MONTHLY MARKET REPORT FEB 2023

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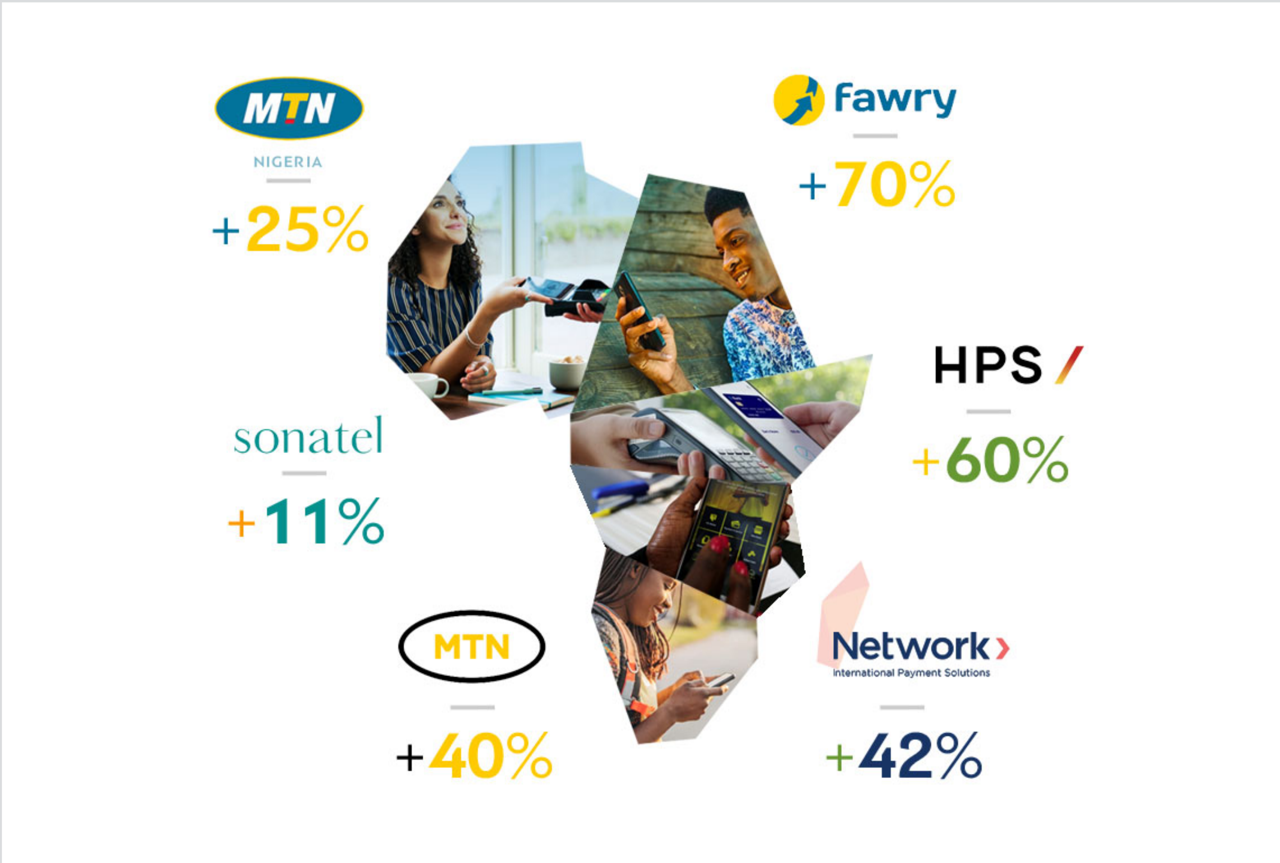
AFRICA FINTECH OVERVIEW

Results season kicks off with a bang!

