

Maris Africa Fund

Q2 2011

FUND UPDATE AND OVERVIEW

First Closing	9th June, 2009
Final Closing	8th December, 2010
Commitments	\$26.1 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 saw the fund complete two investments in Lusaphone Africa, led by Andrew Fimister from our Maputo office. Construction is underway on warehousing and offices at OSS Mocambique, a mining services venture that serves major coal investments in Tete and Moatize. In July the fund closed its investment in MTA, the JCB dealership for Angola. A new manager is in place and has already reduced operating costs by 65% while the company awaits the next shipment of machines.

In July South Sudan became an independent nation. The run-up to independence brought a fresh wave of investors to Juba, which bodes well for the longer-term though the practicalities of the split have led to dramatic fuel inflation and currency deflation. Despite this, telecoms services company Network Support Services posted its best ever quarter. Outdoor advertiser Afritise is recovering from a poor 2010 and at Acacia Village hotel occupancy is at 100%. OSS Trucks and Workshop has halted operations - the manager and board agreed to close the small enterprises in light of intense competition from Somali sole traders and a challenging trucking environment.

In Kenya Karebe Gold Mining's new larger mill has been installed and we are working towards full production buoyed by a very strong gold price. In Zimbabwe seven banks failed in May to meet minimum capital requirements and microfinance bank Untu has slowed new lending until the environment stabilises. Successful recent fundraising locally and internationally, however, leaves the company in a strong position.

New investments in the pipeline includes hotel investments in Liberia and Kenya and a sustainable forestry asset in South Sudan. The fund will hold a drawdown of 15% of commitments in September, 2011.

UPCOMING EVENTS

2011 Investor meeting: 29th September, London 5:30pm

Please visit our new website: www.mariscapital.com

PORTFOLIO COMPANIES (US\$m) - 31/6/2011

Investment Date	Name	Geography	Equity	Sector	Cost	Fair Value	Realised Gain	Multiple of Cost
Jun 09	KGML	Kenya	80%	Gold mining	\$1.95	\$6.10	-	3.13
Sep 09	NSS	S Sudan	60%	Telecoms	\$1.46	\$1.46	\$0.15	1.09
Sep 09	Afritise	S Sudan	30%	Advertising	\$0.14	\$0.14	-	1.00
Sep 09	OSS	S Sudan	47%	Services	\$1.02	\$1.02	\$0.16	1.16
Apr 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
Total					\$5.68	\$9.83	\$0.31	1.74

FUND SUMMARY (US\$m) - 31/6/2011 (unaudited)

Capital committed	26.10
Capital called	7.40
Advisory fee	(1.42)
Establishment Costs	(0.08)
Fund Administration Costs	(0.08)
Deal Costs	(0.15)
Rebate Income	0.10
Gain on Revaluation	4.46
Dividends accrued	0.31
Value of fund	10.32
Fair Value/Capital called	1.42
Capital distributed	Nil
Reserved for follow on	2.5
Available for drawdown	18.70

ADVANCED INVESTMENT PIPELINE

1. Ocean Blue, Monrovia, Liberia

The fund is seeking to buy into a development for a 28 apartment complex in Monrovia, Liberia.

Investment stage: Post final investment review.

Possible equity stake 60 - 70%

Maris Africa Fund cost: \$1-1.4m

2. Talisman Hotel, Nairobi, 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: \$2-2.5m (subject to Advisory Board approval)

3. Equatoria Teak Company, South Sudan

The fund is seeking to buy into sustainable teak plantations, in Equatoria State, South Sudan in partnership with an African forestry investor.

Investment stage: Pre final investment review.

Possible equity stake 37.5%

Maris Africa Fund cost: \$1-1.5m

INVESTMENT PIPELINE

Further pipeline sectors include telecoms services, agriculture, financial services and light manufacturing.

PORTFOLIO COMPANY



KAREBE GOLD MINING LIMITED

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

MARIS AFRICA FUND COMMITMENT

Investment Date	January 2009
Development Stage	Start-up
Equity Investment	\$1,447,576
Shareholders loan	\$502,416
Fair Value at 30th September, 2010	\$6,100,000
Fund equity stake	80%
Fund Board Membership	2 board seats

Financials (US,000)	Q210 A	Q211A		Q211 E	Q211 A	
Revenues	543	367	-32%	496	367	-26%
EBITDA	267	98	-63%	200	98	-51%
Net Income	255	85	-67%	200	85	-58%

In the last quarter the gold price continued to reach new highs rewarding KGML's modest production. Whilst this news is greatly welcomed and the outlook is favourable for gold investors, it is frustrating to have scaled back production and worked on replacing our mill with the gold price rallying strongly.

