerCapital in Tübingen, Germany, since 2013. SlowerCapital specialises on economies of frontier markets, including country risk, banking sector and financial market development. Nikolaus also advises clients on private equity and loan deals in these markets. Before setting up SlowerCapital, Nikolaus was Associate Director at LandesBank Berlin (2010-2013), consultant at Artemis Investment Management (2009-2010), Assistant Portfolio Manager/Economist at Thames River Capital LLP (2005-2009), Economist at the European Central Bank (2002-2005), and Research Associate at Merrill Lynch (2001). Nikolaus holds a PhD in Economics from the University of Hamburg and a Masters in Middle-East Studies from the Free University, Berlin. He joined the TCX Pricing Committee in September 2010 and was appointed Chairman in December 2017.

Mr. Sebastian Espinosa

Sebastian Espinosa is the Managing Director of White Oak Advisory Limited, a firm he co-founded in 2009. White Oak Advisory is one of the world's leading providers of financial advice on matters relating to sovereign debt and public finances. Its clients include governments, central banks, state-owned enterprises, and financial institutions active in the sovereign debt markets. Prior to this, he was Managing Director of Houlihan Lokey in London, a firm specialized in providing financial advice on sovereign debt restructuring, liability management, and other debt and funding-related matters. From 2000 to 2005, he was a Director in the Sovereign Advisory unit of UBS Investment Bank in London. His earlier career was spent as an Associate Director in the Sovereign Ratings team of Fitch IBCA Ltd. and as an Economist in The Economist Intelligence Unit Ltd (EIU). He holds a M.Phil in Development Studies and a BA in Philosophy with Politics from the University of Sussex. He joined the TCX Pricing Committee in February 2018.

Mr. Peter Redward

Peter Redward started Redward Associates Ltd. in September 2011. Redward Associates provides independent research on economic and financial market developments in the Asia-Pacific region. Their clients include a range of investment managers – both leveraged and unleveraged – sovereign wealth funds and banks, located in major global financial centers. Prior to this, he was managing director, head of EM Asia Research at Barclays Capital (2006-2011), portfolio manager at Citadel Investment Group (2005-2006), director, head of EM Currency Research at Deutsche Bank AG (1998-2005), and senior research officer at the Reserve Bank of New Zealand (1995-1998). He holds a Masters in Economics from the University of Auckland, and joined the Pricing Committee in September 2016. He joined the TCX Pricing Committee in September 2016.

Mr. Louis Sabatino

Louis Sabatino is a former Director and Head of Africa Debt Capital Markets for WestLB. Operating out of Johannesburg, he spent 14 years at WestLB, tasked with developing a non-South African trading and capital markets presence in Africa, including creating and managing active trading books in bonds, money market and derivatives in 12 currencies, and trading local treasury debt and hard currency trade debt, Eurobonds and distressed debt in 20 other African countries. Prior to this, he had been head the Africa desk and head of FX Treasury at Standard Merchant Bank. On leaving WestLB, he became a consultant to Exotix Partners LLP in Johannesburg, to help them implement a local currency fixed income trading capability across the Sub Saharan African domestic capital markets. Currently self-employed, he serves as a non-executive director and investment committee member of Africa GFI Fund Advisors in Mauritius, a fund focused on the African local markets, and on the investment committee of Frontier Clearing Management B.V., a fund that issues credit support guarantees in support of inter-bank trading activities in the emerging markets. He joined the Pricing Committee in October 2013.

Mr. Vincenzo Zinni

Vincenzo Zinni started his banking career in 1997 when he joined the Emerging Markets research team at Credit Suisse First Boston (CSFB) and helped build an econometric model able to predict emerging markets currency crises. He then moved into the Global Strategy team where he worked with Jonathan Wilmot and contributed to the development of the Risk Appetite Index and the World Wealth Index. Both indexes were widely used in CSFB and the industry for positioning and investment purposes. In 2000, he moved to CSFB's Emerging Markets Sales and Distribution team where he held various positions. In 2006, he was promoted to Head of EMEA Emerging Markets Sales, a position he held until 2009 when he was promoted to run the CEEMEA Sales and Coverage team, a position he held until 2014 when he left Credit Suisse. In March 2015, he joined the Noble Group, where he is the Head of Asia Treasury and Trade Finance and held positions in London and eventually moved to Singapore to run the group. In July 2017 Vincenzo left Noble Group and moved back to the UK and set up his own Advisory business focusing on the Commodity Markets. Vincenzo has been actively involved in Empower, an emerging markets charity. He holds a Master in Economics from CORIPE in Turin, and a Degree in Economics and Banking from the University of Siena. He joined the Pricing Committee in June 2014.

