

Africa Merchant Sub-Sahara Portfolio

July 2017

Investment Objective

The portfolio aims to achieve capital growth over the medium to long term by investing in a high conviction portfolio of publicly traded companies operating in Sub-Saharan Africa (ex-South Africa) while managing the downside risks.

The strategy primarily invests in companies listed on African exchanges and may invest in companies listed elsewhere provided they derive a significant amount of their revenue from the region. The portfolio can invest up to 10% in pre-IPO opportunities.

Investment Process

The portfolio aims to invest in quality, undervalued companies using a value-driven, bottom-up stock selection process encapsulated in a structured framework. The investment manager conducts in-country, in-depth fundamental company research. The investment process employs an in-house risk control process where political and macroeconomic risks are identified, assessed and managed. The portfolio positions are weighted on a risk-adjusted basis.

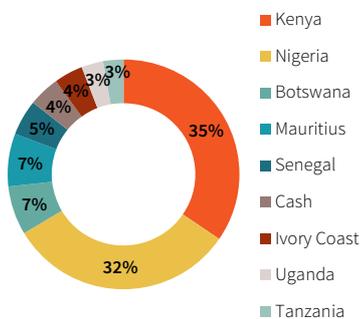
Investor Profile

The portfolio is appropriate for investors who are seeking exposure to Sub-Saharan Africa (excluding South Africa) companies, are comfortable with stock market and currency volatility, and have a medium to long term investment horizon.

Portfolio Facts

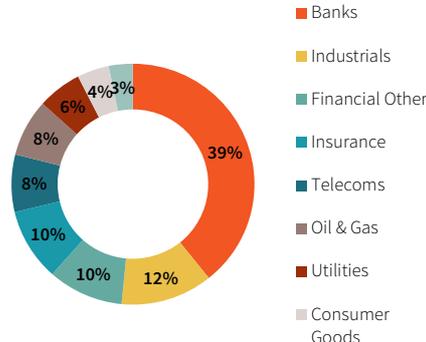
Benchmark	S&P All Sub-Saharan Africa Ex-SA Capped Net Total Return Index
Target Number of stocks	25-40
Base Currency	US Dollars
Subscriptions	Monthly
Redemptions	Monthly, with 90 days' notice and redeemed over 3 consecutive months
Inception Date	17 December 2014
Minimum Investment	US\$100,000
Investment Manager	Africa Merchant Capital Management (Pty) Ltd

Country Allocation



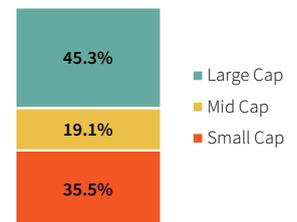
Country of primary operations

Industry Allocation



% of Equity
ICB industry classification. Financials segmented

Capitalisation Split



Large Cap: MCAP > US\$1bn, Mid Cap: MCAP > US\$330m

Performance

USD Returns	July 2017	3 Months	6 Months	12 Months	Since incep. ²
Port.	4.8%	14.9%	21.0%	15.2%	0.0%
Bench ¹	6.9%	14.1%	16.2%	13.7%	-6.3%

ZAR Returns	July 2017	3 Months	6 Months	12 Months	Since incep. ²
Port.	5.8%	13.2%	18.3%	9.4%	4.8%
Bench ¹	7.9%	12.5%	13.6%	8.0%	-1.8%

Past performance is no guarantee of future performance
Performance is gross of fees
2. Annualised. Inception: 17 December 2014
Source: AMCM

1. Benchmark. S&P All Sub-Saharan Africa ex-South Africa Capped Net Total Return Index adjusted for naira devaluation. S&P has currently not adopted NAFEX (Nigeria Autonomous Foreign Exchange Rate Fixing) to price the index. S&P uses the official rate (304-315 naira per USD) which is not accessible to foreign portfolio investors. Our adjustment using the NAFEX rate results in the index being 5% lower than S&P.

Portfolio Commentary

Most African markets performed strongly during July, with the largest market Nigeria returning 8.2%. Nigeria is now up 59.6% off its January 2016 low. The Nigerian naira maintained its value against the USD (366) at the Investors and Exporters Window. This window has gained further credibility in the market with \$645m going through it per day towards the end of July. The associated FX quotes and fixings (NAFEX) are now available on Bloomberg.