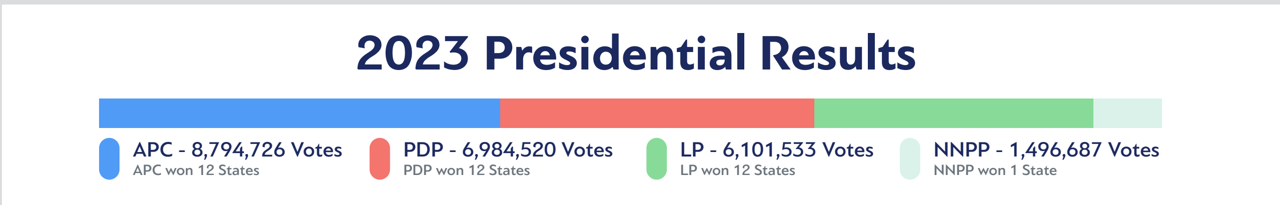
Take a look at the EPS growth that companies in our portfolio generated in 2022. A remarkably robust performance in what was an extremely challenging year globally and regionally. ***The African consumer story and our leveraged play through Fintech, remain firmly intact.***



ECONOMIC AND POLITICAL OVERVIEW

Nigeria

The APC Ruling Party candidate, Mr. Bola Tinubu, won the 2023 Presidential Election. He garnered 8.8m votes, which is 36%, and had the most balanced voting performance across states. Also in the running were Mr Atiku Abubakar of the PDP (also a former vice president) and Mr Peter Obi of the Labour Party, both of whom held a joint press conference in which they rejected the result and asked for a repeat of the process. Obi was the seeming frontrunner with the youth and in the South, but had not penetrated the rural areas which landed him 6.1m votes. Abubakar, slightly ahead at 6.98m votes, was popular primarily in the North which accounted for 60% of the vote. Voter turnout was the lowest in Nigeria's election history, estimated at just c.25%, but this is also deemed one of the most competitive elections held. To put it in context, the ruling party won only 7 of the northern states, versus 15 states in 2019.



Tinubu is popular in the South West, primarily with the Yoruba tribe and was strongly supported in the North by Buhari's following. The win could be a potentially positive catalyst for the country, as he is pro-business and an experienced administrator. Known as the "Father of Lagos," as he was governor of the state between 1999 and 2007, but he lost the state to Obi in the election. He was known for pushing through several reforms such as improved tax collection and increased investment in the power sector. Additionally, he attracted diasporan citizens to work in his administration. President Buhari was quick to congratulate Tinubu, endorsing his win. Tinubu has committed to resolving issues around the new currency in circulation and fuel scarcity, both of which have created instability and insecurity. On the ground, things remain peaceful and there is a strong security presence.

4q22 GDP came in at +3.6% y/y (3q22: +2.3%), bringing 2022's GDP growth to +3.1% y/y. The last quarter saw the rise of fuel scarcity, coinciding with increased insecurity and surging inflation. The non-oil sector grew +4.4% y/y in 4q (3q22:+4.3%), which was a positive development given the challenging macroeconomic environment. Services led, up +5.7% y/y, agriculture grew +2.1% y/y and industries +0.9% y/y. The oil sector fell -13.4% y/y (3q22: -22.7%), with a partial recovery in oil production. The IMF forecasts Nigeria's GDP at 3.2% in 2023, driven by the reverse: oil expected up +5.6% and non-oil +3% in 2023.

Macro releases (January stats):

- Inflation rose to 21.8% y/y (Dec: 21.3%).
- FX reserves slid to USD 37.0bn (Dec: USD 37.1bn).
- PMI was 53.5 (Dec: 54.6).
- M3 growth was +17.9% y/y (Dec: +17.3%).
- Private sector credit growth was +20.1% y/y (Dec: +19.7%).
- Petrol rose +55% y/y to NGN 257 per litre (+24.7% m/m).
- Oil production has risen to 1.6mbpd, still falling short of 1.8mbpd stipulated by OPEC.

21.8% y/y	US$ 37.0bn	53.5	17.9% y/y
Inflation Rate	FX Reserves	PMI	M3 Growth

Egypt

Unemployment declined to 7.2% in 4q22 (3q22: 7.4%), and the labour force participation rate was 42.8%. However, the male/female gap widened, and male employment fell to 4.7% (Prev: 5.2%), while female employment rose to 19.3% (Prev: 19.1%). Youth unemployment (15-29 year olds) constituted 63% of the total, with agriculture being the country's largest employer at 19% and added over 230 000 jobs

Macro releases included (January stats):

- Inflation grew 25.8% y/y (Dec: 21.3%).
- FX reserves reached USD 34.2bn (Dec: USD 34.0bn).
- PMI was 45.5 (Dec: 47.2).
- The government is privatising 32 state-owned enterprises this year.

