

# Maris Africa Fund

## Q1 2011

### FUND UPDATE AND OVERVIEW

First Closing	9th June, 2009
Final Closing	8th December, 2010
Commitments	\$26 million
Fund's domicile	Cayman Islands
Structure	One General Partner 55 Limited Partners
Investment focus	Start-up Development capital Buy-out investments Sub Saharan Africa

The last quarter has seen good performance across the portfolio with Network Support Services performing particularly well. Karebe Gold Mining's new mill is complete and is being shipped from China for installation in June/July. In the meantime Karebe remains profitable from its limited milling and tailings processing operation and a new shaft has been sunk while the company awaits the mill.

In Sudan the disputed oil-rich border area of Abyei has seen further conflict - the North and South have been unable to reach a resolution. This is, however, unlikely to disrupt official independence on 9th July (for further background please see Country Updates). Beyond Sudan, the fund made two new investments in Southern Africa: in Untu Holdings Limited, a microfinance company headquartered in Harare, Zimbabwe; and four hours' drive away a second investment in OSS Mocambique, a mining support services company in the coal-producing Tete province. Though it is a start-up, in partnership with two Mozambiquan investors, OSS Mocambique replicates many of the services that OSS South Sudan offers.

Untu Holdings Limited is the fund's first investment that offers development capital to an existing company, rather than to a start-up. The fund holds a 19% stake, but is part of a consortium that holds 42% of the equity, and which is closely engaged in the company's goal to become a deposit-taking microfinance bank.

The quality and volume of deals entering the fund's pipeline has increased significantly in the last quarter, and we foresee a further 2 - 3 investments this year. We anticipate further drawdowns for 20 - 25% of commitments in Q3 and Q4 of 2011.

#### UPCOMING EVENTS

2011 Investor meeting: 29th September, London

2012 Investor visit to portfolio companies in South Sudan, Kenya: 20th - 24th February

## PORTFOLIO COMPANIES AT 10/5/11 (US\$ M)

Invest. Date	Name	Geography	% Equity	Industry	Cost	Fair Value	Realised Gain	Multiple to Cost
June 09	KGML	Kenya	80%	Gold mining	\$1.83	\$6.10	-	3.33
Sept 09	NSS	S Sudan	60%	Telecoms	\$1.46	\$1.46	\$0.15	1.09
Sept 09	Afritise	S Sudan	30%	Advertising	\$0.14	\$0.14	-	1.00
Sept 09	OSS	S Sudan	47%	Services	\$1.02	\$1.02	\$0.16	1.16
April 11	Untu	Zimbabwe	19%	Microfinance	\$0.51	\$0.51	-	1.00
May 11	OSS M	Mozambique	50%	Mining support	\$0.60	\$0.60	-	1.00
<b>Total</b>					<b>\$5.56</b>	<b>\$10.14</b>	<b>\$0.31</b>	<b>1.74</b>

## FUND SUMMARY (US\$ M) 31/3/11

Capital committed	26.09
Capital called	7.40
Advisory fee since first close	(1.31)
Establishment and operating costs	(0.29)
Late entry interest payments	0.12
Gain on revaluation	4.27
Dividends accrued	0.31
Value of fund	10.50
Fair Value/Capital called	1.42x
Capital distributed	Nil
Available for drawdown	19.50

## ADVANCED INVESTMENT PIPELINE

### 1. Machinery dealership, Angola

The fund is seeking to buy into an Angolan machinery dealership in partnership with a Gulf based investor that owns similar dealerships in Africa and Oman.

Investment stage:	Terms agreed and IC approved - negotiations with former owner delayed progress but we anticipate a close in early June.
Possible equity stake:	33%
Maris Africa Fund cost:	\$1m

### 2. Talisman Hotel, Kenya

The fund is seeking to buy into a development for a new 47 room hotel in Karen, Nairobi, in partnership with Kenyan co-investors in the fund's South Sudan companies.

Investment stage:	Pre final investment review, awaiting planning permission.
Possible equity stake	50%
Maris Africa Fund cost:	\$2.6m

## INVESTMENT PIPELINE

Further pipeline sectors include telecoms services, agriculture, financial services and light manufacturing. The fund is looking to replicate Network Support Services, South Sudan elsewhere in Africa in partnership with local telecoms investors.

