

Maris Capital

Maris Africa Fund Report Q4 2012

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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

A little over five years since the start of the global financial crisis, Europe and the US have struggled to recover from their plunge into recession. In stark contrast and depending on whose figures one trusts, sub-Saharan Africa GDP growth has averaged between 5-6% per year since the crisis. The World Bank predicts this trend will continue and ranks sub-Saharan Africa in the top three fastest growing regions in the world, after East and South East Asia.

Midway through our fourth year, how have we fared against this economic backdrop? After a cautious start we are more than satisfied with progress. We have deployed capital into 14 companies across six countries providing a diversified portfolio of investments. We have been slowed by bureaucracy in Mozambique, an oil shut down in South Sudan and a weak banking system in Zimbabwe, but robust underlying growth and our strategy of diversification has yielded reassuring results. This year we completed seven new deals within our three main focus areas: services, lodging/real estate and resources/agriculture. Overall, our Investment Committee have approved commitments of \$19.5m to our 14 portfolio companies and we have drawn 75% of the committed capital to date.

2012 saw strong growth across the portfolio, especially from some of the first investments we made in 2009. NSS, Acacia Village and Afritise all posted record revenue figures, despite the shutdown of the oilfields and closing of the border with Sudan. An almost heroic performance, given the sharp depreciation in the exchange rate and an estimated 50% contraction of the South Sudanese economy.

Karebe Gold Mining also had a record year. After three difficult years we have overcome the most challenging start-up hurdles and are now delivering steady growth. The company is set to increase production and pay its first dividend in Q1 2013. We also expanded our resource focus to include agriculture and forestry. The fund made highly promising investments in Equatoria Teak Company / Central Equatoria Teak Company and Tatepa, a Tanzanian tea and avocado producer.

In terms of attractive geographies, the fund has looked to capitalise on its presence in northern Mozambique where we have committed \$6m to deals - all of which are start-ups. Why so many start-ups? The answer is primarily that we found a lack of good businesses offering exposure to the country's most exciting sectors.

Start-ups are hard work but by their nature are some of the most value creating investments. One issue we would highlight though is, due to our conservative valuation approach it usually takes a considerable period of time to revalue them upwards: we feel the accounting value of our current portfolio does not reflect the underlying economic value. Indeed in this report, it is worth noting the number of investments held at cost.

A good example of this conservative valuation methodology would be OSS Mozambique, a stand out performer in 2012. In late 2010 we invested \$670k for 50% of the business and in 2012 sold the entire asset base for more than twice the valuation on the books. Despite the fund doubling its money and earning a pre-tax IRR of >100% on the investment, we feel the Tete growth case remains compelling. Consequently, at the end of 2012, we bought out our partners and are reinvesting much of the capital in further warehousing on which we have already secured a 10-year contract.

The last four years have underlined that existing investments and reliable management teams are key to supporting the construction of larger portfolios. In markets with extreme financial, operational and procurement challenges, these twin foundations provide new investments the support and resource sharing to give them a running start. We look forward to the future and further strong performance. Our Limited Partners' boldness in 2009/2010 allowed us to build the case for small-scale frontier African investments. As we near the end of the fund's five year investment period, we are starting a consultation with our Advisory board and Limited Partners on the next phase for Maris Capital. We look forward to the future.

PORTFOLIO COMPANIES AT 31/12/12*

DEBT (US\$m)

TOTAL (US\$m)

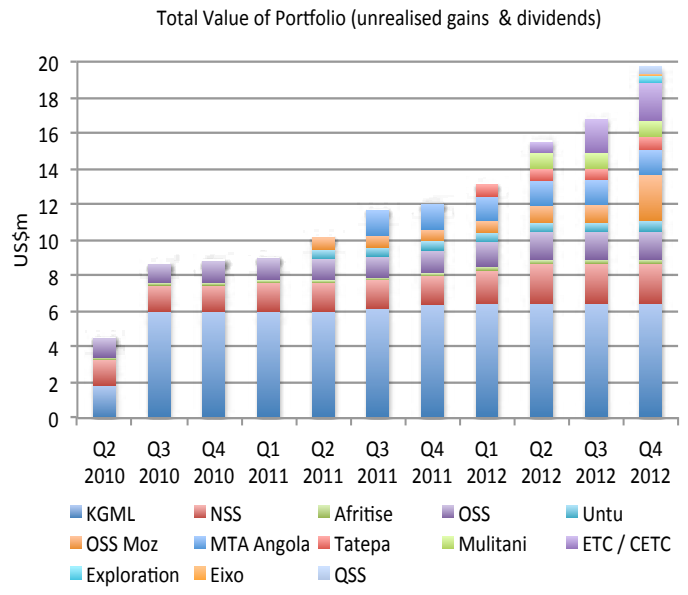
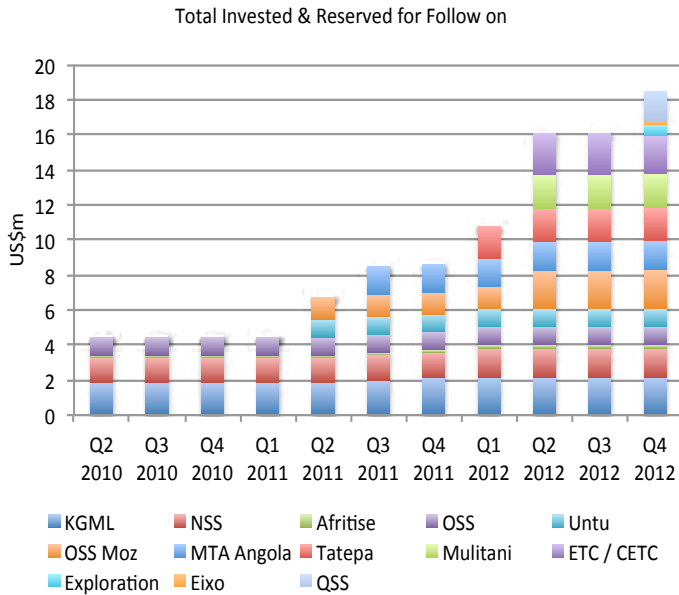
Date	Company	Country	Equity	Sector	Realised			Equity Cost	Fair Value	Dividend	% of Cost	Equity Cost	Fair Value	Paid	% of Cost	Total Proceeds/ Cost	Valuation Basis
					Equity Cost	Fair Value	Gains / Dividend										
Jun-09	KGML	Kenya	80%	Gold Mining	1.49	5.62	-	1.49	5.62	0.50	389%	0.69	0.83	-	2.13	Revaluation	
Sep-09	NSS	South Sudan	71%	Telecoms	1.69	1.74	0.50	1.69	1.74	0.50	133%	-	-	-	1.69	Cost	
Sep-09	Acacia / OSS	South Sudan	47%	Lodging	1.02	1.18	0.38	1.02	1.18	0.38	153%	0.04	0.05	-	1.02	Revaluation	
Sep-09	Afritise	South Sudan	30%	Advertising	0.17	0.17	-	0.17	0.17	-	100%	0.10	0.10	-	0.21	Cost	
Apr-11	Untu	Zimbabwe	19%	SME Banking	0.53	0.53	-	0.53	0.53	-	100%	-	-	-	0.63	Cost	
May-11	OSS Moz	Mozambique	100%	Mining Support	2.22	2.56	-	2.22	2.56	-	115%	-	-	-	2.22	Revaluation	
Jul-11	MTA Angola	Angola	33%	Construction	1.39	1.39	-	1.39	1.39	-	100%	-	-	-	1.39	Cost	
Apr-12	Tatepa	Tanzania	18%	Agriculture	0.77	0.77	-	0.77	0.77	-	100%	-	-	-	0.77	Cost	
Apr-12	Mulitani	Mozambique	97%	Lodging	0.89	0.89	-	0.89	0.89	-	100%	-	-	-	0.89	Cost	
Jun-12	ETC / CETC	South Sudan	85%	Forestry	2.15	2.15	-	2.15	2.15	-	100%	-	-	-	2.15	Cost	
Oct-12	Exploration	Moz / Tanzania	<10%	Exploration	0.35	0.35	-	0.35	0.35	-	100%	-	-	-	0.35	Cost	
Oct-12	Eixo	Moz / Tanzania	75%	Serviced Offices	0.15	0.15	-	0.15	0.15	-	100%	-	-	-	0.15	Cost	
Oct-12	QSS	Mozambique	48%	Lodging	0.40	0.40	-	0.40	0.40	-	100%	-	-	-	0.40	Cost	
Total					13.16	17.48	0.87	13.16	17.48	0.87	139%	0.83	0.98	-	13.99	142%	