Our new mill arrived on site in late June on schedule. The mill has since been installed and required some on-site modifications in addition to significant changes to our plant. Testing was conducted in July and we hope to commence production in August, scaling up to capacity through the rest of the year. Production for the quarter stood at 234 ounces, 11% lower than in the first quarter, but an admirable achievement considering we decommissioned our faulty mill in late May to allow for site preparation for the new mill. Gold production to June 2011 is 42% lower than in 2010, both as a result of KGML targeting large quantities of high grade tailings in 2010 and due to our milling problems and subsequent decommissioning of the original mill in Q2.

Whilst the numbers look far from encouraging in contrast with the same period last year and our forecast, KGML is now positioned to scale up production and claw back lost ground. Q3 is likely to see production fall as a result of the July/August commissioning and testing period, thereafter we anticipate production increasing towards strong results in Q4.



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\$000s)	Q210 A	Q211A		Q211 E	Q211 A	
Revenues	669	1,954	176%	1,453	1,954	34%
EBITDA	309	391	27%	415	391	-6%
Net Income	309	330	7%	415	300	-20%

After a strong first quarter NSS has continued to make good headway against changeable winds in South Sudan. The company saw revenues surpass any previous quarter, exceeding our 2010 revenues for the same period by 176%. The company is close to meeting its forecast for the full year. The pressure on profits in Q2 (EBITDA and Net Income for Q2 2011 saw respective declines of 6% and 20%) has been due to a 300% rise in the price of diesel as a result of a fuel blockade imposed by Khartoum on the inter Sudan border and a fall in the Sudanese Pound in expectation of the introduction of the South Sudan Pound.

As a consequence of these challenges NSS has secured business from its competitors and taken on over 20 Zain sites from a competitor, making us one of only two companies in South Sudan offering power maintenance services. Zain's prime contractor, Huawei, the Chinese telecommunications company, has outsourced significant ad hoc transmission installation work to NSS and a good if challenging working relationship is being built.

Nevertheless, significant risks remain on the horizon. The introduction of a new local currency, a breakdown in banking relations between North and South and the intermittent closures of the North-South border are making the business environment especially challenging. We remain cautious on the long-term outlook for the company and will actively look to de-risk the company's dependence on Zain. Huawei are likely to put pressure on our margins in the future and competition will increase post independence. 2011 looks like being an excellent year, though we are working to re-align the business for a more challenging future.

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 38-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\$000s)	Q210 A	Q211A		Q211 E	Q211 A	
Revenues	272	276	1%	232	276	19%
EBITDA	112	86	-23%	130	86	-34%
Net Income	97	11	-89%	89	11	-88%

After a challenging start to the year where occupancy levels dipped to their lowest level since opening, Acacia has seen occupancy increase to 100% during the past quarter. In the run up to South Sudanese independence almost all bed space in Juba was filled. This is a trend that is forecast to continue and strong demand is encouraging us to consider upgrading a further 4-5 units.

In the past quarter Acacia has developed two new office units, taking our total office space to nine units or 200m² of office space. Whilst revenues have exceeded forecast, the rise in OPEX in the run up to independence has reduced EBITDA and net income. Most notably, fuel prices trebled in South Sudan as the Khartoum closed the border to the South. Acacia has also undertaken a \$40,000 renovation programme to upgrade our existing rooms.

We anticipate fuel prices in Q3 returning to previous levels, and renovation works to slow. Acacia should see strong bottom line growth towards the end of 2011 thanks to our extensive expansion last year.

2. OSS TRUCKS AND WORKSHOP

Both OSS Trucks and Workshop have ceased trading in light of the manager's strategic decision to wind down operations. As mentioned in our last report, the manager felt he could not develop the businesses further and given the currency volatility, challenges in working in transport and mechanical servicing sectors in Juba he has decided to close the companies. The board of OSS did not view continuing two such small businesses was worth the time and energy given they were spun out from OSS and a decision was made to sell the assets of both companies. This process is ongoing and the two companies hope to secure \$75-100,000 for the assets which will be paid out as an extraordinary dividend.

