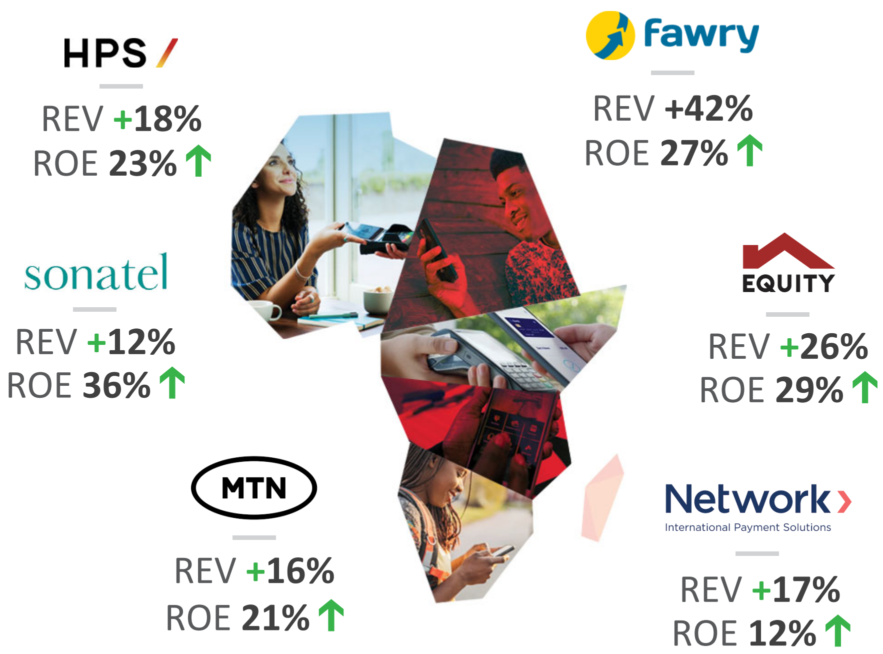
AFRICA FINTECH OVERVIEW

First half results season kicks off with a bang!

Take a look at the Revenue growth that companies in our portfolio generated in the first half of 2023. Also look at the RoE that companies have been able to produce. A remarkably robust performance in what has been an extremely challenging year globally and regionally. **The African consumer story and our leveraged play through Fintech, remain firmly intact.**



ECONOMIC AND POLITICAL OVERVIEW

NIGERIA

GDP growth came in at +2.5% y/y in 2q23 (1q23: +2.3%, 2q22: +3.5%). The non-oil sector continued to drive growth +3.6% y/y and led by the services sector +4.4% y/y. Agriculture lagged slightly, expanding +1.5% y/y while the industrial sector contracted -1.9% y/y affected by oil. The oil sector declined -13.4% y/y, a faster downward turn than 1q23's -4.2% y/y contraction. Average crude oil output was 1.22mbpd (1223: 1.53m bpd). S&P Ratings Agency affirmed Nigeria's sovereign FX credit rating at B-, and upgraded the outlook to stable given the implementation of reforms by President Tinubu. Oil production continues to be a downward risk, as well as weak fiscal revenues and high borrowing costs.

The official unemployment rate declined to 4.1% in 1q23 (4q22: 5.3%). For context, in 2020 the rate was 33%. However, there's been a shift in calculation methodology, in alignment with the International Labour Organisation which has a more comprehensive criteria for defining employment. With this expanded definition, 92.6% of employment was in the informal sector. Underemployment improved to 12.7% in 1q23 (4q22: 13.7%). According to the World Bank, only 17% of the labour force is earning an income adequate to improve their status and keep them out of poverty. This month, President Tinubu presented his 3-year economic revival plan for the country and his new ministers were inaugurated.

Macro releases (July stats):

- Inflation accelerated further 24.1% y/y (Jun: 22.8%).
- FX reserves slipped to USD 34.0bn (Jun: USD 34.1bn) and remained stable in August.
- PMI was 51.7 (Jun: 53.2).
- M3 growth was +35.6% y/y (Jun: 32.7%).
- Private sector credit growth was +35.9% y/y (Jun: 34.6%).
- Daily crude oil production was 1.29m bpd (Jun: 1.48m bpd).

24.1% y/y	US$ 34.0bn	51.7	+35.6% y/y
Inflation Rate	FX Reserves	PMI	M3 Growth

EGYPT

Egypt was officially invited to join BRICS, along with several other countries, from January 2024. This will see the group cover a third of the global economy, with the total number of countries reaching 11.

Unemployment statistics were released, indicating a slip of the rate to 7.0% in 2q23 (1q23:7.1%). 2.2m residents were unemployed, and there was a significant disparity between men and women. The unemployment rate was 17.3% for women, down 1.9ppts vs 4.8% unemployment for men, up 0.3ppts. However, in absolute terms, the total labour force comprised 25.5m men and 5.4m women.