PORTFOLIO COMPANY



KAREBE GOLD MINING LIMITED

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Karebe Gold Mining Limited, Kenya (“KGML”) is one of two gold mining companies in Kenya. Underground mining commenced in September 2010 and underground mining on reef in January 2011. KGML is headquartered in Kisumu, Kenya.

MARIS AFRICA FUND COMMITMENT

Investment Date	January 2009
Development Stage	Start-up
Investment cost	\$1,830,000
Shareholders loan	\$390,000
Fair Value at 30th September, 2010	\$6,100,000
Fund equity stake	80%
Fund Board Membership	2 board seats

Financials (US,000)	Q1 10A	Q1 11A		Q1 11E	Q1 11A	
Revenues	373	333	-11%	416	333	-20%
EBITDA	186	92	-51%	77	92	20%
Net Income	186	81	-56%	67	81	22%

Following the production challenges of 2010, Karebe is making good progress. The new mill has been shipped from China for commissioning in June/July. The mine plan has been further developed and a new shaft has been sunk. The arrival of an on-site geologist has improved the company’s understanding of its resource. Production for Q1 stands at a modest 264 ounces of gold (7.4kg) - this is in line with forecasts given milling limitations, and the company is profitable.

The next few months will see Karebe switch solely to tailings retreatment as we decommission the mill and install the new, larger unit. We anticipate a challenging few months before the mill is fully commissioned. We plan to switch back to underground production and milling in July/August and reach our capacity from the old Equatorial Mine of 750 tonnes/month.

The outlook is encouraging: ore grades below level three are higher than expected and the company plans to reopen the neighbouring Rock Corry mine towards the end of the year, which will double planned production volumes.



Blasting at KGML



New ball mill in transit

PORTFOLIO COMPANY



NETWORK SUPPORT SERVICES

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Network Support Services Limited, South Sudan, (“NSS”) is the dominant GSM infrastructure construction and maintenance business in South Sudan. Managed by Gary Ensor, the company has a 50% share of the site support and maintenance market. NSS is headquartered in Juba, has regional offices in Wau, Rumbek and Tambura and a support office in Nairobi, Kenya.

MARIS AFRICA FUND COMMITMENT

Transfer Date	September 2009
Fund Ownership	60%
Valuation (cost)	\$1,460,891
Realised gain	\$150,000
Fund Board Membership	1 board seat - C Tryon

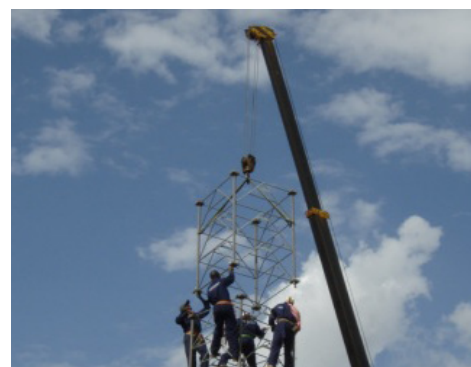
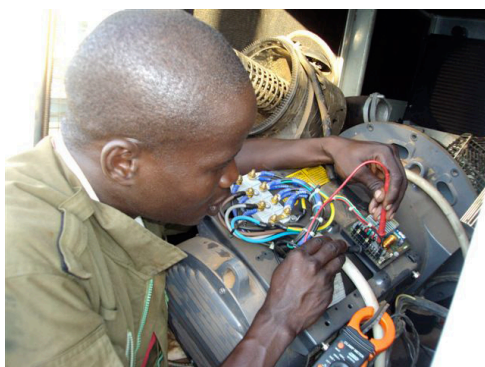
Financials (US\$000)	Q1 10A	Q1 11A		Q1 11E	Q1 11A	
Revenues	881	1003	14%	978	1003	3%
EBITDA	121	275	128%	229	275	20%
Net Income	121	275	128%	229	275	20%

NSS has had a strong start to 2011: the fund received a dividend of \$150,000; net income for Q1 was 56% above the same period last year and 17% above forecast. The strong growth is as a consequence of increased activity across our range of services and a stabilization of the Sudanese pound.