PORTFOLIO COMPANY



AFRITISE

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 (cost)	\$135,000
Fund Board Membership	1 board seat - C Tryon

Financials (US\$000)	Q2 10A	Q2 11A		Q2 11E	Q2 11A	
Revenues	98	141	45%	99	141	43%
EBITDA	57	75	33%	7	75	1018%
Net Income	57	75	33%	7	75	1018%

Afritise has continued to show a marked improvement in profitability versus 2010, although there continue to be the general difficulties with operating in South Sudan. We are currently in the process of recruiting a new General Manager (GM) from an industry background following the resignation of the current GM. We anticipate the new General Manager will be in situ by mid September. With continued hands on involvement from the Maris team, we anticipate Afritise profitability to continue to improve into the of 2011.

The main clients of Afritise are Vivacell and Zain. We are working to grow substantially our contracts with these two key clients with the building of new sites, as well as adding new clients.

Afritise has continued to struggle with cash flow issues, largely as a result of late payments from clients. Having grown organically to date, Afritise has requested further investment from shareholders in order to take on increased competition in the advertising market. Funding will go towards increasing working capital, constructing several larger billboards to compete with Kenyan operators in Juba and further billboards with the opening of the new Juba International Airport in October. Afritise will roll out numerous new indoor sites boosting revenues significantly.



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UNTU

Untu Holdings Limited, Zimbabwe, (Untu) 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, Gweru & Bulawayo.

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\$000s)	Q210 A	Q211A		Q211 E	Q211 A	
Revenues	181	580	220%	563	580	3%
EBITDA	56	158	182%	185	158	-15%
Net Income	37	59	59%	79	59	-25%

Year to date Untu is 8% ahead of forecast revenues and 26% of forecast net income. June, however, saw a significant slowdown with revenues 30% behind forecast, and net income 56% behind forecast. This is due to two factors: firstly while its Harare, Gweru and Bulawayo branches have been performing well, a portfolio of loans deployed in Midlands through a local untested partnership has performed badly with smaller SME's struggling with the three month tenure. Untu has deployed further staff to the region, and has built out its team and processes to prevent a repeat of this.

Secondly the Zimbabwe banking sector has had a very uncertain Q2. There is no lender of last resort and seven local banks have failed to meet the minimum capital requirement. Our consortium's investment has left Untu well capitalised and the company has been able to raise debentures internationally and locally. This leaves it in an enviable position, not least because its main competition is affiliated to a struggling local bank. Given the volatile environment and increased counterparty risk, however, Untu has decided to slow new lending: only \$120,000 was disbursed in June compared to \$550,000 for the previous month. While waiting for the environment to stabilise Untu has concentrated on building its pipeline, developing internal processes including a new IT system and completing its microfinance banking license application to the Reserve Bank of Zimbabwe.

Following recent fundraising meetings in Europe and South Africa Untu is formulating plans to raise an \$8m debt facility in Q2 2012, following two years of audited results. This is to be funded by four regional and international microfinance institutions.

PORTFOLIO COMPANY

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	
Phase 1	\$600,000
Phase 2	\$1,250,000
Fund Board Membership	Andrew Fimister

OSS-Moçambique has purchased four hectares of prime industrial land on the northern bank on the Zambezi river in the industrial zone of Matema. This allows the project to serve both Tete and Moatize and specifically the coal mining investments at Benga (Rio Tinto) and Moatize (Rio do Vale Doce). The land has access to both water and grid electricity. The land was purchased for US\$140,000 and has already appreciated significantly, with an offer made to the General Manager in June for US\$500,000.

Warehouse foundations have been laid and construction will commence in early August, with completion scheduled for late Q4 2011. Three prefabricated cottages have been erected and the remaining 15 are under construction. A perimeter wall has been built along the front and side of the compound.

We are working to secure land for phase 2 and the construction of further self catering apartments. OSS-Moçambique has a good opportunity to expand its operations to Nacala in Nampula province, another high growth area connected to the rapid expansion in the mining sector.



