AFRICA FUNDING WHITE PAPER

05/2013

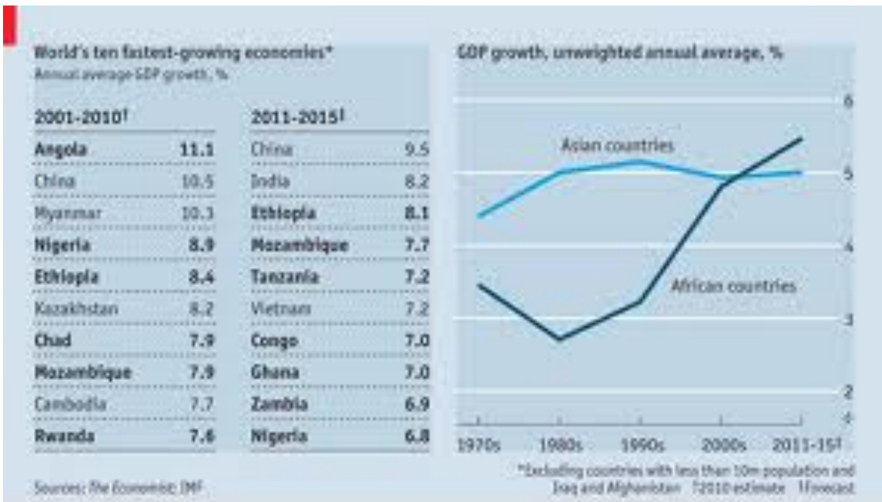
SUSTAINABLE FUNDING SOLUTIONS FOR THE DEVELOPING WORLD

Weaver Capital is a specialist solution provider - delivering unique solutions for your Africa expansion strategies

Africa has long since been a continent with impressive growth potential – but lagging behind global economies in terms of growth as a result of many factors that stunt growth and limit the development of opportunities across the continent. Many factors are socio economic in nature and will require governmental policy change and change in ideology to make a substantial change. The resource rich African continent is however high on the global investment focus as growth rates increase – leading to the recent classification by McKinsey of the African Lion economies – Similar to previous interest in the Eastern Tiger and Dragon economies driving the investment strategies of the last decades.

Africa is experiencing high growth rates and in contrast to the rest of the world growth is accelerating and overtaking growth rates in the east:

Attractive growth rates in Africa often far exceed that of developed economies and as such is being targeted by global corporations, eager to expand their services and driving manufacturing and other produce into this growing consumer and development market.



World's ten fastest-growing economies*

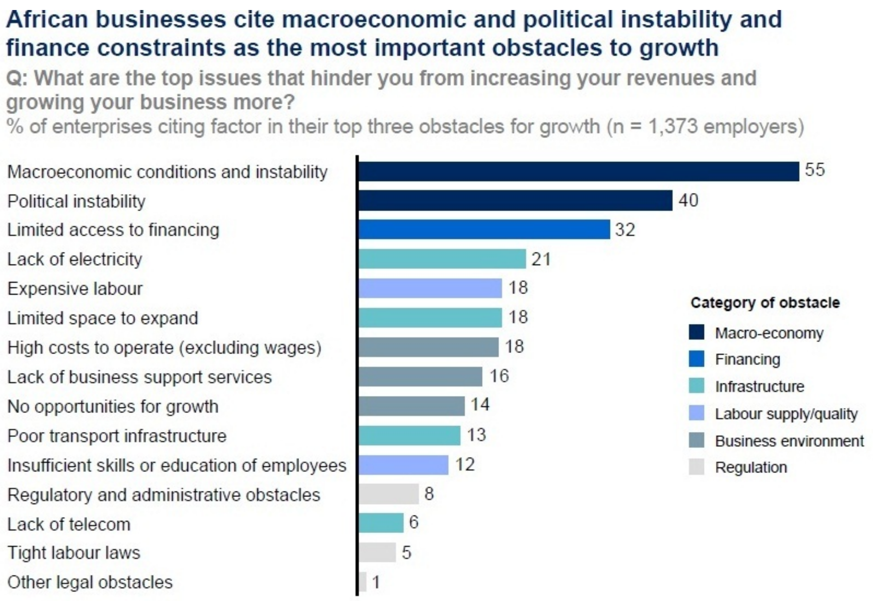
Annual average GDP growth, %

2001-2010†		2011-2015‡	
Angola	**11.1**	China	9.5
China	10.5	India	8.2
Myanmar	10.3	**Ethiopia**	**8.1**
Nigeria	**8.9**	**Mozambique**	**7.7**
Ethiopia	**8.4**	**Tanzania**	**7.2**
Kazakhstan	8.2	Vietnam	7.2
Chad	**7.9**	**Congo**	**7.0**
Mozambique	**7.9**	**Ghana**	**7.0**
Cambodia	7.7	**Zambia**	**6.9**
Rwanda	**7.6**	**Nigeria**	**6.8**