25.8% y/y	US$ 34.2bn	45.5
Inflation Rate	FX Reserves	PMI

Kenya

S&P Ratings Agency affirmed Kenya's long and short-term FX and local currency rating at B but downgraded the outlook to Negative (Prev: Stable). There are major concerns about debt servicing capacity, following undersubscribed bond issuances and limited international market access. The domestic market has had to plug most of the budget deficit, as Kenya postponed Eurobond issuance in 2022 due to high refinancing risks. Pressure remains elevated in the interbank market, marked by USD shortages and local currency depreciation. However, S&P expects the government to adequately meet its external financing obligations over the next 2 years.

2022 mobile money agents grew +6.6% y/y to 317 983. Mobile money accounts reached 73.1m for the year (2021: 68.0m), with increased usage for a wide range of options like utilities and shopping. As a result mobile transactions reached KES 7.9trn (USD 62bn), a solid +15% y/y growth.

Macro releases (January stats):

- Inflation was 9.0% y/y (Dec: 9.1%).
- FX reserves fell to USD 7.0bn, which is 3.9m of import cover (Dec: USD 7.4bn).
- PMI was 52.0 (Dec: 51.6).
- Remittances grew +3.2% y/y to USD 349.4m (Dec: +1.9% y/y).
- 2022 tourist arrivals brought KES 268.1bn (USD 2.1bn) in revenues, up +82% y/y.
- 2022 current account deficit reached -4.9% of GDP.

9.0% y/y	US$ 7.0bn	52.0	US$ 2.1bn
Inflation Rate	FX Reserves	PMI	2022 Tourism Arrivals

Mauritius

3q22 GDP grew +7.4% y/y (2q22: -14.5%), led by accommodation and food services which doubled. Manufacturing was up +6.8% y/y, finance & insurance +5.8% y/y and health and social work +4.9% y/y. Most sectors experienced good growth, while construction declined -4% y/y. The Bank of Mauritius estimates 2022 GDP at +7.8% y/y – a robust recovery year (2021: +3.5%). This is boosted by tourism, which rebounded following the reopening of the economy. 2022 tourism earnings reached MUR 64.8bn (USD 1.5bn), up 4x from 2021's mere MUR 15.3bn (USD 366m).

Macro releases included (January stats):

- Inflation moderated to 11.8% y/y (Dec: 12.2%).
- FX reserves fell to USD 6.8bn (Dec: USD 7.8bn).
- 4q22 trade deficit widened by 13.4% y/y to MUR 50.7bn.

11.8% y/y	US$ 6.8bn	13.4%
Inflation Rate	FX Reserves	Trade Deficit

Morocco

4q22 GDP grew +1.4% y/y (3q22: +1.6%), bringing 2022 GDP growth to +1.3%. Non-agricultural real growth was the main driver, up +3.4% y/y, while the agricultural sector fell -15.9% y/y on account of the drought and supply chain shocks. The High Commission for Planning forecasts 1q23 GDP growth at +3.4% y/y, led by a recovery in agriculture. The World Bank estimates 2023 growth at +3.1%.

Morocco has banned vegetable exports to West Africa and restricted exports, in an attempt to stabilise local supply and reduce prices ahead of Ramadan. This has had a knock-on effect, coupled with adverse weather conditions like heavy snowfall and rendered limited fresh produce to the UK.

Macro releases included (January stats):

- Inflation accelerated to 8.9% y/y (Dec: 8.3%).
- FX reserves declined to USD 6.8bn (Dec: USD 7.8bn).