Mr. Bert van Lier

Chief Investment Officer, TCX Investment Management Company B.V. (non-voting)

Mr. Jeroen van der Hoek

Senior Risk Manager, Cardano Risk Management B.V. (non-voting)

General information

Supervisory Board

Mr. Arthur Arnold
(Chair, until 15 April 2020)

Mr. Bernd Loewen (Vice Chair)

Mrs. Lakshmi Shyam-Sunder

Mr. Aigboje Aig-Imoukhuede

Mr. Marcus Fedder

Ms. Sarah Russell
(appointed 18 September 2019)

Managing Board and Fund Manager

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Citibank NA

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Independent Operational Auditor

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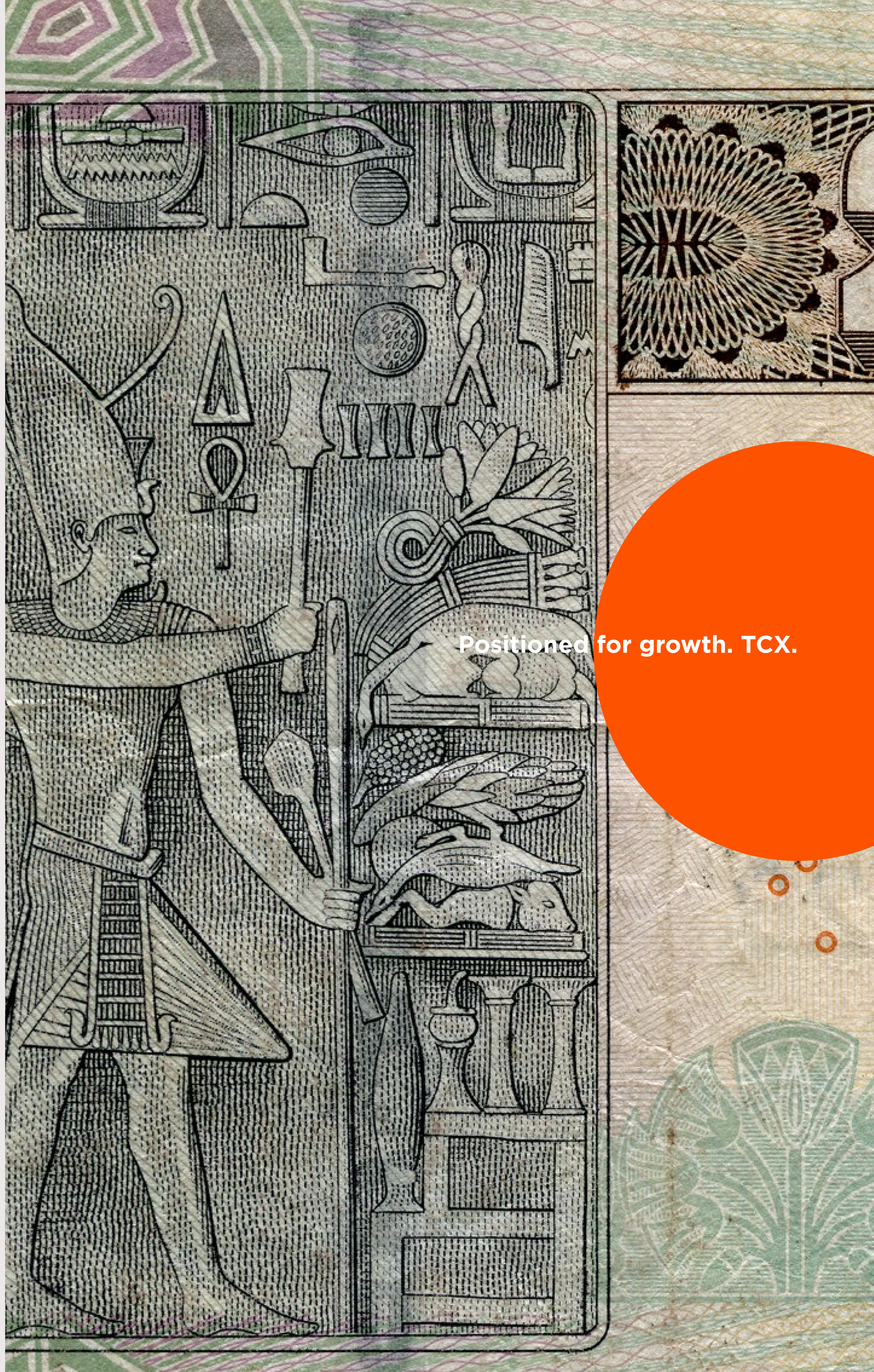

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We've only just begun

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