Sources: *The Economist*; IMF

*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast

Bridging the limitations to growth



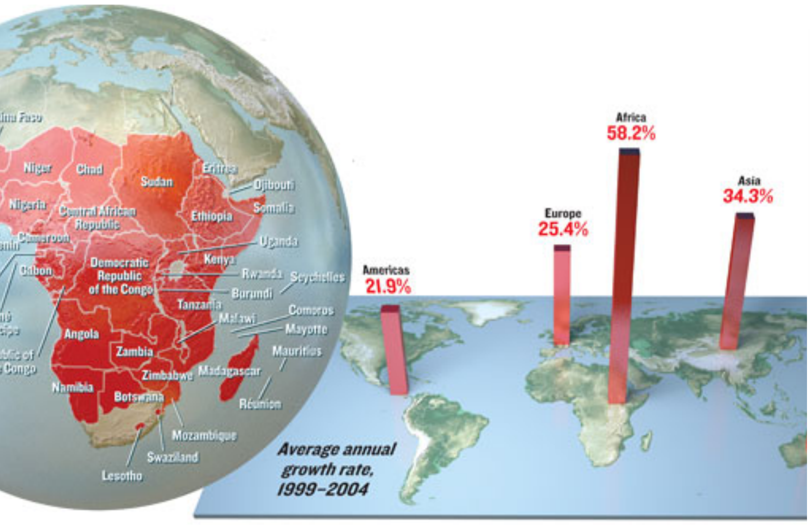
The world Bank analyze factors limiting growth to be the following:

The above outlines the serious liquidity problems faced by Africa – leading to a restraint on access to funding for new projects – or adequate traditional bank funding lines to drive project development and asset finance for these projects. In addition the high element of risk through political instability, corruption and high incidence of political violence and government intervention in the private sector makes investment risky – and to this extent becomes a deterrent to availability of funding unless adequately managed in a structured funding and risk model

This white-paper outlines the opportunities and risks and suggests the most effective way of establishing a funding model for Africa that will deliver the value organizations expect in what is set to become the fastest growing market in the world economy

South Africa 's expansion into the African market

The developed South African market in turn is looking north at expanding their footprint and capturing their portion of the growing African opportunity. To this end these expanding organizations are all exploring the African opportunities and assessing the risk of trading in Africa as well as the factors that limit growth within the African continent. Weaver Capital is active in building market strategies for many of the Key players in the ICT and other industries, and has developed unique risk management and funding strategies in support of these organizations growing rapidly into the African market. Our customers trade in more than 20 African markets - and the models that has been developed up to date ensure sustainable funding models and risk mitigating strategies that fosters high growth and competitive advantage to our customers expanding into these markets

