

Maris Africa Fund

Q3 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

This quarter South Sudan welcomed in a wave of companies looking to include the newest member of the East African community in their operations. Outdoor media company Afritise and telecoms servicing company Network Support Services are both in negotiations with large sector specialists who are proposing to buy into the companies. While this is encouraging, these early arrivals tend to be frontier Africa bargain hunters and valuation multiples remain low. The fuel blockade led to a 300% increase in the price of diesel, which impacted both hotel Acacia Village and Network Support Services significantly. The currency weakened during the quarter thanks to illegal currency speculation within the Central Bank, an issue that is now being managed. The fund is working towards a further investment in sustainably managed teak plantations in the south of the country. The plantations have already withstood twenty years of conflict and fire damage and earnings will not be exposed to the local currency.

In Zimbabwe, microfinance company Untu has had a disappointing year so far due to poor credit extension decisions in the Midlands in the first half of the year. The decision, driven by the banking environment, to slow lending growth and consolidate also led to lower revenue growth than forecast. However, operational procedures are improving, the company is well capitalised and demand for its products is strong. In Angola operations have commenced at MTA and the company has sold its first JCB machine, though changes in the management of former owner and partner Soares Da Costa have complicated developments. In Mozambique construction of the warehousing complex is ongoing in Tete province and the fund is moving ahead with plans for serviced long-stay accommodation on the banks of the Zambezi.

The fund held its second drawdown in September of a further 15% of commitments.

PORTFOLIO COMPANIES AT 30/9/11 (US\$ M)

Invest. Date	Name	Geography	% Equity	Industry	Cost	Fair Value	Realised Gain	Multiple to Cost
June 09	KGML	Kenya	80%	Gold mining	1.95	6.10	-	3.13
Sept 09	NSS	S Sudan	60%	Telecoms	1.46	1.46	-	1.09
Sept 09	Afritise	S Sudan	30%	Advertising	0.14	0.14	0.15	1.00
Sept 09	OSS	S Sudan	47%	Services	1.02	1.02	-	1.16
April 11	Untu	Zimbabwe	19%	Microfinance	0.51	0.51	0.16	1.00
May 11	OSS M	Mozambique	50%	Mining support	0.60	0.60	-	1.00
July 11	MTA	Angola	33%	Construction	1.60	1.60	-	1.00
Total					7.28	11.43	0.31	1.57

FUND SUMMARY (US\$ M)

Capital committed	26.09
Capital called	10.51
Advisory fee since first close	(1.48)
Establishment and operating costs	(0.32)
Late entry interest payments	0.10
Gain on revaluation	4.46
Dividends accrued	0.31
Value of fund	13.59
Fair Value/Capital called	1.29x
Capital distributed	Nil
Reserved for follow on	2.50
Available for drawdown	15.58

ADVANCED INVESTMENT PIPELINE

1. Tete Riverside, Mozambique

The fund is seeking to build serviced accommodation on the banks of the Zambezi in Tete province, north Mozambique, to service large scale coal mining projects.

Investment stage:	Post final investment review
Possible equity stake	100%
Maris Africa Fund cost:	\$2m

2. Equatoria Teak Company, South Sudan

The fund is seeking to restart operations and develop teak plantations in South Sudan previously owned by CDC/Actis.

Investment stage:	Post final investment review
Possible equity stake	37.5%
Maris Africa Fund cost:	\$2m

PIPELINE INVESTMENT SUSPENDED

We have cancelled our investment into the beachfront Ocean Blue Hotel in Monrovia, Liberia. An abrupt change in tidal patterns in 2011 due to development along the coast led to a increase in erosion levels. After consultation with erosion engineers and marine experts, we concluded that a sea defense wall is prohibitively expensive and could not give us sufficient assurance of protection.

INVESTMENT PIPELINE

Further pipeline sectors include telecoms services, agriculture, financial services, mining 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 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
Equity cost	\$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)	2010A 9mths	2011A 9mths		2011E 9mths	2011A 9mths	
Revenues	554	874	58%	1,980	874	-56%
EBITDA	480	52	-89%	744	52	-93%
Net Income	480	52	-89%	744	52	-93%

Operations during the past quarter have been focused on testing the new mill at Karebe. As anticipated, production fell while the new mill was installed and then from mid August production through the mill increased to a sustained point. With the capacity of our current mill averaging 4tons/hr, we are re-designing our underground mining plan to ensure we can feed the mill sufficient ore. Our next challenge is to re-open the old Rock Corry mine shaft and to substantially improve our ore feed in 2012.