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NEW INVESTMENT: MTA

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MTA (Máquinas e Tractores de Angola) has a dealership license to sell JCB machines, spare parts and after-sales service within Angola. The company is a joint venture between Maris Capital, Muscat Overseas Group (owner of multiple machinery dealerships across the region) and Portuguese construction company Soares da Costa.

MARIS AFRICA FUND COMMITMENT

Transaction Date	July 2011
Development Stage	Development capital
Fund Ownership	33%
Investment cost	\$1,600,000 (includes \$1m bank guarantee)
Fund Board Membership	Andrew Fimister

Following completion of the deal in late June 2011, MTA is finalising the bank guarantees required by JCB from shareholders. Once these are issued, orders can be placed on the generous payment terms that MTA has negotiated for machines and generators.

In the interim the business has ordered 3CX back hoe loaders (the well known JCB benchmark product) from Portugal, through the South African JCB dealership Kemach, which is also part owned by Muscat Overseas Group. For the remainder of 2011, the objective is to sell these machines and other machines that the business holds in stock. Spares, typically with much shorter lead times, are being marketed aggressively for the existing JCB fleet in the country.

The newly appointed general manager Pedro Salbany has been effective in cutting costs and already monthly overheads are down 65% thanks largely to the relocation to lower cost premises, tighter cost control and the dismissal of the previous General Manager. Inherited systems will require significant reorganization but the business has a strong ally in Kemach, and MTA will seek to replicate more standard systems for a dealership business.



MARKET OVERVIEWS

SOUTH SUDAN

On July 9th, South Sudan formally gained independence from the north in a ceremony attended by the international community and notably by North Sudan President, Omar Bashir. The world's newest country has already proved many of its doubters wrong and the optimism in Juba is attracting new investors. And while reports of violence in the Abyei region and other border areas have been well documented in the press, it is worth noting that these have always been contentious areas.

The cause of the violence, largely the ongoing dispute over oil sharing coupled with tribal divisions, has yet to be resolved. However, a positive result of the media spotlight has been the international pressure to maintain peace in the Abyei region – specifically with the deployment of some 4,000 Ethiopian peacekeepers. Another significant development for South Sudan will be the new currency, set to be introduced in early 2012.

However, despite the challenges that face the newly formed Republic of South Sudan (RoSS), there is a great deal of optimism for the future. Infrastructure projects are surging ahead, with the construction of the new Juba International Airport and the doubling of the road network. International attention firmly focussed on the new country and it is likely to experience significant windfalls of investment in the energy, banking and construction sectors - particularly as the country joins the East African Community (EAC). With significant reserves of resources and land for development, RoSS looks set for a promising phase of high growth.



KENYA

The performance of the Kenyan economy improved significantly in 2010 compared to the previous year as GDP growth roughly doubled to 5%. The outlook for 2011 is promising with continued investment in infrastructure and other government policies targeting private sector development. The deepening regional integration propelled by the launch of the East African Community common market should further enhance Kenya's business environment and reinforce a dynamic private sector. Prudent fiscal policies aimed at shifting public expenditure away from recurring expenditures to long-term investment projects and continued strong tax receipts are helping to create a credible macroeconomic environment. Consensus forecasts are for the Kenyan economy to grow by 5.3% in 2011 and 5.5% in 2012.

However, monetary policy has been regarded by many as excessively loose and year on year inflation hit over 15% in recent months. This is partly a reflection of the sharp depreciation in the Kenyan Shilling, which in turn has been partly driven by rising international commodity prices.

MARKET OVERVIEWS

Weak rains have hurt key foreign currency earning sectors such as tea and combined with the low foreign exchange reserves of the central bank this has put further downward pressure on the exchange rate. While some of these are temporary phenomena, there continues to be a danger of the Kenyan economy overheating, particularly given strong credit growth over the past few years.

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After almost ten years of protracted debate, Kenya saw the successful referendum on a new constitution in August 2010. Since then, Parliament has been slow to adopt and pass many of the agreed changes, so much so that Kofi Annan and the Panel of Eminent Personalities have encouraged the Prime Minister and President to personally push through the required reforms. Luis Moreno Ocampo, the ICC's Chief Prosecutor, has voiced concern about the slow progress in bringing the perpetrators of the 2008 post-election violence to justice. However, the warning to key suspects to refrain from stoking unrest or wider tribal tensions in a bid to incite opposition against the judicial process appears to have been effective and should hopefully remain a restraining influence in the run-up to the elections in 2012.