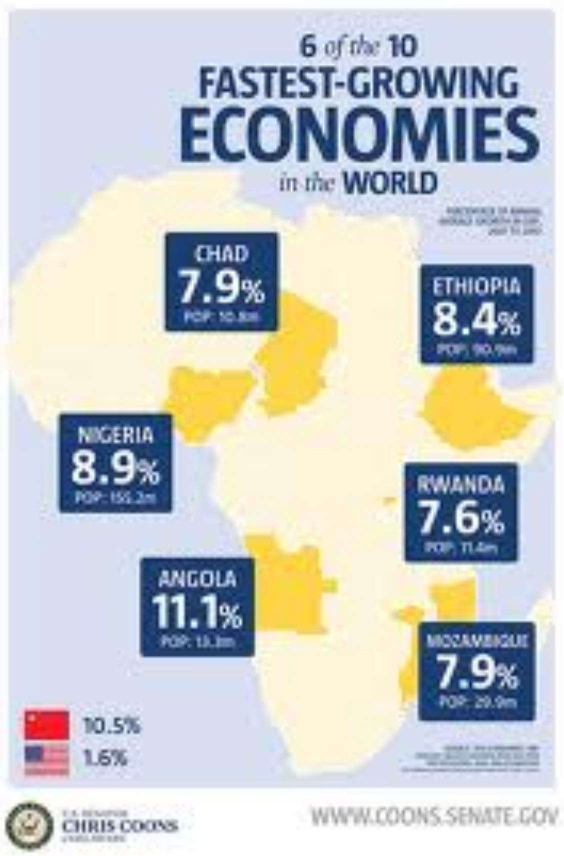


"A growing economic opportunity" - The scramble for Africa

Africa is heralded as the new growth market with growth rates substantially higher than those of other developing economies with capital gains that far exceed that available in developed economies and thus presenting am exciting opportunity to corporations that are searching for new markets to drive company growth and shareholder value. Long vetted as the forgotten continent, growth was sluggish and Africa remained an unattractive investment destination to the global economies at large. The last few years however has seen the awakening of the African Lion economies. An assessment of the prime investment destinations is important to ensuring high growth – through investment in stable destinations - thus ensuring low risk investment strategies in the short term – with investment in emerging African economies as the organizations African footprint becomes more stable, internal experience expand and its risk appetite grows. The chart below outlines " easy to do business in countries" best suited for immediate establishment as suggested in investment studies commissioned by the World Bank

South African investors may in some instances prefer other markets than the more obvious investment destinations outlined below due to proximity and existing market understanding of those economies coupled with existing footprint – based on historical involvement.

From the above it is clear that Africa ranks high amongst global growth nodes with the following countries delivering globally competitive high growth opportunities in the continent:



“Risk Management products” - Limiting expansion risk

Political Risk insurance (PRI)

Political risk insurance is a type of insurance that can be taken out by businesses, of any size,

against political risk—the risk that revolution or other political conditions will result in a loss.

Political risk insurance is available for several different types of political risk, including (among others):

•Political violence, such as revolution, insurrection, civil unrest, terrorism or war; •Governmental expropriation or confiscation of assets;

•Governmental frustration or repudiation of contracts;

•Wrongful calling of letters of credit or similar on-demand guarantees; •Business Interruption; and

•Inconvertibility of foreign currency or the inability to repatriate funds.

As with any insurance, the precise scope of coverage is governed by the terms of the insurance policy.

The underwriting of political risk insurance is a dynamic, growing business. As globalization increases, there are more corporations doing more business in more places around the world with each passing year. Some of the changes occurring in the business are high growth, new product offerings, and a greater role for private capital.

While political risk insurance policies are sometimes manuscripted for specific situations, the major political risk insurers have standard forms for the coverages that they issue. For "complex" or larger investments manuscripted policies are the norm and there may be several insurers providing cover in the form of a syndication, through co-insurance, or perhaps with the participation of a reinsurer on a facultative basis.

Providers of political risk insurance include public agencies and private insurance companies.- Definition - Wikipedia

Export Credit Insurance

Trade credit insurance, business credit insurance, export credit insurance, or credit insurance is

an insurance policy and a risk management product offered by private insurance companies and governmental export credit agencies to business entities wishing to protect their accounts receivable from loss due to credit risks such as protracted default, insolvency or bankruptcy. This insurance product is a type of property & casualty insurance, and should not be confused with such products as credit life or credit disability insurance, which individuals obtain to protect against the risk of loss of income needed to pay debts. Trade Credit Insurance can include a component of political risk insurance which is offered by the same insurers to insure the risk of non-payment by foreign buyers due to currency issues, political unrest, expropriation etc.

. - Definition - Wikipedia

Influencing Factors

In both insurance models the ability to drive the rate of insurance down is dependent on the following:

• Perception of risk for the economy in question

• The ability to externalize cash flows for the transaction or project intended – either through a call on a foreign investor or through a call on cash inflows such as the metals exchange in London for government transactions

• Declaration of the debt as sovereign rather than a call on a single government entity

• Funding agreements already in place between Major funders and the risk agencies which often influence interest rates that can be negotiated

Risk Management in Africa

Mitigating Political and non payment risks

Africa has long been known for its high levels of risk – frequent loss of capital and regular incidences of Political violence, disruption of the labour force, sovereign default, government intervention in the private sector and many other factors which have to a large extent been prohibitive in attracting capital to the continent.