Production for the quarter stood at only 97 ounces, a disappointing result regardless of the mill being out of commission for part of the period. During commissioning management were feeding development ore into the mill, but from now on the target is higher grade sections to boost near term production and cashflow for Q4 whilst we focus on developing stopes to permit larger scale mining operations.

Compared to 9 month result last year, 2011 looks disappointing. However, it is worth noting that the first half of 2010 was bolstered by low-cost tailings production and results in Q4 were impacted by milling problems. Whilst we are likely to underperform 2011 forecasts, we remain confident Karebe has overcome its most significant challenges and should start to capitalize on the new mill and the development work over the past two years.



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)	2010A 9mths	2011A 9mths		2011E 9mths	2011A 9mths	
Revenues	3,293	5,569	69%	3,577	4,774	56%
EBITDA	889	1,033	16%	941	940	10%
Net Income	799	849	6%	869	817	-2%

NSS has continued its strong growth this year despite a slow down in network roll-out in Q2 in advance of independence day in South Sudan. Despite a severe depreciation in the currency from 2.7 this time last year to 4.1 and diesel prices rising by up to 300%, in Q2 NSS surpassed forecast sales.

Net margins have fallen significantly over the year in part due to margin compression on the site construction business and also as a consequence of the increased revenue generated from higher fuel costs to GSM sites, an activity that does not generate increased profits to the company. When one also incorporates the foreign exchange losses it highlights that despite the challenges facing the company it is still performing strongly.

Q3 was, however, the weakest quarter this year. Net income fell 36% on the previous quarter, a point we have raised with the management and are watching carefully.

Chinese telecoms giant Huawei has taken over Zain’s entire global network management and discussions are progressing well with NSS to secure a 5 year contract to service and maintain the Zain network in South Sudan, which is due for confirmation in November. What remains unclear is how many sites may be allocated to NSS and what final pricing structure will be agreed.

The board of NSS has been approached by a third party looking to acquire a stake in the company. A formal offer has been received for part of the company and negotiations are at an advanced stage. NSS is also in discussions with a number of generator vendors to distribute and service their products.

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)	2010A 9mths	2011A 9mths		2011E 9mths	2011A 9mths	
Revenues	717	1,015	42%	730	1015	39%
EBITDA	412	404	-2%	337	404	20%
Net Income	347	330	-5%	222	330	49%

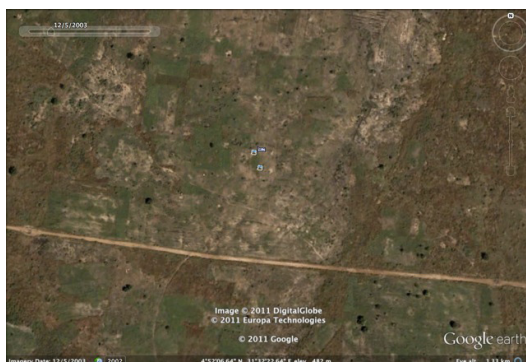
Acacia has had a strong third quarter: occupancy has been consistently 100%, driving up revenues. Due to the OPEX increases brought on by fuel shortage we initiated an additional fuel levy on guests – this has helped stabilize our expenses.

We have two final tents scheduled for conversion before the end of the year, which will complete all planned major works at Acacia. We anticipate a strong occupancy month in November, before a slightly quieter December (during holiday season), picking up again in the New Year. Acacia Village is ahead of forecast for 2011, and we are on track to meet end of year forecasts for this year. The company also intend to declare a dividend during Q4 of the year to shareholders in the region of \$200,000.

2. OSS TRUCKS AND WORKSHOP

Both OSS Trucks and Workshop have ceased trading. The board has decided 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 a extraordinary dividend.

Acacia Village site 2003



Acacia Village 2011



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

Financials (US\$000)	2010A 9mths	2011A 9mths		2011E 9mths	2011A 9mths	
Revenues	224	325	45%	337	325	-4%
EBITDA	41	94	129%	60	94	57%
Net Income	41	25	-39%	32	25	-22%

Following the resignation of the previous General Manager, we have recruited a new General Manager, Phil Taylor, to take the reigns at Afritise and drive it forward. Phil has made a very strong start at the company, and has already brought exciting new products and ideas to Afritise.