8.9% y/y	US$ 6.8bn
Inflation Rate	FX Reserves

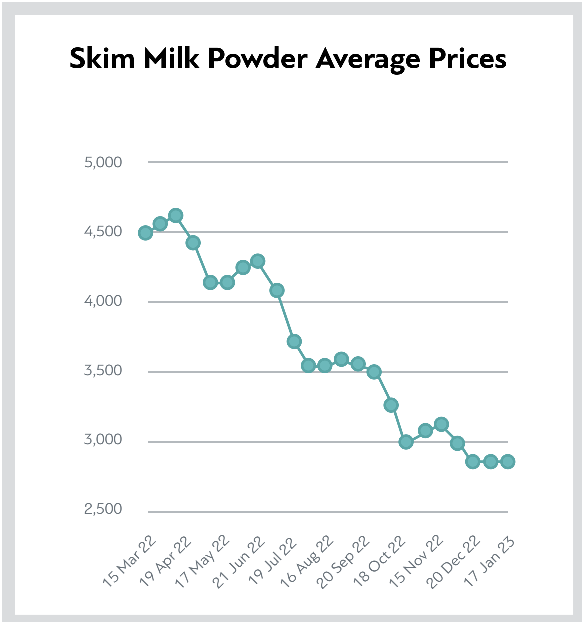
COMPANY UPDATES

KEY TO BRACKETS: (COUNTRY, INDUSTRY, WEIGHTING)

Attijariwafa (Morocco, Financials) – FY22 Results: Net revenue grew +7.9% y/y, ahead of expectations, driven by both NFI +9.2% y/y and NII +7.3% y/y. Higher yields led to interest income growth +7.9% y/y, outpaced by interest expense growth +9.4% y/y as cost of funds increased. NIMs were flat y/y. NFI was boosted by net fees (64% of NFI) up +11.2% y/y and FV gains (8% of NFI) up 7.8% y/y. Operating costs were contained, +3.8% y/y leading to PBT growth +20.2% y/y. The tax rate declined slightly, but minorities increased hitting PAT growth +17.9% y/y. In terms of the balance sheet, loads grew +9.7% y/y and deposits were up +7.7% y/y. Management declared a dividend of MAD 15.50 per share.

Mutandis (Morocco, Consumer staples) – FY22 Results: Mutandis grew a solid +38.2% y/y, which is a notable achievement in a stable market like Morocco. For context, nominal GDP was 7.9% for 2022, inflation only hitting highs of +8% from August. Topline was driven by both prices and volumes, with material price increases absorbed by the consumer as input prices surged upwards for most of the year. US Season Brand (26% of revenues), their 2021 acquisition, came in strong with revenues up 2x beating expectations for its first comparative full year. Beverage bottles (15% of revenues) grew +25.5% y/y, Seafood (26% of revenues) rose +19.5% y/y and Fruit Juices (3% of revenues) grew +13.9% y/y. Detergents, traditionally the largest segment which has shrunk from c.50% of topline at IPO to 29% in its latest results, grew +10% y/y. The current topline contribution spread shows increased diversity of its product portfolio. Input costs had an adverse impact on GP margin, which was squeezed by 817bps to 27.1%. Through cost efficiencies, EBIT grew +44% y/y. US Season Brand significantly impacted EDBITA thanks to favourable exchange rate movements; EBITDA grew +20.1% y/y even as the EBITDA margin slipped. Net debt inched upwards by +3% y/y, while the capital raise brought net debt/equity down to 55% (Prev: 73%). Interest costs declined, bolstering bottom line. PBT +73.8% y/y and PAT +65.9% y/y. MAD 8.50 per share dividend was declared, stable y/y. Management is upbeat and topline growth guided as 15-20% for 2023, with a widening EBITDA margin. The group is acquiring a water bottling plant, Ain Infrane, and has a strong pipeline of launches for the year ahead.

Obour Land (Egypt, Consumer staples) – FY22 results update: This was a QVG blowout. Revenues +52%, EBITDA +45% and EPS +32%, with a bumper DPS of 0.95 which is still close to 10% after the massive rally. EPS was negatively impacted by FX losses and one-offs. White cheese volumes were up 14%, so the bulk of revenue increases came from price increases and other products. The volume growth must have been achieved by mkt share gains, as the market has always grown in low single digits. Working capital management and post capex hump, they put out a solid FCF number. In terms of outlook, I think 2023 will be more muted than 2022, however a sharp fall in SMP price should partly shield margins against the EGP deval. Substantially lower FX differences should also help EPS growth in 2023.