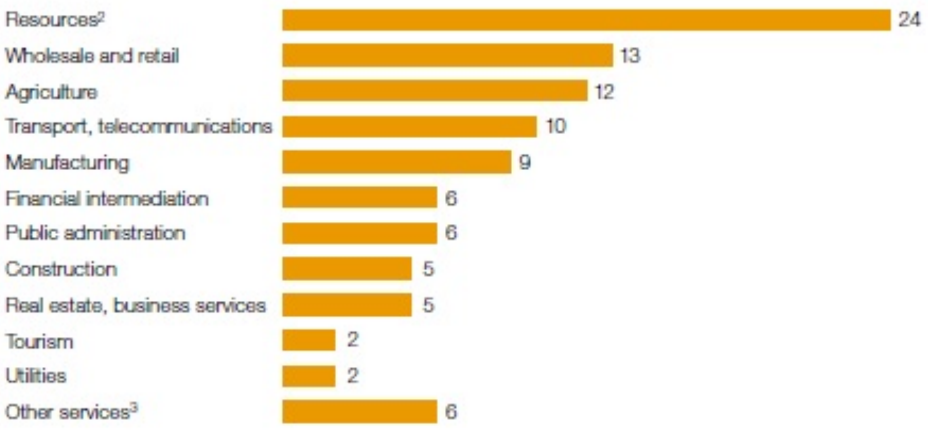
These risk profiles must form part of a clear investment strategy and must be clearly understood in terms of its impact on the investors projects. Adequate mitigation of these risks do not just drive accelerated access to funding but will most often ensure that such funding is obtained at rates much lower to that currently available within these economies, thus improving the investors competitive advantage in the markets invested into.

Aon suggest the following risk profile for countries in the continent:

This is mainly due to the differences in Long term deposits that can be used to improve intermediary efficiencies – which banks in their ability to fund transactions of high value and also to fund these transactions over the terms that is generally requ

Africa's growth was widespread across sectors.

Sector share of change in real GDP, 2002–07
100% = $235 billion[1]



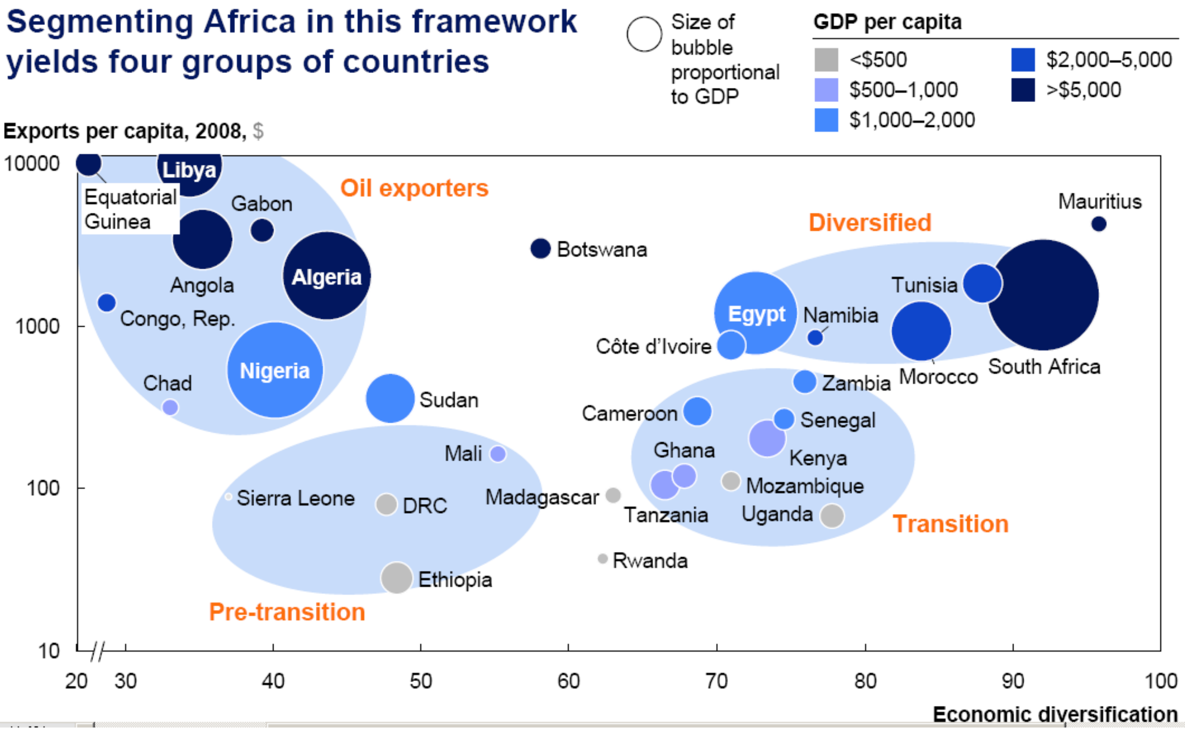
[1] In 2005 dollars.
[2] Government spending from resource-generated revenue contributed an additional eight percentage points.
[3] Education, health, household services, and social services.