Afritise has had a challenging quarter with operating costs coming in well above budget due to the unusually high cost of billboard repairs. The company has not been achieving targeted revenues from the airport, due to on-going obstacles created by the airport authorities. Afritise has also suffered a loss of one client (Zain), which has impacted our forecast and revenues. We are significantly behind forecasts for this year, although we anticipate November and December being closer to our forecasting.

Despite these on-going difficulties and disappointing Q3 results, we do still see very strong potential for Afritise moving forward in 2012. We have secured the rights for 5 years to advertise on prime streetpoles in the town on major roads, alongside the new airport opening and advertising within the building and outside on airport property. At the time of writing we have two large regional media companies showing interest in investment in Afritise or a possible buy out of the company. We are negotiating with both parties regarding this possible sale and/or partnership.





PORTFOLIO COMPANY: UNTU HOLDINGS LTD

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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)	2010A 9mths	2011A 9mths		2011E 9mths	2011A 9mths	
Operating income	339	775	129%	1,158	775	-33%
Operating expenses	155	527	239%	653	527	-19%
Impairment provisions	69	316	357%	237	316	33%
Net income	78	(86)	-211%	212	(86)	-141%

Over the past year Untu has built out two new regional branches, developed its internal lending processes and built out its team to 30 professionals and completed its microfinance banking license application. Despite this progress results have been undermined by two factors. Firstly the company took a full provision this quarter on underperforming loans in its Midlands portfolio (\$150,000). The group of loans in question was disbursed prior to Untu's branches opening in Gweru and Bulawayo through a partnership with a local business association that did not ensure appropriate loan quality, and the company has revised procedures to prevent this happening in future. Untu's loan portfolio is insured with Cell Insurance through a captive cell structure for losses over \$50,000, which has not been taken into account in the provisioning, nor have the steady collections being made on the Midlands portfolio by staff seconded to the area. An increased in general provisioning levels at the request of the board has also affected results.

Secondly uncertainty in Zimbabwe's undercapitalised banking sector has meant that while adding head count, Untu has grown its loan portfolio more slowly than forecast. Despite this its ability to raise debentures locally and internationally has been ahead of expectations. The company is now working on reducing while growing its book. Since the Midlands disbursement, portfolio quality is increasing as processes in the Harare head office and branches improve. The IT system has finally been installed across all operations. At present Untu's main clients are SME's though it is developing new products and has received its payroll code. Demand for financial services in Zimbabwe remains strong.

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

Construction on the first two warehouses is underway at OSS –Moçambique and the company is in discussions with a large South African construction, mining and industrial services group that is looking to take on the lease of the entire first two structures. There have been some delays in the building process due to problems with the importation of the second set of structure steels, as well as various regulatory issues in Tete municipality itself, but work is continuing and the objective is to get one of the warehouses completed by year end. The potential customer has requested various changes to design, which should be possible to undertake without any further cost to the project.

Maris Capital has also finally secured land for a second phase of construction, that will now be a separate project and company, and will involve the building of self catering accommodation units. The land that has been secured is on a prime riverside location and will offer a unique place for expatriate management to stay.





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

MTA has secured exclusive dealership rights for JCB products and fresh capital is being injected into the business to replenish its stock levels. For the past two years the business has lost money but the situation is currently being turned around by the new General Manager, Pedro Salbany. New machines have arrived and the company is developing its spare parts and servicing capacity, while revisiting all main customers to re-build the company’s relationships and reputation. Despite the struggles of the past two years there is a healthy number of JCB machines in Angola and the brand is well recognised within the country. This is in part thanks to the popularity of JCB in Portugal, home to many of the leading construction companies in Angola.

2012 is forecast to be a year of impressive growth within the economy, with GDP growth forecasts back into double digits. Major construction companies in Angola have full order books to the end of 2012. Angola’s economy is, however, dominated by oil, and is thus exposed to the uncertainty in the global economy.



MARKET OVERVIEWS

SOUTHERN SUDAN

The Republic of South Sudan continues its rapid growth trajectory - the expansion of the road network continues at an impressive rate, and the volume of containers entering South Sudan is estimated to have doubled over the past six months.

