



NIMAI AFRICA FINANCIAL SERVICES FUND

TO BE REGULATED BY CAYMAN ISLAND MONETARY AUTHORITY (CIMA)

Newsletter – November Issue



Nimai Africa Financial Services Fund – Update

Fund

We have had excellent traction from the investors & access to very interesting deals/ strong deal-flow.

Based on the feedback we received from various stakeholders, we have decided to narrow the **focus on the fund to only financial services investment opportunities in Africa** rather than spreading ourselves across both parts of Africa and Asia. We believe that this deeper focus will help make better investments resulting in superior financial returns for you.

We are also in the process of **opening a fully staffed office at Nairobi** to make, monitor and add value to investments. Being closer to the prospective investees will provide better oversight and enhance the value of the investments for you.

The **outlook for financial services investments in Africa is more solid than ever before**. The rise of disrupters in the marketplace has expanded market reach. More and more of the population is becoming part of the formal financial system with elements unique to the African market, such as mobile phone technology and its prevalence, fueling growth. A large portion of the market remains untapped and the race is on for financial services companies to find new and innovative ways to get customers on board.

The Nimai fund will focus on tapping into the above opportunities for growth and create wealth for its investors. Apart from navigating the regulatory and political environments, managing growth through investments in the right technology, systems, processes and talent remain a huge challenge. Businesses that find effective ways to work within these constraints will emerge successful. The **Nimai value add of leveraging its access to talent and knowledge from Asia and Europe**, will help in navigating the growth challenges and build winners.

The recent trip to Accra & Nairobi undertaken by Dr. Anil Khandelwal (IC member) & Mr. Pankaj Mundra (Managing Partner) was a fruitful trip. We have received positive feedback from investors on our strategy of investing in Africa.

Deal Flow

Nimai Africa Financial Services Fund has received widespread attention in the financial services sector in the target countries with the fund receiving several potential investment opportunities such as; an asset finance company boasting 15 offices across Kenya & Uganda, with a proven and successful motorbike financing business model. The company also gives short term loans to woman groups in coastal Kenya region whereby group members act as a guarantor for each other. The company harnesses technology to offer both secured and unsecured lending, primarily via mobile services. They commenced their business operations in July 2015 with the clear vision to be the best in class provider for short and medium-term loan products tailored to the specific needs of their target clients and delivered through mobile technology.

Team

We would also like to update everyone regarding Mr. Ken Maw's addition to our operating partner network.

Mr. Maw has over 35 years of experience in the insurance industry including 17 years with the HSBC Group. In 2000 Mr. Maw established the Insure direct group of companies and following expansion across parts of the GCC and into Europe orchestrated the sale of 100% of the business to the JLT group in 2013. He is also the current chairman & managing director of Refpoint Insurance Consultants.

CURRENCY TRENDS IN AFRICAN COUNTRIES

In this issue, we focus on currency trends in our target markets and hedging the currency risk while we invest in the target markets. The investor's expected future return is heavily dependent on the target market's currency performance. Currency trend is an important aspect of an investor's decision to invest in a foreign country because if the country's currency depreciates it might erode the investors return & if the currency appreciates the investor stands to gain hence it should be carefully studied before we make an investment.

Some of the factors that affects a country's currency include inflation levels, country's balance of payments, interest rates environment & market forces (demand/supply).

Country	Average Depreciation 2014-2019 (5 years)	Average Depreciation 2009-2014 (5 years)	Average Depreciation 2009 – 2019 (10 years)
Kenya	3.00%	3.53%	3.27%
Ethiopia	8.08%	9.81%	8.94%
Ghana	10.82%	17.65%	14.19%
Tanzania	6.14%	5.20%	5.67%
Uganda	6.41%	7.54%	6.97%
Botswana	3.34%	6.38%	4.85%
Rwanda	6.09%	3.88%	4.98%
Average excluding Zambia	6.27%	7.71%	6.98%
Zambia	16.11%	6.25%	11.07%
Average including Zambia	7.50%	7.53%	7.49%

Source: Investing.com

The average currency depreciation in the years 2009-2014 is 7.71% as opposed to 6.27% during 2014-2019. the inference that we can draw from the above table is that the average depreciation rate for the target markets is showing a downward trend in the last 5 years. Zambia's Currency was performing relatively well but the in the last 5 years the currency has depreciated due to low reserves caused by debt servicing and low production & supply in the mining sector.

Currency Hedging Strategy

The fund advisor subject to approval from the investment committee would partially try to hedge the foreign currency risk by investing the amount in a fixed deposit(in USD) in a local bank in Kenya and take a loan(in KES) against the fixed deposit from the bank. The loan amount again can be invested in the investee's company.

Our Target Markets



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Nimai Capital Fund Advisor Ltd.

Telephone No.: +97145847365

Email ID: investor.relations@nimaicapital.com