FUND SUMMARY (US\$m)*

Capital Committed	26.10
Capital Called	19.57
Advisory Fee since first close	(2.37)
Establishment, Administration & Deal Costs	(0.42)
Late Entry Interest Payments	0.10
Gain on Revaluation	4.87
Dividends accrued	0.89
Value of Fund	22.64
Fair Value of Fund / Capital called	1.16x
Capital Distributed	-
Reserved for follow on	3.00
Available for drawdown	6.52

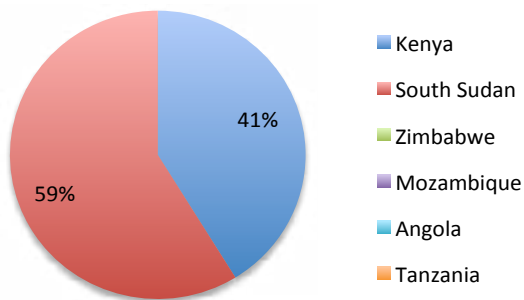
*Unaudited

PORTFOLIO DEVELOPMENT

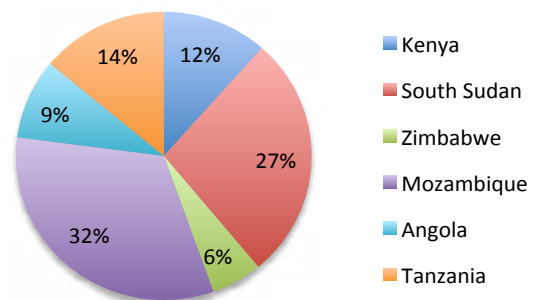


GEOGRAPHICAL DEVELOPMENT

Investment Geographical Spread Q1 2011



Investment Geographical Spread Q4 2012



INVESTMENT PIPELINE

Building on the success of MTA (JCB Angola) we aim to enter the machinery rental sector in Angola 2013; we are also exploring a further JCB franchise in South Sudan. Through Karebe Gold Mining we are pursuing gold mining and tailings processing opportunities in Kenya and Zimbabwe.

NEW INVESTMENT - SERVICES



MTT LIMITED - TANZANIA

MTT (Machines and Tractors Tanzania) has an exclusive licence to sell JCB machines, spare parts and after-sales service within Tanzania. The company is a joint venture between Maris Capital and Muscat Overseas Group (owner of multiple machinery dealerships across the region), and builds on a successful partnership in MTA (Máquinas e Tratores de Angola).

Transaction Date	Q4 2012
Development Stage	Developmental Capital
Fund Ownership	50%
Total Equity Cost	\$370,000
Bank Guarantee	\$750,000
Fund Board Membership	J Gunnell, A Fimister

MTT has taken over staff and premises in Dar es Salaam from an struggling business, MAHA. Fresh capital is being injected into the business to replenish its stock levels and restore the working capital cycle.

For the past few years the MAHA business has not achieved its market potential, mainly due short-term cashflow constraints and shareholder disputes. The machine market in Tanzania has shown steady growth in the past eight years and accelerated to 140 units in 2012. This is a substantially smaller machine market than both Angola and Kenya which both have similar populations. We expect to see demand in Tanzania for machines continue to grow as infrastructure, construction, mining and agricultural developments continue.

Under the new arrangement there will be a change in marketing strategy. MTT can draw on the management and governance expertise at MTA and better training and management of the staff should allow the strength of the JCB brand to assert itself in Tanzania. Maris expects between 30 & 40 machines to be sold in the first year and to achieve over 20% share of the market. As the machine park grows in the country over the next 5-10 years, the demand for parts should also see strong growth providing a more stable stream of income than just machine sales.

The country economic forecasts show impressive growth. GDP was 7% in 2012, driven by agricultural investment and the discovery of an increasing number oil and gas fields. It is expected this trend will have a corresponding uplift in the demand for machinery.