NSS is continuing to develop its relationship with Zain and after the recent failure of a rival telecoms service provider, NSS is likely to secure more work on sites within the Zain network. It is increasingly likely that the company will take on a second network in the coming months.

NSS is seeing changes in the telecoms servicing market across Africa with operators outsourcing their entire network support and management. South Sudan is no exception - especially since independence is only a few months away. Zain have tendered their network management to third parties like Ericsson and ZTE. It is not clear exactly how this will impact NSS’s model but changes are intended to take place purely within the network management side of the business. As a field maintenance/service company NSS should have its contracts transferred to the main Zain contractor, though it is watching changes closely.

March was our most profitable month to date: from revenues of \$421,000 the company posted a net profit before tax of \$124,000. NSS continues to bolster its strong cashflow and is on track to surpass 2011 forecasts and pay a further dividend in Q3/Q4 2011.



## PORTFOLIO COMPANY



## OPERATIONAL SUPPORT SERVICES

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Operational Support Services Limited, South Sudan, (“OSS”) is a camp services and logistics provider. OSS owns 100% of Acacia Village, a 34-room apart-hotel, 75% of OSS Trucking, and 50% of OSS Workshop.

## MARIS AFRICA FUND COMMITMENT

Transfer Date	September 2009
Fund Ownership	47%
Unfunded commitment	0
Valuation (cost)	\$1,021,185
Realised gain	\$163,000
Fund Board Membership	2 board seats

## 1.ACACIA VILLAGE

Financials (US\$000)	Q1 10A	Q1 11A		Q1 11E	Q1 11A	
Revenues	303	282	-7%	232	282	22%
EBITDA	185	155	-16%	134	155	16%
Net Income	185	155	-16%	134	155	16%

Work on the renovation programme in Q3/4 2010 is complete, which aimed to capitalize on demand for hotel beds following the South Sudanese referendum. Our investment in a 500m wall around the perimeter of Acacia Village has paid off: occupancy levels reached 95% in March.

Revenues were slightly lower than this time last year as a consequence of a dip in occupancy rates in January - February that was due to concerns over the referendum. We will raise rates in Q2 and will scale back reinvestment in the company. We plan a further dividend later in the year.

## 2. OSS TRUCKS

Financials (US\$000)	Q1 10A	Q1 11A		Q1 11E	Q1 11A	
Revenues	n/a	39		57	39	-31%
EBITDA	n/a	4		5	4	-21%
Net Income	n/a	4		5	4	-21%

## 3. OSS Workshop

Financials (US\$000)	Q1 10A	Q1 11A		Q1 11E	Q1 11A	
Revenues	n/a	109		99	109	35%
EBITDA	n/a	24		13	24	84%
Net Income	n/a	24		13	24	84%

Following bumper contracts with Kuehne Nagel during elections and in the referendum run-up at the close of 2010, OSS Trucks has shown slower performance. This is due to increasing local competition and higher maintenance costs. OSS Workshops has been running well, with largely stable expenditure and growing revenues. Both companies are, however, small and the existing manager is looking to retire from the companies, having grown them to what he considers their capacity. We are exploring a possible exit to a regional company looking to enter South Sudan, as there is demand for trucking assets and workshop space.

## PORTFOLIO COMPANY



## PORTFOLIO COMPANY: AFRITISE

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Afritise Limited, South Sudan (“Afritise”) is the dominant outdoor advertising company in South Sudan with coverage in eleven cities and towns. Afritise is headquartered in Juba, South Sudan and has eleven full-time employees.

## MARIS AFRICA FUND COMMITMENT

Transfer Date	September 2009
Fund Ownership	30%
Transfer cost	\$96,000
Additional commitment July 2010	\$39,000
Valuation	\$135,000
Basis - cost	
Fund Board Membership	1 board seat - C Tryon

Financials (US\$000)	Q1 10A	Q1 11A		Q1 11E	Q1 11A	
Revenues	98	141	45%	99	141	43%
EBITDA	57	75	33%	7	75	1018%
Net Income	57	75	33%	7	75	1018%

After a slow 2010, Afritise made a good start in 2011. Through the exclusive airport advertising contract, Afritise has secured several new clients including Gemtel (GSM company) and Kenya Airways. The mainstay of Afritise business continues to be the Vivacell contract, although Afritise is hoping to secure contracts with MTN and to grow the contracts with Gemtel and Zain.