CIB (Egypt, Financials) – FY22 Results: Strong net revenue growth +32.5% y/y, driven by solid NFI performance +87.6% y/y. Significant gains on the trading book 1.9x, while fee and commission income grew a solid +19% y/y. NII grew +24% y/y, as interest income outpaced growth in interest expenses as cost of funds declined. NIMs expanded slightly, up 10bps from FY21 to 5.7%. Impairments were marginally reduced by -6% y/y. Admin expenses grew +19% y/y, driven by +23% y/y growth in commodity/service expenses. Other opex increased significantly, up 2.6x due to FX revaluation losses which hit bottom line. Management have cited this is a one-off, given requirements to record FX gains based on the spot rate while FX losses are priced on the forward. PBT grew +27.1% y/y. The tax rate declined, bolstering PAT +34.9% y/y. Balance sheet is healthy, loans grew +33% y/y and deposits +31% y/y. CIB has cut its DPS to EGP 0.54, payout ratio to 10% (Prev: 23%). Management stipulated that the dividend decision was due to the y/y drop in CAR (now 15.9% vs 20.9% in FY21). CIB confirmed entry into the Kenyan market by buying the remaining

49% stake in Mayfair CIB. This is now a wholly owned subsidiary as of end-January. Mayfair CIB constitutes less than 1% of CIB's loans and assets at 0.5% and 0.6% respectively.

Macro Pharmaceuticals (Egypt, Healthcare) – FY22 Results: Net revenue growth was +22.8% y/y, driven by +26% y/y avg price increases. 2H22 dragged performance with 3q and 4q growth at +17% y/y and +18% y/y. At a glance, this looks like strong results, but given management's guidance and the narrative around the cosmeceutical space, the results have underperformed expectations. Revenue growth was driven by skincare as expected (42% of revenues) , up a robust +44% y/y. Topical muscle relaxants (6% of revenues) grew +35% y/y, oral care (10% of revenues) grew +25% y/y and female care (14% of revenues) grew +22% y/y. Overall market share is recorded as 31.4% for 2022, with some market share lost in skincare and female care since IPO although they continue to be market leaders in both segments. Topline was hit by raw material inputs, COGS up +39.5% y/y. APIs are not renegotiated for every new product in this industry, but this was insufficient to offset the significant price increases. GP margin was squeezed by 276bps to 77%. Operating costs grew +225 y/y, pushed up by both marketing and admin expenditure. Interest costs declined, and the business is back in a strong net cash position. PBT grew +15.7% y/y and PAT grew +17.5% y/y. Management declared a dividend of EGP 0.10 per share.

MCB (Mauritius, Financials) – 1H23 Results: Net revenue grew a solid +23% y/y, driven by both NFI +28% y/y and NII +21% y/y. Interest income grew +55% y/y, partially offset by interest expenses on the back of a significant increase in cost of funds. This has been explained by an increase in the savings rate following the key rate hike. NIMs expanded by 30bps to 2.7%, with the interest rate increase not fully reflected as yet. NFI growth was due to Fees and commissions (59% of NFI) up +13% y/y and other income up +39% y/y. Provisions declined -11% y/y, as asset quality improved as cost of risk declined. The reported NPL ratio stands at 3.5% (1H22: 3.7%). Opex outpaced inflation, up +26% y/y. PBT grew +32% y/y and PAT +36% y/y. In terms of the balance sheet, loans grew +10% y/y (Flat H/H) and deposits +14% y/y (+10% H/H). ROE reached 16.9% vs 13.8% in 1H22. The outlook for 2H is positive, with the IMF upgrading the outlook for Mauritius as tourism continues to rebound from the pandemic. The New Monetary Policy Framework, incorporating changes such as repositioning the repo rate as the key rate, allows for the review and repricing of monetary policy instruments which will be positive for MCB.