Dar Es Salaam



MTT Premises

NEW INVESTMENT - SERVICES

7



EQUATOR DRILLING - MOZAMBIQUE AND TANZANIA

Equator Drilling is a start up drilling business which will perform explorative geological testing, specialising in the remote areas of Mozambique and Tanzania. The company's cornerstone client is a group of exploration companies in Tanzania and Mozambique with extensive licenses pending exploration drilling. From this base the company will expand its fleet and client list regionally.

Transaction Date	Q1 2013
Development Stage	Start-Up
Fund Ownership	100% - reducing to 51%
Total Equity Cost	\$1,000,000
Valuation	\$1,000,000
Fund Board Membership	C Tryon, J Gunnell



The fund has invested \$1m to start an exploration drilling business that is seeking to win drilling contracts across East Africa, starting with four projects in Tanzania and Mozambique into which the Maris Africa Fund has committed c\$350k. The company will then look to expand regionally and diversify its client base. Exit will be a trade sale to a regional or international drilling company. Operations are headed by a Manager with eight years' drilling experience, who is highly regarded in the industry. Fund ownership is 100%, but will reduce over time through a management earn-in.

The company targets the growing number of junior mining companies that are exploring for mineral reserves. Africa hosts about 30% of the planet's mineral reserves, including 40% of gold, 60% of cobalt, and 90% of the world's platinum group metals. It is the least explored region in the world and as exploration costs rise in more developed regions, Africa is seeing strong growth in mineral exploration. Exploration drilling is an essential aspect of the growing African resource industry but service provision in East Africa remains unreliable. This creates an attractive opportunity for a well managed drilling company.

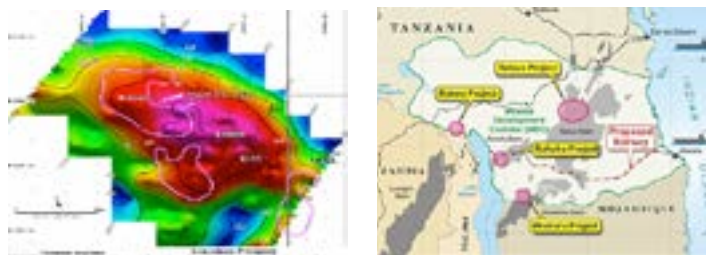
NEW INVESTMENT - RESOURCES / AGRICULTURE

EXPLORATION - MOZAMBIQUE AND TANZANIA



The fund has invested in a group of four exploration companies that hold numerous licenses across Mozambique, Zimbabwe and Tanzania: Select Exploration Ltd (ASX), Metals of Africa Ltd (ASX) and Express Resources (private). Licenses include precious and base metals, with a particular focus on coal, gold and uranium. These projects build on the management team's successful track record in East Africa.

Transaction Date	October 2012
Development Stage	Start-Up
Fund Ownership	<10%
Total Equity Cost	\$ 347,826
Valuation	\$ 347,826
Fund Board Membership	J Gunnell



The companies were established by Gary Seabrooke (GS), an Australian mineral driller with over 17 years experience in East Africa, who sold his drilling company to Major Drilling and pegged and sold a number of coal concessions in Tete to Riversdale, which were then sold to Rio Tinto for \$4bn in 2009. Gary's experienced team has a strong track record of proving economic resources in the region.

The companies completed a capital raise in 2012, brought on new personnel and commenced drilling operations in Q4 2012. They have raised sufficient amounts to fund a four year exploration programme. There is no cash generation aspect to this opportunity – return expectations are based on an exit of the assets to major mining companies investing in these minerals in the region. However, downside protection for the investment comes through anticipated returns from the affiliated drilling company we are establishing. Conflicts of interest are managed through pre-negotiated and exclusive drilling contracts across all four exploration projects.

RESOURCES / AGRICULTURE

KAREBE GOLD MINING LIMITED



Karebe Gold Mining Limited, Kenya (KGML) is one of two gold mining companies operating in Kenya. Karebe has produced a modest 3,770oz Au since we broke ground in September 2010, equating to 117 kg's of gold at a value of \$5.5m. The company employs over 150 staff, many of who had no formal employment record, and is headquartered in Kisumu, Kenya.

Transaction Date	January 2009
Development Stage	Start-Up
Fund Ownership	80%
Equity Cost	\$1,447,576
Shareholder Loan	\$686,163
Valuation	\$ 6,453,425
Fund Board Membership	C Tryon

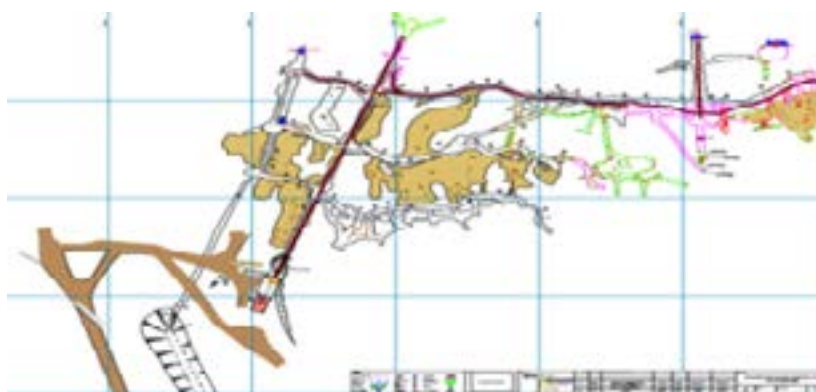
Financials (US\$000s)	2011A	2012A		2012E	2012A	
Revenues	1,558	2,548	64%	2,688	2,548	-5%
EBITDA	360	946	163%	1,166	946	-19%
Net Income	125	731	487%	779	731	-6%

A = Actual / E = Estimate

Karebe has delivered very close to forecast after a number of production problems over the past two years, which is a testament to the Chinese engineering in our new mill, but more importantly our management team's abilities on the ground and the improving skills of our mine staff.

Production improved significantly and ore handling now averages over 1,000 tonnes per month. This has been achieved through the installation and use of ore passes and improved mechanized handling. Q3 and Q4 saw production double to 6,000 tonnes, taking the total 2012 tonnage to 9,000. Ore grades have also improved due to better mining techniques that reduce the ore dilution, with a head grade of 7.13g/ton.