The Central Bank of Egypt (CBE)'s Monetary Policy Committee (MPC) raised rates by 100bps, bringing the lending rate to 20.25%. The MPC cites surging inflation and board-based increases, while noting a slowdown in GDP growth. Hassan Abdullah, the Acting Governor of the Central Bank of Egypt (CBE), has had his term extended by another year. He was appointed last year August, following the resignation of the then-Governor, Tarek Amer.

Macro releases included (July stats):

- Inflation surged at 36.5% y/y (Jun: 35.7%).
- FX reserves reached USD 34.9bn (Jun: USD 34.8bn).
- PMI was 49.2 (Jun: 49.1).
- M2 growth was +24.4% y/y (Jun: 24.7%).
- Trade deficit narrowed to USD 2.3bn in June (May: USD 3.7bn) on account of declines of both exports and imports.

36.5% y/y	US$ 34.9bn	49.2	+24.4% y/y
Inflation Rate	FX Reserves	PMI	M2 Growth

KENYA

S&P Ratings agency affirmed Kenya's long and short-term FX currency sovereign credit rating at B with a negative outlook. The outlook was shifted from stable in February, following concerns around fiscal consolidation. S&P maintains that although there is progress towards sustainable public finances, the country's external debt-servicing capacity presents downside risks. Further, Kenya will likely require drawing from FX reserves to repay the Eurobond in 2024. GDP growth is expected to average 5.5% for the next few years.

Macro releases (July stats):

- Inflation moderated to 7.3% y/y (Jun: 7.9%).
- FX reserves slipped to USD 7.4bn (Jun: USD 7.5bn).
- PMI fell to 45.5 (Jun: 47.8).
- Remittances grew +18.4% y/y to USD 378.1m (Jun: 6.1%, USD 345.9m).
- Tourism earnings grew +31% y/y in 1H23, a beneficiary of global recovery, reaching KES 152.6bn (1H22: KES 116.2bn).

7.3% y/y	US$ 7.4bn	45.5	+18.4% y/y
Inflation Rate	FX Reserves	PMI	Remittances

MAURITIUS

Tourism revenue surged in 1H23, up + 58% to 596,466. In July alone, tourist arrivals grew +14.6% y/y to 107 832; the country had not seen those figures since 2019. This indicates a positive trajectory that arrivals should reach c.95% of pre-pandemic levels by end-2023. The European market bolstered growth, as well as the emergence of new markets, such as the Middle East. Further growth is anticipated as a result of increased air connectivity and promotions as an attractive tourist destination.

Macro releases (July stats):

- Inflation moderated significantly to 5.9% y/y (Jun: 7.9%).
- FX reserves remained largely stable at USD 6.7bn.

5.9% y/y	US$ 6.7bn
Inflation Rate	FX Reserves

MOROCCO

Unemployment reached 12.4% in 2q23, with over 1.5m citizens unemployed. Urban unemployment was 16.3% (2q22: 15.5%), while rural unemployment increased to 5.7% (2q22: 4.2%). The highest proportion of unemployed residents were in the 15 to 24 year age group; unemployment at 33.6%.

FDI fell -29% y/y 1H23, to MAD 15.5bn (USD 1.5bn). 1H22 was a high base given the post-pandemic rebound, but the FDI drop reflects the global macroeconomy at present.

On the positive side, tourism has picked up with over 1.5m passengers who entered Morocco between 15 June and 15 August. This is in alignment with Morocco's recently launched 2023 Marhaba Operation: facilitating the transit of Moroccans living abroad for summer holidays, targeting France, Italy and Spain. There was an increase of +21% y/y in absolute passenger numbers and +14% y/y vehicles coming into the country.

Macro releases included (July stats):

- Inflation slowed to 4.9% y/y (Jun: 5.5%).
- FX reserves reached USD 35.1bn (Jun: USD 34.9bn).
- Remittances grew +14.3% y/y to MAD 55.3bn (USD 5.6bn) in June (Jun 22: MAD 48.6bn, USD 4.9bn).
- Fuel prices continue upwards, increasing for the 4th time in 1 month.

4.9% y/y	US$ 35.1bn	+14.3%
Inflation Rate	FX Reserves	Remittances

COMPANY UPDATES

KEY TO BRACKETS: (COUNTRY, INDUSTRY)

MUTANDIS Accélérateur de marques

Mutandis (Morocco, Consumer staples) 1H23: Overall solid results driven by both prices and volumes. Revenues grew +7.7% y/y, with stable growth in both quarters. Fruit Juices (5% of topline) surged +51% y/y as the group benefitted from the successful launch of 'Frut,' the healthy alternative drink which pushed volumes strongly +83% y/y. additionally fruit juice sales to airlines grew +50% y/y and for export +38% y/y. US-based Season brand (27% of topline) grew +26% y/y due to price mix effect and FX gains. Volumes grew +11% y/y. Detergents, the largest contributor at 31% of topline, had more muted growth +2.1% y/y, as volumes fell -7% y/y. Own brands were bolstered by washing powder and machine liquid up +4% y/y. Seafood (23% of topline) fell -1.6% y/y, uplifted by canned sales +6% y/y but dragged by lower bycatch sales. Beverage bottles (15% of topline) fell -1.2% y/y on account of volumes -3% y/y.