Nestle (Nigeria, Consumer staples) – FY22 results: Revenue growth was +27% driven by prices, above nominal GDP a significant 21.9% for the year, but below expectations. Food (61% of revs) grew strongly, up +30.6% y/y, while beverages followed at +21.8% y/y. Prices were absorbed initially, and passed on gradually so as not to affect volumes which are relatively elastic given constrained consumer wallets. COGS grew +32.3% y/y, as raw material input costs surged. GP margin was squeezed by 261bps to 35%. Opex grew +15% y/y, driven by marketing costs as they increased their marketing presence. EBITDA grew +20.0% y/y, while the margin was squeezed by 127bps to 21.6%. Interest costs grew +56% y/y, as net debt crossed over from net cash to NGN 54bn due to increased working capital and investments to increase capacity. Debt tenor is 5 years, and most of it should be off the books by end 2027. PBT grew +14.9% y/y and PAT +22.3% y/y.

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 – An election year signals muted growth; but the mass youth registrations are a positive sign. Adjusted economic reforms are more likely given new leadership. However, fuel subsidy reform delays show institutional weakness. We still wait for a signal from the CBN for a free flow and float of the Naira which is for us the real trigger for economic recovery. 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.

Additional Notes from meetings held in Morocco this month.

Management meeting with Label Vie (Morocco, Consumer staples)

Overall a hugely positive meeting, with management extremely upbeat. As a side note, they said the harvest only comes in June, so better times likely to start only kicking in H2.

With HORECA bouncing back, they are looking to really drive ATACADAO and have new ways to reduce margin dilution from it. The primary means is smaller but higher, so similar SQM but with higher shelving. Also customized and targeted sales of products.

Believe overall margin expansion will continue, assisted by supplier volume rebates and other economies of scale.

Buildout plan for
2023

- 4 Atacadao, 1 Hypermarket, 20 Supermarkets. The issue with Hypermarkets is finding suitable land.
- They have also started a Label Vie Express franchising model and can open 10-15 in 2023.
- Overall this is a big increase in footprint even vs 2022's achievement, which was ambitious at the time.

Achieved in
2022

- 1 Atacadao and 18 Supermarkets.
- Estimate that formal retail is now 18-20% of consumption; that's up from 15% when we first invested.
- Marjane recently got new management and are revamping the existing stores, but believes there is plenty of space for everyone in the market for some time to come.

Label Vie are launching a fighter store product called Supeca, to test the hard discounting market. They stock the bare essentials, in lower income areas, at very competitive prices.
They will maintain their Aradei stake at 35% minimum (current 41%), as long as they are tenants in Aradei properties, so as to have some say in location, quality.

Management meeting with HPS (Morocco, IT)
Management was upbeat, as revenues just broke the MAD 1bn mark. Earnings only due end of March.

On the corporate side, they have had a lot of discussions with acquirers, but have decided to go it alone. They acknowledge that they will require cash in the future to be an acquirer and consolidator. Three kinds of M&A:

1. For consolidation like the recent buy out from MCB of part owned ICPS. These will be businesses that have $10-20m in revenues.

2. Ones not fully in scope of HPS, these will be technological add-ons to boost their product offering.
3. Geographic expansion.

Financing depends. Some could be debt or exchange of shares.

On the subject of re-domiciling out of Morocco, they see this as an inevitability, however it is politically sensitive and if it is not done properly govt, regulators could make it very difficult. There will also be a premium required to be paid to minorities.

- Their business with FNB business is growing, so FNB want to give them African subsidiaries on the Saas mode. Starting with Ghana. SA office is now up and running in Cape Town.
- North America going well, in discussions with a big customer in Quebec Canada. Still deciding whether to base themselves in Canada or the US for operations.
- The large Asian bank they won and are now going live with is DBS in Singapore. They now have 25 people in Singapore and HK.

In Morocco:
- 20m cards, 40m people.
- Provide wallets to banks and telcos.
- Remain a facilitator regardless of platform.
- Now a BIN sponsor for Visa.
- Want to try address big retailers.
- Wallet did MAD 1bn TPV.
- Can do by number or QR.
- Had the usual laundry list of excuses as to why card, PoS, mobile payment so low. Cultural, cost and tax evasion.

Challenges are:
- Staffing - this is a major challenge in Morocco. Their local staff turnover was 30%!
- Need for more business development and sales capability.

Guidance is for 15-20% growth over the coming years.