The portfolio had another strong month, returning 4.8% (USD gross of fees). Over the last six months the portfolio is up 21.0% (USD gross of fees). The portfolio remains ahead of the benchmark¹ by 6.3% (annualised) since inception.

The portfolio's top contributors to USD performance were Zenith Bank (+17.3% USD), Guaranty Trust Bank (+11.7% USD) and MCB Group (+4.2% USD). The largest detractors from performance were Co-operative Bank of Kenya (-7.8% USD), Centum Investment Corporation (-3.2% USD) and Carbacid Investments (-3.8% USD).

During the month, the portfolio increased its Nigerian cement, Nigerian insurance and Ivory Coast consumer goods holdings.

Dangote Cement in Nigeria produced another set of strong results, growing its first half 2017 revenues and profits, 45% y/y and 35% y/y respectively. The company, with its market leading position in Nigeria and strong regional operations, has proved very resilient in the current climate. The parent company recently sold a \$236m stake to foreign investors increasing the company's free float. We find this very encouraging as a larger free float usually translates into greater liquidity (trading volumes) on the exchange. Associate company Dangote Sugar grew its profits 132% y/y.

The portfolio continues to be well positioned from a value, quality and growth perspective with a PE ratio of 10, dividend yield of 4.8%, ROE of 20.3% and EPS growth of 9.1%.

We will continue to seek to identify quality under-valued companies through our structured bottom-up stock selection process while managing the downside risks.

1. S&P All Sub-Saharan Africa ex-South Africa Capped Net Total Return Index

Market Commentary

The top performing Africa ex-SA markets during the month were Ghana (+14.9%), Nigeria (+8.2%) and Kenya (+5.5%), while the worst performing local markets were BRVM (-4.5%) and Botswana (-1.8%).

As bottom-up investors we keep a close eye on the fundamental drivers of company performance, including expansion plans. East African Breweries and Bamburi both announced CAPEX plans of 15bn and 4bn KES respectively. Botswana's leading supermarket chain, Choppies, plans to expand operations in Zambia by opening nine more outlets.

The Kenyan election is set to happen on 8 August. It is expected to be a close contest between incumbent Uhuru Kenyatta and his perennial contender Raila Odinga. Security is expected to be tight as Kenya aims to achieve peaceful, free and fair elections. In Kenya, foreign exchange reserves have been falling while in Nigeria they have been rising. Uganda has been ranked the sixth fastest growing investment destination by the Ernest and Young Attractiveness Program.



Source: Bloomberg, 31/07/2017

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AFRICA MERCHANT CAPITAL



Investment Team

Portfolio Manager – Jonathan Kruger, CFA

Jonathan has over eight years of experience in public equity markets, having managed portfolios investing in Africa and Developed Markets. He pioneered and managed the top performing Africa Equity Fund at Prescient Investment Management. He holds a BBusSci Quantitative Finance degree from the University of Cape Town.

Investment Committee - Jan van den Berg, CA (SA) CFA

Jan has been involved in investment analysis, due diligence and transaction advisory in Sub-Saharan Africa for the last 5 years. Jan has worked on transactions in Africa in the Energy, Mining, Industrials, Real Estate, FMCG, ICT and Agri sectors. Jan holds a B. Comm (Hons) degree from the University of Stellenbosch.

Investment Committee - Cobus Visagie

Cobus has been involved in the Sub-Sahara Africa markets for more than a decade with experience in corporate finance advisory, merchant banking, business consulting, auditing and personal investing. He qualified as a chartered accountant in South Africa with PricewaterhouseCoopers and holds a B.Comm (Hons) degree from the University of Stellenbosch. Cobus also had a successful international and professional rugby career spanning both the Northern and Southern hemispheres.

Analyst – Michael Ashaolu

Michael has over seven years of African experience working in various investment and banking roles. This included five years at Fidelity Bank in Nigeria. He holds a Master's degree Financial & Risk Management from the University of Cape Town and is currently a Level 3 candidate in the Chartered Financial Analyst program. He is a Chartered Accountant with the Institute of Chartered Accountants of Nigeria.

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