The new shaft is progressing well and development remains ahead of production. Operations underground have reached the 4th level (top of the mine map) and exposed at least a year of stopeing ore. The installation of ore passes, (pictured below) has greatly improved ore handling underground. With development continuing at our second mine site, Boma Mine, we hope to doubled production by year end 2013.



Mine map



Ore pass

RESOURCES / AGRICULTURE



EQUATORIA & CENTRAL EQUATORIA TEAK COMPANY

The fund owns 85% of three companies: Equatoria Teak Company, "ETC", Central Equatoria Teak Company, "CETC", and Green-Environ Teak Company, "GETC", which have extensive mature teak plantations and associated processing facilities in South Sudan.

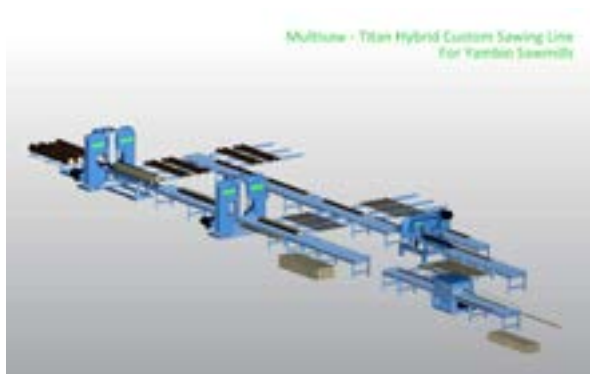
Transaction Date	June 2012
Development Stage	Refinancing / Development
Fund Ownership	85%
Total Equity Cost	\$2,149,900
Valuation	\$ 2,149,900
Fund Board Membership	C Ferguson, C Tryon

Equatoria Teak Company (1,639 ha) has been voted Western Equatoria's leading company by the local parliament and the turnaround is progressing well, led by Managing Director Darryl Shaw. A new Multisaw line with a capacity of 12,000 cbm will be onsite in February, ready for production in March. New harvesting machinery has been operational since December 2012 and the company has expanded its forestry team. The company will export processed timber for flooring and furniture. Thanks to its density ETC plantation timber is comparable in quality to Burmese teak and pricing indications from European and US buyers are ahead of expectations. Transportation of containers to Mombasa (2,000km) remains challenging and ETC is working with a range of potential partners to achieve its budgeted transport cost.

ETC now has 150 employees, made up predominantly of Nzara residents and the nursery capacity has been doubled ready for the planting season in March. We will replant harvested areas with teak and are also commencing trials for the planting of other faster growing species within the 18,000 ha forest reserve, to serve the domestic market. We have reconvened the Social Fund Committee in Nzara and look forward to a new schedule of community projects funded from 2013 royalty payments. ETC is reapplying for FSC certification that lapsed during the pause in operations in 2011.

Elsewhere we have encountered security challenges. Loka plantation at CETC (1,751 ha) has seen illegal logging in Q4 2012, as has Embe plantation at GETC (111 ha), fueled by a strong teak price and the government's austerity budget. Logging at GETC's Embe plantation, carried out by South Sudan operators working with the Maridi Commissioner, was shut down by the Governor of Western Equatoria State but the logs remain impounded in Maridi. The Central Equatoria State Governor and the Lainya Commissioner shut down the logging at Loka and arrested the teams involved; this created a change of heart locally and the State authorities have negotiated a new security arrangement for the company with the community elders. We look forward to starting our commercial thinning and nursery expansion plans at CETC in February 2013, headed by a new General Manager, Zimbabwean farmer Ed Conolly.

As anticipated, we will raise third party capital for CETC and ETC in Q1 2013 towards a processing facility at CETC and an accelerated planting regime at both companies.



RESOURCES / AGRICULTURE

Tatepa



Tatepa is the holding company for a group of companies active in the Tanzanian agriculture and agroprocessing sector. Two of the companies grow, package and market loose leaf black tea, while Rungwe Avocado Company is a start-up venture exporting avocados to Europe.

Transaction Date	March 2012
Development Stage	Buy Out / Development
Fund Ownership	18%
Equity Cost	\$ 770,000
Valuation	\$770,000
Fund Board Membership	J Gunnell



Tea prices remained robust into the end of the year and contributed to a strong performance from Wakulima Tea Company. In general the tea industry remains a sector attracting considerable investor interest and there have been recent approaches regarding potential purchases of Wakulima's tea estates. Development at Rungwe Avocado Company (RAC) remains broadly on track and the company is readying itself for the critical upcoming harvest season. A short recent period of low rainfall combined with porous soil has led to some hindrance in the growth of avocados which is likely to impact RAC's results but in general the trees are progressing well.

Sales of Chai Tausi, Tatepa's retail tea brand, have levelled off somewhat after a strong start, mainly due to distribution issues in Dar Es Salaam. These distribution issues are being rectified with the purchase of 3 new trucks and at the same time Tatepa will buyout its minority partners in KTPC, the holding company for Chai Tausi. We see this buyout as a positive move given the typically higher valuations placed on FMCG brands over pure commodities.

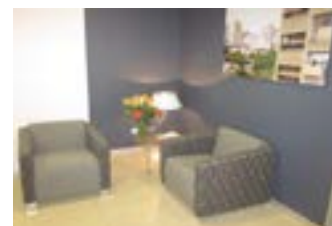
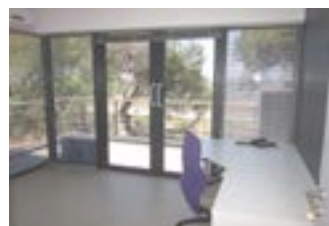
SERVICES

Eixo



Eixo is a start-up managed office company providing serviced office space to companies located in Maputo, Mozambique. Eixo is expanding its business into new premises in Maputo and is catering to both the local SME market and international corporates.

Transaction Date	October 2012
Development Stage	Start-Up
Fund Ownership	75%
Total Equity Cost	\$150,000
Valuation	\$150,000
Fund Board Membership	J Gunnell



Eixo has made good progress since the fund invested in the company three months ago. Management has successfully expanded the company into its new second premises at the Global Alliance building on the Marginal in Maputo. All the private offices in the new building have been filled with high quality clients including GE and Diageo. A few hotdesks remain available at the original set of offices in the centre of town, however occupancy is essentially close to 100%.