Source: McKinsey Global Institute analysis

Growing industries

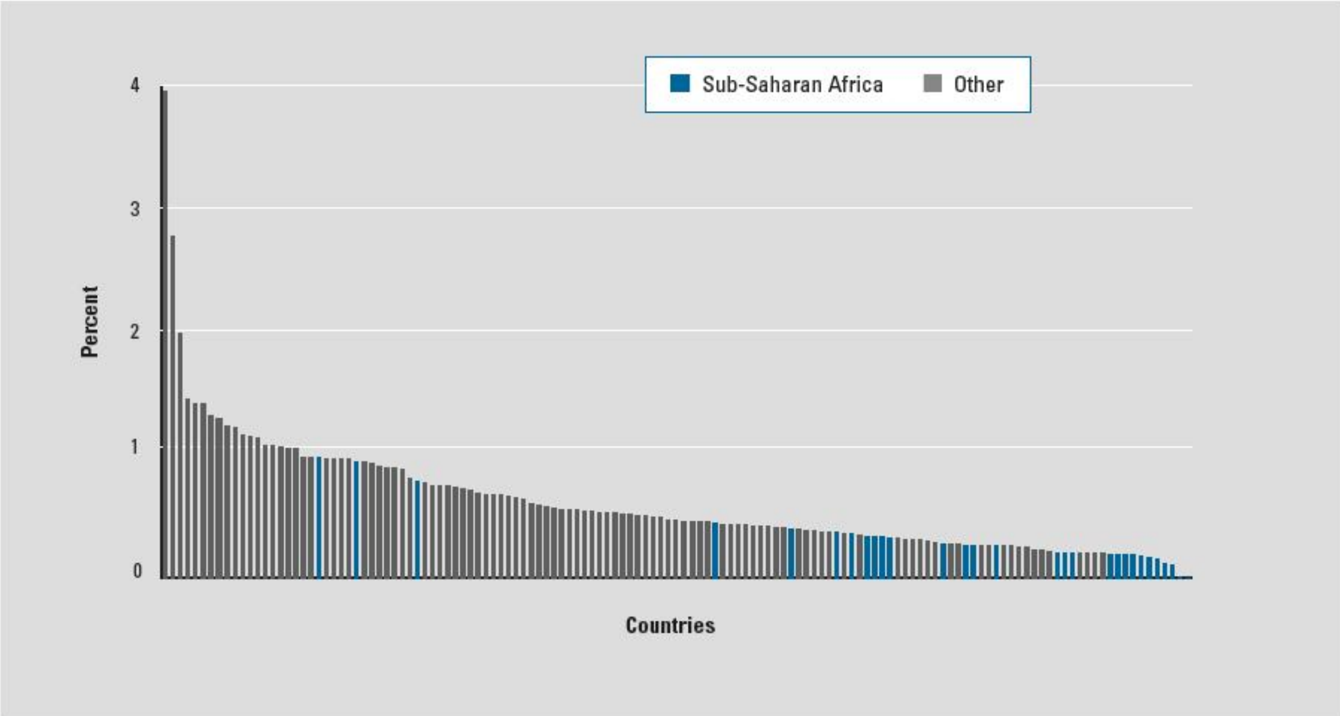
Targeting high growth opportunities

Industries that will experience growth is also well defined and can be used to identify target industries for the expansion of the investors offerings into these markets, ensuring that the focus remains only on high growth opportunities in the inception stage - and that risk on transactions in these economies are mitigated – with an expansion into other industries as its footprint in the target economy grows