Competition from Kenya’s two largest outdoor advertisers is increasing and the company will need to decide in the coming months whether to make further investments to meet the competition head on, or to continue to grow organically from cashflow.

Afritise remains the only outdoor advertising company with a presence in all 10 Southern Sudanese states and with the largest quantity of advertising space in the country. With our monopoly position at Juba airport we hope to capitalize on post independence growth.



## NEW INVESTMENT: UNTU HOLDINGS LTD

Untu Holdings Limited, Zimbabwe, is a microfinance institution that was founded in 2009 by Clive Msipha to meet the growing demand for credit from small business and entrepreneurs. Untu offers loans, savings and insurance products from its branches in Harare and in four towns across southern Zimbabwe.

## MARIS AFRICA FUND COMMITMENT

Transaction Date	April 2011
Development Stage	Early stage
Fund Ownership	19%
Investment cost	\$512,000
Additional commitment 2012	\$500,000
Valuation	\$512,000
Fund Board Membership	C Ferguson

Financials (US\$000)	Q1 11A*	Q1 11E*	
Revenues	240	306	-34%
EBITDA	36	(4)	931%
Net Income	27	(5)	538%

\* Estimates budgeted for an investment, and capital expenditure, in January 2011, which was actually made in April, 2011.

In April Untu Holdings completed a \$1.2 million equity investment from a consortium of Maris Capital, African Century Financial Services and Sub-Sahara Capital. The additional capital will assist Untu to expand its operations and build out its new branches in Southern Zimbabwe.

In 2010 the Reserve Bank of Zimbabwe introduced new regulations to allow the formation of a Microfinance Bank as part of its commitment to the small business sector. Untu will be utilizing part of its increased equity base to support an application to the Reserve bank for a Microfinance Bank licence.



Untu client, Harare



Untu client, Kwe Kwe

## NEW INVESTMENT: OSS MOCAMBIQUE

OSS – Moçambique, S.A is a start-up mining support services venture. Phase 1 includes an industrial park and serviced offices in Tete; phase 2 will expand into serviced accommodation. Tete is undergoing rapid growth due to investments in the coal mining sector by VALE and Riversdale, which are anticipated to transform Mozambique into the world’s second-biggest coking coal export region after Queensland, Australia.

### MARIS AFRICA FUND COMMITMENT

Transaction Date	May 2011
Development Stage	Start-up
Fund Ownership	50%
Investment cost	\$600,000
Additional commitment phase 1	\$600,000
Additional commitment phase 2	\$500,000
Fund Board Membership	Andrew Fimister

OSS Moçambique was founded by Maris Capital in partnership with co-investors Alexandre de Ascensão, founder of Servitrade, one of the largest machinery rentals businesses in Mozambique, and Joao Gonçalves, founder of ASAMOC, a leading fuel delivery and wholesaling business.

3.5 hectares of industrial land have been procured for the project and the clearance of this land and the construction of a perimeter wall is underway. The construction of warehouse units is forecast to take four months. With a high demand for industrial space and accommodation, OSS Moçambique has already generated interest from prospective clients.

Phase 2 of the project will entail the construction of housing and managed accommodation for mining staff and associated contractors.



Site clearance and construction of the perimeter wall have commenced

## MARKET OVERVIEWS

### SOUTHERN SUDAN

Southern Sudan is moving towards official independence on 9th July and the investment interest in the country has increased significantly. Several issues remain unresolved including the division of oil revenues, sovereign debt and the border dispute centering on Abyei.