ZIMBABWE

The past three months has seen the focus in Zimbabwe switch from a new indigenisation program to worries regarding the banking sector. Concerningly, if not unexpectedly, seven banks failed to meet minimum capital requirements during recent stress tests. This has impacted across all sectors and interbank interest rates have risen further from their already high levels. Counterparty risk has risen significantly for lenders such as Untu and most institutions are proceeding more cautiously than last year. While consolidation of local banks seems likely, the entrance of new foreign investors to the market, for example Ecobank's acquisition of Premier Bank, is also anticipated.

The September 28th deadline for the indigenisation of mining industry is causing concern for investors and has led to almost all new expansion plans being halted. However, the historical high gold price has supported overall revenues for the operating mines.

While politics continue to undermine investor sentiment, the underlying economy continues to strengthen with some commentators arguing the official growth figures underestimate the extent of the recovery. This view is partly supported by anecdotal evidence with mobile phone subscriptions up by 300% on last year and mining and agricultural output up by 40% on the previous year.

MOZAMBIQUE

Mozambique's economy continued to perform well in 2010, benefitting from both FDI and recovering aluminium prices. This has been sustained into 2011 as real GDP growth is projected at 7.7%, predominantly driven by mega-projects in the extractive industries. These projects have maintained FDI inflows and generated investment in the transport and communications sectors, which will continue to be the second-largest source of economic growth after agriculture until 2012. Inflation is also predicted to fall to single digits in 2011 as a result of tighter monetary policy, improved domestic food production and further flour and urban transport subsidies.

However impressive the growth outlook, the Mozambique authorities' quest to control inflation remains vulnerable to rising international oil and food prices, along with poor weather. Furthermore, although Mozambique's emerging partners have been vital in sustaining its economy through complementing traditional donors' strong focus on social sectors with an interest in infrastructure and agriculture, investment has mostly been geared towards enhancing the productivity of extractive industries, rather than benefiting the local economy. The food riots in September 2010 and new data on poverty highlighted the weak linkages between macroeconomic performance and improvements in the standard of living for the bulk of the population.

ANGOLA

Oil revenues remain central to the rapid recovery of the Angolan economy since growth was heavily impacted during the global recession in 2008-09. Contributing 75% of government revenues and 96% of exports, the energy sector continues to be key to the long-term outlook of the Angolan economy. Revised final GDP growth figures for 2010 are expected to be around 6%, with growth expected to accelerate in 2011 to 7.1%. The medium-term outlook is also favourable as production ramps up into 2102 from new oil fields and a large LNG (Liquified Natural Gas) plant comes on stream in the north of the country. To some extent this production growth insulates the economy in the near-term to future potential oil price decreases. However, in the medium-term the economy will remain vulnerable to oil price volatility, as long as the output of other sectors continue to lag the energy complex.

Nevertheless, other secondary industries are clearly benefiting from the wealth generation of Angola's primary industries, most notably construction and businesses focusing on multinational clients. Prime office rents continue to be one of the highest in Africa and this has further driven the boom in real estate. The overall costs of living see Luanda consistently rank in the top ten most expensive cities in the world and the costs of doing business remain prohibitively high for most potential investors.

Inflation refuses to fall below double digits despite the authorities initiating a comprehensive adjustment program in late 2009. This program included a sharp fiscal adjustment and the maintenance of tight monetary policy as part of the conditions of a \$1.4bn loan extended by the IMF. Despite continued concerns over the long-term future fiscal planning discipline of government departments, this program has been a success - helped in part by a recovery in oil prices, but also by solid implementation of key program measures. Although the Angolan recovery looks solid and the domestic banking sector looks in reasonable shape, one more leftfield risk but one to bear in mind is the strong penetration of Portugese financial institutions in the Angolan banking sector, most notably BPI. Portuguese banks exposure to portuguese government bonds is understandably high. Yet, while African countries tend to have more restrictive capital controls and the risk of any potential upstreaming of capital from foreign subsidiaries in a time of high financial stress is still low, it could place stress on the Angolan banking system and is not a risk to be totally ignored.