Given the success of the new floor at the Global Alliance building and continued strong demand, Eixo has decided to expand further by leasing and renovating the floor above their original suite of offices. Building work is currently underway and these new offices should open by the beginning of March.

SERVICES

Afritise



Afritise Limited (Afritise) is the dominant outdoor advertising company in South Sudan with coverage in 11 cities and towns. Afritise is headquartered in Juba and has the exclusive license to advertise at the airport. The company has 9 full-time employees.

Transaction Date	September 2009
Development Stage	Start-Up
Fund Ownership	30%
Equity Cost	\$ 171,171
Valuation	\$218,974
Shareholder Loan	\$39,000
Fund Board Membership	C Tryon



Financials (US\$000s)	2011A	2012A		2012E	2012A	
Revenues	424	556	31%	594	556	-6%
EBITDA	35	89	151%	212	89	-58%
Net Income	-90	-4	-96%	136	-4	n/a

A = Actual / E = Estimate

Afritise continued its winning run with five consecutive profitable months spoiled only by a number of annualised end of year costs that resulted in a loss in December. Growth throughout the year was progressive and despite a drag on the performance of the airport contract the company has performed well and is set for 2013.

The primary objective for 2013 will be to improve our current billboard offering so that we can offer larger signs and continue to upgrade existing structures. More investment is needed to build our signage in Juba to meet the growing competition. This should help us drive up our revenues by approximately 30% this year, which in turn should see us make a six figure profit at long last.

SERVICES

Network Support Services



Network Support Services Limited (NSS) is the dominant GSM infrastructure construction and maintenance business in South Sudan. The company is managed by Gary Ensor and headquartered in Juba. NSS is Huawei's preferred partner in South Sudan.

Transaction Date	September 2009
Development Stage	Development Capital
Fund Ownership	71.25%
Equity Cost	\$1,685,891
Valuation	\$1,734,808
Dividends	\$502,688
Fund Board Membership	C Tryon



Financials (US\$000s)	2011A	2012A		2012E	2012A	
Revenues	7,059	10,346	47%	5,480	10,346	89%
EBITDA	1,021	1,028	1%	732	1,028	41%
Net Income	895	860	-4%	483	860	78%

A = Actual / E = Estimate

In Q4 NSS's sales surpassed \$3m due to a slight increase in sites under maintenance and most significantly as a result of diesel sales. Net Income was well down on the previous quarter following the levying of an accelerated depreciation charge of \$103k, currency losses and annual staff bonuses.

The Huawei contract looks set to increase more rapidly in 2013 as companies increasingly grow restless of waiting for the economy to resurrect itself after the shock of 2012. NSS is busy completing nationwide installation works for Huawei and adding new sites to its portfolio. Following negotiations with Huawei in Q4 we anticipate margins falling in 2013, but this should be more than offset by an increase in revenues as we aim to add 30% more sites to the network.

SERVICES

MTA - Máquinas e Tratores de Angola



Máquinas e Tratores de Angola (MTA) 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.

Transaction Date	July 2011
Development Stage	Distressed Refinancing
Fund Ownership	33%
Equity Cost	\$1,388,244
Valuation	\$1,388,244
Fund Board Membership	A Fimister



Financials (US\$000s)	2011A	2012A	2012E	2012A	
Revenues		4,761	4,014	4,761	19%
EBITDA		416	198	416	110%
Net Income		253	92	253	175%

A = Actual / E = Estimate

MTA had a good 2012, surpassing its own budgeted sales target of 40 machines by 8 units. Overall, the company has achieved a 6.1% market share of machinery in Angola. In addition to machine sales, MTA has grown its servicing and parts division and we are addressing personnel requirements, including the need for additional technical and spare parts staff.

Hindrances in dealing with JCB relating to pricing disparities between dealers, pricing policy and warranty issues, are to be reviewed in 2013 to ensure the smooth-running of operations. MTA is now the preferred suppliers to several large construction companies, such as Construções 7 Cunhas, a major contractor in Angola.

A deal to buy out the remainder of Soares da Costa's equity within the business is expected to complete in the next 6 weeks, with 10% being taken up by the GM, Pedro Salbany, who has been instrumental in turning around the company's fortunes.

SERVICES

Untu

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

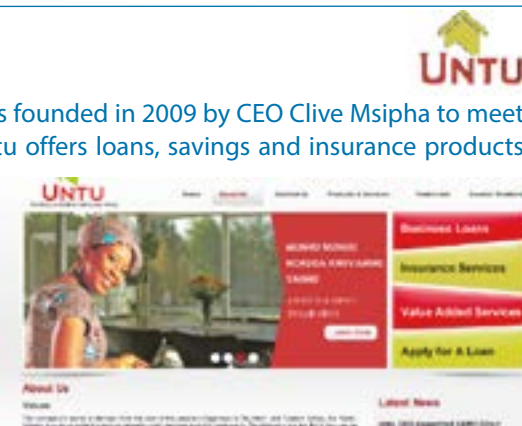
Transaction Date	April 2011
Development Stage	Start-Up / Development
Fund Ownership	19%
Equity Cost	\$529,511
Debt	\$100,000
Fund Board Membership	C Ferguson

Financials (US\$000s)	2011A	2012A		2012E	2012A	
Operating Income	1,052	1,283	22%	1,618	1,283	-23%
Operating Expenses	753	1,111	48%	951	1,111	17%
Impairment Provisions	262	163	-38%	284	163	-43%
Net Income	18	-14	n/a	285	-14	n/a

A = Actual / E = Estimate

Untu has expanded into two new branches Gokwe and Chitungwiza, which have rural client bases and received debt funding from a DFID sponsored facility through the Zimbabwean Association of Microfinance Institutions. Lending slowed in the run up to Christmas and the company ended 2012 with a small loss, which will convert into a small profit with the reimbursement of Untu's technical assistance cost. Encouragingly, impairments were 48% down on last year, despite the larger loan book. Management's strategy of investing in people and IT to improve quality of lending practises seems to be paying dividends. This should provide good foundations on which to grow the loan book and profits at limited extra cost.