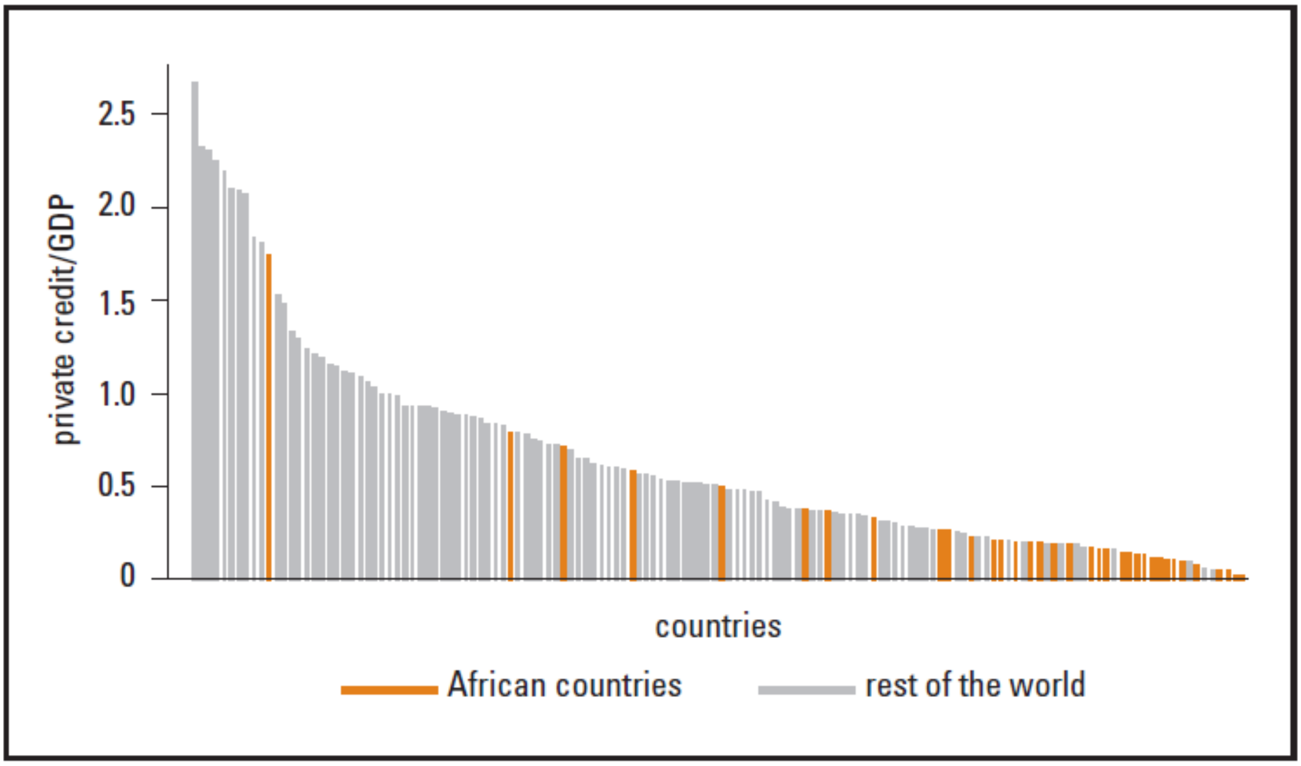


“Funding Africa” - Capitalizing your projects

Funders that can be used in an African context is often limited, mainly because of the limitations in access to large banks able to sustainably fund into large scaler development projects and asset supply operations. Major banks in Africa as opposed to those in the rest of the world is represented below:



Source: Beck and Demirgüç-Kunt, 2009.
Note: Sample size is 161 countries; data are for 2007. One bar denotes one country; countries in sub-Saharan Africa are marked with blue.



Source: Beck, Demirgüç-Kunt, and Levine (2010).
Note: Sample size: 140 countries. The highest African values are for Mauritius, Morocco, South Africa, and Tunisia.

and large scale project operations. The Limitations in Liquid cash-flows is represented below:

“About Weaver Capital” - Your Africa funding partner

Weaver Capital is a specialist facilitator active in the asset and project finance space. With many years experience in structuring funding for transactions such as mining equipment, IT data centre environments, and office automation projects for high end asset finance, and project finance for projects such as city fibre deployments Weaver Capital has assisted many corporate and government organizations in building structured models for funding of their projects and business operations.

With specialist skills in the structuring of funding as well as qualified skills in enterprise risk management and risk insurance on projects and market exposure – Weaver Capital deploy specialist skills coupled with access to funding through Retail, Merchant Banking and Industry investment fund sources to deliver a funding solution that will ensure sustainability in funding of your projects, competitive advantage and sustained business growth.

Having developed funding solutions for SA corporate entities in more than 20 African countries Weaver capital is well positioned to deliver funding solutions to your organization that will ensure success and continued growth within your African expansion programme.

Weaver Capital

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