In Abyei, the north supports the Arab Misseriya tribe that grazes its cattle, and the south backs the Dinka Ngok tribe that lives there year round. While in January a referendum over Southern independence was concluded peacefully, the Abyei referendum to decide whether this oil rich border province should become part of the North or South was cancelled. Abyei may draw both sides into a larger conflict and we are monitoring the situation closely. Another possible outcome would be a prolonged dispute. The recent revolutions in North Africa may tempt a tougher stance from Sudan's President Omar al-Bashir, but we await the outcome of UN, US and African Union interventions.

The separation of the country has, however, become an accepted fact within Sudan and the region. Continuing the Bush-era policy of close relations with South Sudan, the US State Department is investing heavily in the capacity of the government. It is likely that Southern Sudan will become the sixth member of the East African Community - the country is already Uganda's largest export market, with a GDP larger than that of Rwanda thanks to oil revenues. Southern Sudan has nearly no manufacturing capacity, little agricultural production and a nascent local service industry. Banks from Ethiopia, Kenya and Uganda are starting to build out operations across the country, and as independence draws closer East African companies are looking to add Southern Sudan to their portfolios.

### KENYA

Kenyan politics has been dominated by the drama of the International Criminal Court, which has named six suspects from the post election violence of 2007. The UN and the African Union have been drawn into the very public debate, which is bringing issues of ethnic tension, corruption and the rule of law into the spotlight. Despite this, the economy continues to grow and attract high profile international investors such as Tata in vehicle assembly. The planned privatisation of the Mombasa port is good news. Kenya has recently suffered high inflation, now at 9.2%, driven by food shortages and rising fuel prices. This is proving problematic for the government and there have been protests in Nairobi and Mombasa.

### ZIMBABWE

2011 has been marked by political manoeuvring. New elections were mooted by President Mugabe and Zanu PF for 2011, though strong urging from SADC to delay them until after the completion of a new constitution may mean they are postponed until next year. March saw the surprise gazetting of an indigenisation bill that laid out new and onerous requirements on foreign shareholders in mining companies - and reduced the timetable for compliance from five years to six months. With no lender of last resort liquidity remains constrained and there has been some turbulence in the banking industry including the suspension of Renaissance Bank.

While larger companies like Delta and Innscor have reported strong results in Q1, the capital available for small businesses remains limited and the government and international donors are working to grow the microfinance industry. Globally, microfinance has been shaken by political and financial scandals in India and Bangladesh, and African countries with more developed microfinance markets like Kenya are watching nervously. Zimbabwe, where the microfinance industry is being rebuilt from zero, is working to learn from the crises.

## MARKET OVERVIEWS

### MOZAMBIQUE

Mozambique's growth performance remains robust and the outlook for 2011 is good, with strong activity across all sectors, mining and agriculture in particular. Real GDP growth was projected at around 7.25% percent for 2010 and 7.5% for 2011, well above the growth rates in its peer countries, driven by a recovery in external demand, particularly commodities such as processed aluminium which accounts for over 50% of exports. However, there was social upheaval in the form of food riots in September of 2010 due to rising world prices exacerbated by a weakened currency. Headline inflation reached 17% in the twelve months to September 2010. This has eased however and the metical has since increased in value by 12%, with a stronger outlook. Tete and the north of the country continue to be the main engines of economic growth.

### ANGOLA

Actual growth for Angola in 2010 was 1.6 %, a severe drop from the double digit growth regularly experienced in the country pre crisis. The Angolan economy was badly buffeted by the sharp drop in global oil prices that began in late-2008. Oil is central to the economy, contributing 75% of government revenues and 96% of exports. The budget moved into a sizeable deficit; interest rates rose sharply; and the exchange rate, defended by a mix of a reserve depletion and rationing of foreign exchange, came under severe pressure. Facing sizeable financing needs, the authorities began to default on payment obligations to domestic suppliers, undermining the financial position of these entities, with GDP growth rates suffering accordingly. With the recovery of oil prices and the easing through of government payment arrears, 2011 GDP growth is predicted to be in the region of 7.5%, and more importantly the non-oil sectors are predicted to recover and show some robust growth, particularly the construction sector (14.2% projected annual growth between 2010 and 2014). Projected growth in 2012 is double digit. The outlook for the next 5 years is good as Angola takes up its pre-crisis growth trajectory.