South Sudan's independence went more smoothly than many commentators had predicted and the development of basic infrastructure continues at impressive speed. Meanwhile the north is an increasingly unpredictable neighbour as President Bashiir struggles with a failing economy and political challengers. Border conflicts have flared periodically and we anticipate that they will continue to do so in Blue Nile State and South Kordofan - both oil rich areas. Due to the lack of infrastructure, and in some cases the non-existence of roads, this fighting is largely contained within these border regions and has not spread further south.

Other complications have included a blockade on fuel and other supplies into the South via road and barge. This has sent all consumables prices up, particularly diesel prices. This is gradually easing as traders find new routes to the South and supplies have begun to flow once more.

South Sudan has also now seen the introduction of the South Sudanese Pound (SSP). Despite an early slide on the currency, it now appears to have stabilized against the dollar at approximately against the dollar at approximately 3.8 - 4 SSP.

Despite the issues of violence and instability, along with currency risks, we have noted an increase in investment in the South. Several oil companies are actively exploring, and it is likely that international investment will continue to grow despite instability in the border regions.

KENYA

During the last quarter there has been a string of kidnapping and murders in the border areas of Kenya and Somalia (near hot spots for tourism such as Lamu and Manda Bay). Together with this, attacks in Nairobi have raised the issue of Al-Shabab operations on Kenyan soil and the threat to Kenyan citizens and tourists to the country. In response to these kidnappings and attacks, the Kenyan military has launched an offensive into Southern Somalia to hunt down Al-Shabab elements and attempt to flush them out.

In the event of a further successful attack by militants on Kenyan soil, we would likely see a severe impact on the tourism industry for the country - this will be a painful impact as the industry has been recovering well from the 2008 election violence.

During the last quarter the Kenyan shilling has also seen a dramatic loss in value. In July the currency was trading at approximately 90 KSH to the dollar, before rapidly falling to c106 KSH to the dollar. By the end of Q3, we saw the shilling retrace some of its falls to stabilize around the 100KSH level. This reversal was largely due to improved forex earnings from tea and horticulture exports. Looking forward to 2012, Kenya also faces its next round of presidential elections. Following the violence of 2008 elections, and the severe knock on effect on the tourism sector, there does appear to be an effort by leaders to attempt to stave of any flare up of violence.

ZIMBABWE

Dollarisation and the associated monetary stability is still the backbone of a strong recovery across Zimbabwean businesses with estimated GDP growth in 2011 of over 9%. Mining and agriculture continue to drive the recovery though the informal sector and consumption numbers are also en-

MARKET OVERVIEWS

couraging. Revenues have been growing across all sectors though many companies have struggled with cost control and the legacy of non-core business activities pursued during hyperinflation.

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The banking sector, however, remains a concern with provisions for bad debts worrying low, and we are unlikely to see significant improvement in the short-term. For this reason Untu is focusing on increasing portfolio quality and growing its book conservatively, while developing payroll lending alongside its core SME lending products.

Politically Zimbabwe remains turbulent, with the death in a housefire in August of army chief and 'king-maker' General Mujuru, a key political force involved in President Mugabe's succession. Uncertainty around possible elections next year means that while corporate results are impressive, many investors maintain a 'wait and see' approach to entering Zimbabwe.

MOZAMBIQUE

Mozambique is on track to grow 7.5% in 2011 and is anticipated to be one of the world's fastest growing economies over the next few years. The government is tackling inflation given the political instability that resulted in food riots in Maputo in 2010. These concerns are slowly being addressed by the government, which is prioritising investments in agriculture as a means of job creation combined with an eye on food security. Infrastructure remains a hindrance for development, though large mining projects in the north of the country and associated road and railway projects are slowly addressing these problems to the wider benefit of the economy as a whole.

ANGOLA

Angola is set to grow by 7.8% this year according to IMF forecasts. Vying with Nigeria to be Africa's largest producer of oil, Angola is also a significant Chinese trade partner, holding over \$14 billion in Chinese credit, according to The Economist magazine. Many of the largest construction firms in Angola are from Portugal, and are focusing energy on Luanda thanks to a slowing in their own market - firms like MTA partner Soares Da Costa, Teixeira Dura and Mota Engil. In addition Luanda's financial sector is dominated by Portuguese banks.

Interestingly this trend is now being reversed as Angola heads to Europe. The acquisition of Portugal's Banco Portugues de Negocios (BPN) by Angola's BIC was a condition of the IMF's \$113 billion bail-out of Portugal, and Angola's national oil company, Sonangol is the largest shareholder in Portugal's largest listed bank, Millennium BCP.