Management presented a five year budget and strategy to the board in December 2012, which anticipates further capital raising in 2014 prior to conversion to a Microfinance Bank. Following a successful Technical Assistance program in 2012, Untu will seek further grant funding for this transition. Management presented a modest budget for 2013, in view of the risks connected to elections scheduled for 2013 and is adopting a strategy of further conservative lending.



LODGING / REAL ESTATE

Quirimbas Support Services

Quirimbas Support Services (QSS) plans to offer serviced accommodation on the outskirts of Pemba for clients associated with the offshore gas discoveries in the nearby Rovuma Basin. Further opportunities include the leasing of cars/machinery and the construction of office space, storage and warehousing.

Transaction Date	Q4 2012
Development Stage	Developmental Capital
Fund Ownership	48%
Total Equity Cost	c\$400,000
Follow on Commitments	c\$1,320,000
Fund Board Membership	J Gunnell, A Fimister



Since securing a 9ha plot of prime land, situated 8km from Pemba city centre and less than 5km from both the airport and the operational HQs for various oil and gas majors, QSS has made significant progress through Q4 2012.

Having tackled the regular bureaucratic hurdles in Mozambique, the company completed its registration and incorporation in November and is now operating successfully in Pemba. QSS has formed a strong business partnership with a turnkey construction company. This company brings extensive international experience of working with multinational corporations in engineering, construction and remote area site services. Whilst the necessary licenses are being finalised at the local municipality level, procurement for the project material has begun in South Africa.

Construction on site is due to begin in mid-March 2013 and complete in September 2013. QSS is confident that client demand is strong and will continue to strengthen once ground is broken on site.

LODGING / REAL ESTATE

Acacia Village



Acacia Village is a camp services and logistics provider in Juba that remains Trip Advisor's leading Juba residence. It owns 100% of Acacia Village, a 36-room apart-hotel with associated storage and office facilities.

Transaction Date	September 2009
Development Stage	Start-Up
Fund Ownership	47%
Equity Cost	\$1,021,186
Valuation	\$1,175,000
Dividends	\$383,787
Fund Board Membership	C Tryon



Financials (US\$000s)	2011A	2012A		2012E	2012A	
Revenues	1,408	1,680	19%	1,403	1,680	20%
EBITDA	551	637	16%	415	637	54%
Net Income	394	187	-52%	257	187	-27%

A = Actual / E = Estimate

Demand for hotel rooms and serviced apartments in South Sudan remains robust, fuelled by South Sudan's \$1.3bn annual aid budget, and an influx of new companies. Despite a surge in the construction of apartments and 4-5 bedroom guesthouses in the capital, Acacia's comfortable and secure surroundings have ensured a 95% occupancy rate. From January 2013 Acacia will be the residence for four Ambassadors to South Sudan.

Revenues for the year surpassed both forecast and the previous year by 20%. An additional 18 rooms will be built in Q2/3 2013 funded by cashflow.

LODGING / REAL ESTATE

OSS Mozambique



OSS Mozambique offers warehouse provision and related mining services in the Tete area, northern Mozambique. Phase 1 saw the successful construction and sale of our first compound of warehouses and offices. The second phase will see further building and rental of two small industrial parks, comprising of warehousing, offices and laydown yards.

Transaction Date	May 2011
Development Stage	Start-Up
Fund Ownership	100%
Equity Cost	\$ 2,218,000
Valuation	\$ 2,556,891
Fund Board Membership	A Fimister



OSS Mozambique had a successful 2012, signing a 10 year contract with the mining services multinational to build and lease their Tete HQ and operational base. Furthermore, in November we sold our first compound for \$3.2m to a South African construction business who will develop their HQ and fabrication yard in Tete. We have also procured a well-placed piece of land at the entrance of Rio Tinto's Benga mine, 500 metres from the rail head and with an option to expand into contiguous land.

The announcement in 2013 by Rio Tinto to write down their Tete coal mining assets by \$3bn underlines the difficulties of working in this environment, particularly due to lack of infrastructure. Progress will continue, if at a slower pace than expected, and there are still a number of other significant players in the region, including ENRC, VALE and Anglo American.

LODGING / REAL ESTATE

Mulitani



Mulitani will offer serviced accommodation on the banks of the Zambezi to serve demand from clients associated with the major coal developments in Tete, Northern Mozambique. Phase 1 will include the construction of 25 bedrooms spread across various configurations of houses, followed by construction of further houses and apartments on specific requests from compa-

Transaction Date	April 2012
Development Stage	Start-Up
Fund Ownership	48.5%
Total Equity Cost	\$885,250
Valuation	\$885,250
Fund Board Membership	A Fimister



There have been significant delays to the project in 2012, mostly as a result of bureaucracy and red tape. Fortunately, by the end of Q4 the construction of 10 separate houses with 25 rooms was under way. Significant interest has been shown from various organisations although no commitments have been made as yet.

Mulitani owns and has full rights to a 6 hectare plot of prime river side land, forming the most likely place for the residential district of the growing city. The first phase of 10 units has been placed on approximately 1 hectare, leaving plenty of remaining land for subsequent phases. The land offers excellent potential for river-side facilities, a restaurant and prime residential units, both short and long term.

We expect the value of this land to appreciate significantly as the mining activities in the region ramp up, although the project is heavily tied to the speed at which these companies arrive.

MARKET OVERVIEWS

SOUTH SUDAN

South Sudan's oil remains off. Following the conclusion of an agreement on transit fees in Q3 2012, negotiations have stalled over security. Sudan is demanding that the South disarm the SPLM - North, an armed group loyal to the South but operational in Sudan. The South argue they do not have the capacity to tackle a group within Sudan. The North may be reluctant to see the oil flow restarted. Economists estimate a GDP contraction of 50% in 2012, though despite predictions of collapse, Juba has been able to pay civil servant salaries and the construction in Juba continues.