EQUITY

Equity Group (Kenya, Financials) 1H23 Results: Net revenues grew a solid +26.2% y/y, driven by both NFI +41.2% y/y and NII +27.0% y/y. The non-funded side benefitted from FX trading (23% of NFI) up +68% y/y and other fees and commissions (51% of NFI) +48.0% y/y. Interest income grew +27% y/y but partially offset by interest expenses +54.3% y/y as funding costs rose. As a result, NIMs were flat y/y.

Management was cautious, booking higher impairments due to concerns around asset quality given the current macro challenges and potential impact on the loan book. Impairments grew +73.6% y/y. Operating costs also grew +32.6% y/y, as integration continues in the DRC. Notably ROE for Equity BCDC has gone from 20% in 1H22 to 24.7%. PBT was up +13.7% y/y and PAT +7.2% y/y. Encouragingly, the balance sheet looks strong. Loans grew +15.7% q/q and +25.6% y/y. Deposits grew +13.7% q/q and +28.4% y/y.

GTB (Nigeria, Financials) 1H23 Results: Incredible results for 1H23 as a result of FX gains – GTB has a net long USD position – alongside solid operational results. Net revenues grew +199% y/y, driven by NFI +415% y/y. Portfolio gains were significant due to FX gains. NII grew +46.8% y/y, as funding costs pushed up interest expenses +84% y/y which partially offset interest income growth +54% y/y. NIMs expanded slightly by 29bps to 5.1%. The group took the opportunity to increase impairments, pushing them to NGN 82.9bn from NGN 3.5bn in 1H22. Despite this, NFI and positive operating leverage led to PBT growth +217% y/y and PAT growth of +262% y/y. Loan growth was also solid +26% y/y (+23% q/q) and deposits surged +48% y/y (+37% q/q), bolstering an already-strong balance sheet.

Stanbic IBTC (Nigeria, Financials) 1H23 Results: Robust results, especially given the tough macroeconomic environment. Net revenue grew strongly +51.2% y/y, driven by NFI +56.6% y/y and bolstered by NII +44.3% y/y. Non-interest revenues were led by trading revenues (45% of NFI) which surged +174% y/y, supported by other revenue (3% of NFI) up +155% y/y. Fees and commissions were up an impressive +55% y/y led by wealth management fees (34% of NFI) which grew +18% y/y. Notably e-banking income was down -12% y/y. interest income grew +62% y/y, but partially offset by interest expenses hit by high funding costs. Despite this, NIMs expended 96bps to 5.13%. Operating costs grew +21% y/y and impairments a muted +9% y/y. PBT grew a robust +108% y/y and PAT +126% y/y. Strong depot and loan growth, +37% y/y and 56% y/y respectively. Given these results, the group is set to beat our expectations and we have upwardly revised FV.

MARKET OUTLOOK

Africa is expected to outperform the rest of the world with an improved outlook in 2023. We continue to allocate to high quality businesses; those that score highly on our internally developed, Likert Q-scoring system, both currently and over time. We have two additional quantitative overlays, valuation and growth. We also have two qualitative overlays being management and ESG. What is particularly exciting is that we have a number of businesses across Africa that fit these criteria. The key transformational trends of financial inclusion, urbanisation and economic formalisation underpin a robust African consumer story that is taking shape regardless of global volatility. We allocate to the best companies in the sectors that tap into this transformation. At the moment, we have a bias towards financial inclusion and fintech themes as they do particularly well on our growth metrics.

Nigeria – The new President is taking reforms seriously, collapsing all rates to a single I&E window; a hugely positive signal to the markets. This, as new bills have been signed into law coupled with other positive moves, including the removal of fuel subsidies. The road to full recovery will take committed policy change and will be bumpy. The communications, fintech and banking sectors are growing strongly, yet high quality companies exploiting these, are at all time low valuation multiples.

Egypt – The outlook for Egypt remains positive with continued accumulation of FX reserves and the CBE's sound monetary policies keeping the bond carry trade alive. The tourism outlook has improved, wheat prices have halved, and strong remittance growth continues. With the bulk of household consumption in cash, the investment opportunity for us in fintech is immense in this 100m population country and it will also drive economic formalisation and increased government revenue through widening of the tax net.

Morocco – Morocco's key economic drivers are mining, agriculture and tourism. Agricultural production is promising, with good rains since November supportive of growth. Tourism is rebounding with positive indicators for 2023. In terms of outlook, it remains a stable, mid-growth country with excellent opportunities in retail, manufacturing and fintech.

Mauritius – Tourism rebounded and growth prospects are positive.

Kenya – Peaceful elections and a new, business-friendly President bode well for the country in the foreseeable future. Continued recovery in tourism, lower soft commodity import prices and a rebound in food exports should provide tailwinds. Corporate expansion into neighbouring countries such as the DRC and Ethiopia, provide significant opportunities for Kenya. Safaricom and Equity Group are the two main drivers. IMF and World Bank support will also allow the country to maintain a strong growth trajectory.