GDP in 2011 was \$13.2bn, of which \$1.3bn was development and humanitarian assistance and the remainder was almost entirely from oil revenues. The austerity budget for 2013 is \$3bn, though it remains unclear who is funding South Sudan. Uncertainty connected to the oil stoppage has led NGO's and governments to pause expansion plans, and the construction of the much needed road network may see delays. This pause has, however, helped high occupancy rates at Acacia. 2012 also saw demand for advertising from regional and local brands grow every month. And despite the gloom, new investors continue to arrive: the government has received over 13 banking license applications, and numerous mining license applications are awaiting the passing of the new mining law. This dispute with the North has sharpened the South's desire for resource independence and both Vitol and Frontier Resource Group are planning refineries within South Sudan. Norway, a signatory of the Comprehensive Peace Agreement, has agreed to fund a \$150m hydro project on the border with Uganda, and has provided the initial capital for a new South Sudan venture capital fund, Kinyeti Capital. The currency has stabilised around 4 ssp/USD, down from its 2012 high of 6.

The regional centres have, however, struggled more than Juba during the last year, which is why looting of teak, South Sudan's only USD export has increased in Central and Western Equatoria.

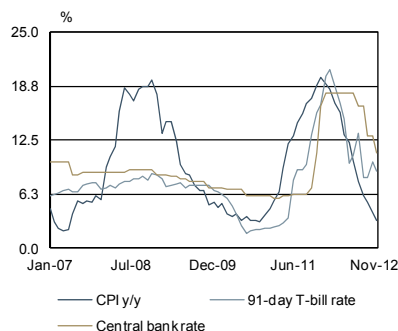
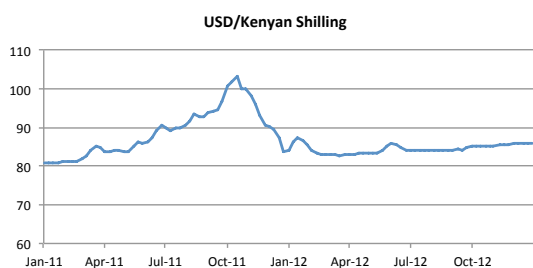
KENYA

The headline figures for Kenya in 2012 provide optimistic reading from a foreign investment perspective. GDP has been resilient, ending the year with 4.5% annual growth according to the World Bank. Inflation fell from 18.9% to a low of 3.25%, while the Kenyan shilling continued its gradual appreciation, closing at 87.0 shillings to the US Dollar.

Kenyan elections are due on 4th March, and there remains a degree of uncertainty as the date draws nearer. The leading candidates are Raila Odinga and Uhuru Kenyatta. Neither have great policy distinctions and voters are expected to solidify along tribal lines. Controversially the latter has been called to the International Criminal Court from 10th April 2013 for alleged crimes against humanity, and this may impact the result.

Historically, Kenyan elections have tended to slow the pace of government and this theme is likely to continue as MP's seek to position themselves as favourably as possible. A regulation expecting 35% of all mining and oil concessions to be reserved for the state is now unlikely to be ratified. However, a regulation on Unclaimed Assets came into force in December, resulting in a significant cost to the private sector. Government debt remains high at 49% of GDP; a figure not helped by some fiscal irregularities. A forensic audit was initiated by a Parliamentary Committee in November to review a \$2bn discrepancy the Treasury's public funds.

Yet there remains great potential for private investors in crucial sectors. Tullow Oil, in conjunction with Pan African Oil, an American exploration specialist, recently struck on two oil reserves in Turkana, indicating the presence of good quality crude in Kenya's northern regions. In gold mining, a licence has been granted in Western Kenya to a second major investor, Red Rock Resources. Kwale's titanium exports continue to rise. Furthermore, some positive infrastructure projects are underway, including a new JKIA terminal building and second runway. These will be partly funded by a \$140m loan from the World Bank and an advance by the IFC of \$49.5m towards power production facilities.



MARKET OVERVIEWS

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TANZANIA

Tanzania has delivered on its GDP growth forecasts of 7% for 2012 confirming its status as an attractive destination for investors. Despite an overall trade deficit and the doubling of government debt, the inflation rate (16%-18%) has been surprisingly consistent. However, it is expected this will cause the exchange rate to depreciate in 2013.

Agriculture is a major growth sector and continues to benefit from foreign investment and increasing land prices. As the development planning process improves it will become easier to enter the market with minimal disruption to local farmers, improving relations. Erratic rainfall also caused a reduction in some 2012 yields.

The mining, oil and gas sectors remain sluggish but not without great potential. Gas production is five years behind Mozambique, but approximately 60 TrCuFt of resources have been confirmed with more likely to follow. Statoil, ExxonMobil, Ophir and BG Group have been leading the exploration. Unfortunately, there is a sense of reluctance among investors to make large commitments until the Government finalise details of its production sharing agreements. Investment continues in both communications and infrastructure improvements, while in tourism the country is benefitting from high end hotel projects encouraged by the stable political climate.

The Tanzanian Government made some significant political steps in 2012. Firstly, a new constitution is being drafted to devolve more power to Zanzibar and recognise a greater degree of autonomy for the island. Secondly, a reshuffle of government ministers has brought in some promising new officials. This has been exemplified by the new Transport Minister's first move, to take a firm grip of the mismanagement of the country's main port, in Dar-es-Salaam.

ZIMBABWE

The headlines in Zimbabwe for 2013 are likely to be dominated by the presidential elections. Although no date is in place, Prime Minister Morgan Tsvangirai and President Robert Mugabe appear to have agreed upon a draft of the new constitution, designed to encourage democratic elections and set maximum presidential terms of 10 years. However, as in 2008, it is expected that Mugabe will seek to pervert the course of events in favour of the Zanu-PF and undermine his rival, with potentially disruptive consequences.

Against this backdrop, Zimbabwe's businesses had mixed results during the year. GDP grew at 2.2%, with inflation running at 8% and with a budget deficit of 4.4% of GDP, according to The Economist. The government has suffered from liquidity problems, and in January 2013 the Finance minister announced there had been only \$217 in the reserve bank at one point.

The stock market is up 19.43% year to date, with some of the largest companies showing strong increases in profits. Inncor, a retailing conglomerate, recorded a profit after tax of \$48.5m (2011: \$32.7m). In the banking sector a 2013 National Budget Statement has ordered banks to remove charges on deposits of less than \$800 so as to encourage people to put their money into longer term accounts. The annual growth rate in deposits declined from 42% in October 2011 to 25% percent in October 2012.

Latest figures from the Chamber of Mines show that Zimbabwe's mineral exports dropped to \$1.86bn last year from \$2bn in 2011. Of these exports, Gold accounted for more than a third, with shipments worth \$782.7m. Diamonds brought in \$684.5m of revenue, led by 4 mines operating in the Chiadzwa diamond fields, while platinum mining contributed \$464.5m. Typical of the issues encountered doing business in Zimbabwe, RioZim has confirmed that its Renco gold mine is operating but the company is being hindered from managing and exercising clear control of its assets. All large companies in Zimbabwe are expected to comply with new indigenisation laws that require 51% Zimbabwean ownership.

Concerns remain that agricultural development is seriously underfunded against a background of food insecurity. The United Nations expects Zimbabwe to require at least \$131m in aid this year, with the bulk of the money providing food assistance after a difficult farming season has left nearly 1.7m people facing hunger. Seedco, a supplier of crop seeds, writes in its latest trading report that 2013 profit forecasts will be lower than reported last year. This is because the whole market's aggregate seed uptake shrunk by close to 45%, mostly due to reduced Government input programmes and cashflow challenges facing small scale farmers.

MARKET OVERVIEWS

ANGOLA

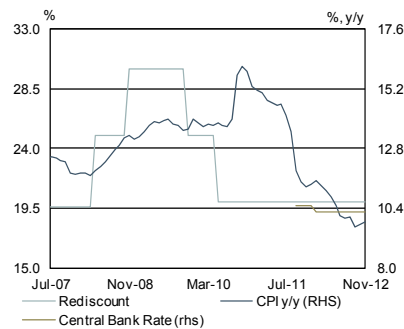
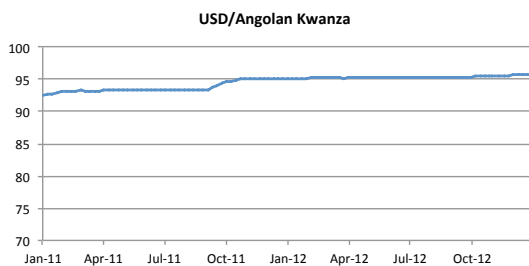
Economic growth in Angola is highly encouraging. It continues to expand its non-oil based economy through a combination of investment in infrastructure and the promotion of other industries. In 2012 there was non-oil GDP growth of 7.3% and oil GDP growth of 6.6%, with 2013 forecast figures of 7.1% and 7.4% respectively. Inflation is expected to run at 9% in 2013.

A key driver of non-oil revenue has been mining. Angola-based diamond miner Sociedade Mineira de Catoca (SMC) was awarded the rights to carry out prospecting for diamonds in the province of Kwanza Sul as of Q3 2012. The announcement followed the completion of surveying work by SMC in the mining zones of Gango and Quitubia, which combined encompass a concession area of 3,000km sq. Angola’s mining industry is set to reach US\$2.4bn in 2017, growing at an average rate of 3.6% per annum, with diamonds providing the main thrust for production growth over the medium term. Other areas of interest from investors include iron ore, copper and phosphates.

In oil, to try and reduce dependency on the US dollar a new exchange law is due to take effect around June. This will require all payments to local oil services companies to be made in Kwanza and all oil receipts and payments to be made through the local banking sector, initiating a US\$20-25bn boost to deposits. State owned Sonagas is expected to start LNG exports soon, bringing in a further US\$1bn of revenue per annum.

Major infrastructure projects are underway. The construction of a new oil refinery began in the Quileva region. Zambian construction company Basali Ba Liseli Resources announced that it wants to construct an oil pipeline between Angola and Zambia. Two projects to develop ports are both aimed at the growing mining sector. At Lobito port US\$1.2bn of government funds will increase handling capacity to 11m tonnes, and US\$41.83m has been invested in the construction of the Santa Clara dry port, in Southern Cunene province.

Furthermore, the Government has set up a \$5 billion sovereign wealth fund (enriched via an allocation of 100,000 barrels of oil per day) in a bid to diversify the economy. The state-owned investment fund, known as the Fundo Soberano de Angola, will invest domestically and internationally, focusing on infrastructure development and the hospitality industry.



MARKET OVERVIEWS

MOZAMBIQUE

Despite a difficult global economic environment, the IMF described Mozambique’s economic performance in 2012 as “remarkable”. Real GDP growth for 2012 was 7.5%, while a recent Standard Bank report predicts growth to remain over 7.5% until 2017. The development of the coal industry has been a key factor underpinning this strong growth, but the services sector has also performed well. The sharp increase in interest rates and other monetary policy measures have caused a reduction in inflation rates and a strengthening of international reserves.

A setback in early 2013 the very public announcement by Rio Tinto of the write down of their Mozambique coal assets. Despite the vast reserves and undoubted quality of the coking coal, problems persist in how to get the coal to market. Critically, Rio cited a refusal by the government to allow barging of coal down the Zambezi as a major factor in their write-down. Tete province is relatively isolated and currently only one single gauge railway operates between the mines and the coastal city of Beira. Vale are currently rehabilitating a railway line through Malawi to Nacala which will significantly improve export opportunities. The railway should be fully operational by the end of 2015, while both the port and airport in Nacala are also being upgraded . News of the write down should not be of too much concern as several other mines operating in the Tete area (including Anglo-American, Vale and ENRC) are showing no signs of slow down. Work will also be commencing on three coal-fired power stations to address local energy needs.

Around Pemba the nascent gas industry is starting to ramp up with both Anardako and ENI increasing their presence in the area. The influx of gas money promises huge development and opportunities in northern Mozambique. Palma, a sleepy seaside town around 250kms north of Pemba where the gas liquefaction facilities are planned, is another development hotspot. The agricultural sector is also progressing steadily. Over 65% of the country is classified as agricultural and the country ranks sixth in the world for available, under-utilised cropland.

Politically Mozambique continues to remain stable. Since independence from Portugal and through the civil war (1975-1992) the country has been ruled by FRELIMO, a former Marxist-influenced liberation group. In the 2009 Presidential elections FRELIMO’s incumbent leader, Amando Guebuza, won 75% of the vote ensuring another five year term for the party. The next elections in 2014 and are not expected to provide any surprises.

