8 December 2014

INSIDE AFRICA

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EAGLESTONE SECURITIES

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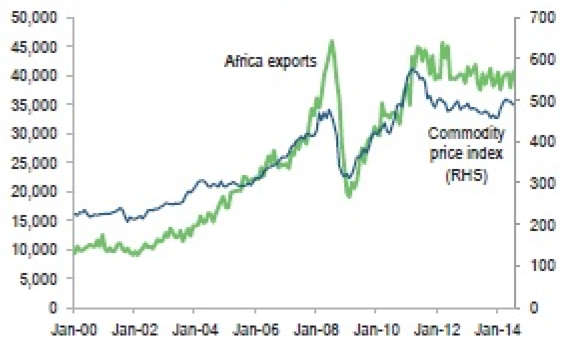
In-depth: AFRICA – CHARTS OF THE YEAR

Africa – Charts of the year

Exports are dependent on commodity prices

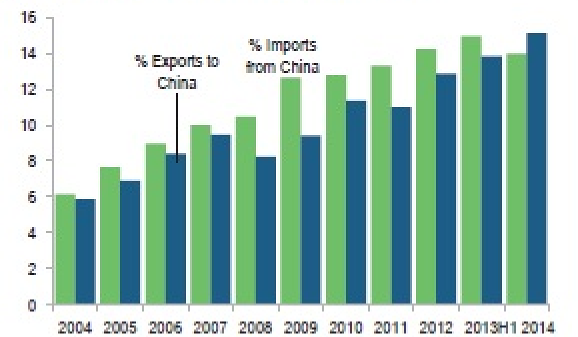
Exports (USD mn) vs commodity price index



Source: IMF, Bloomberg, Standard Chartered Research

China's importance to Africa is still growing

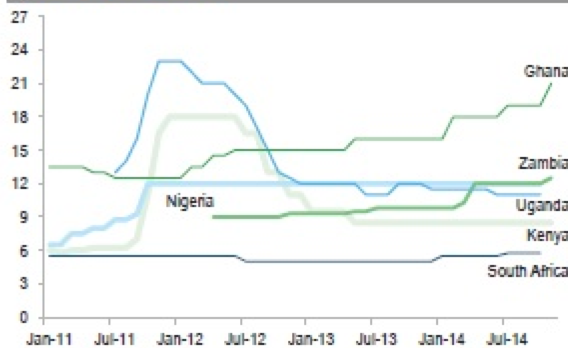
Exports to and imports from China, % of total



Source: IMF, DOTS, Standard Chartered Research

Oil price to drive mixed monetary policy trend

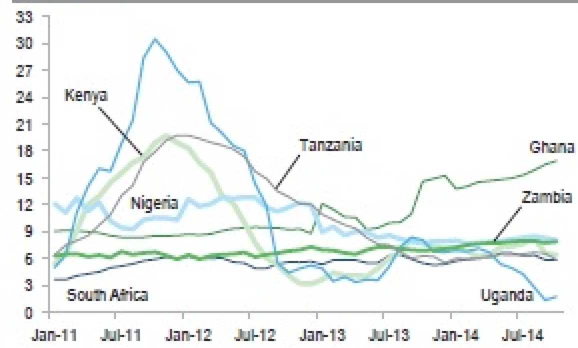
Monetary policy rates, %



Source: Central banks

Inflation reflects diverse influences

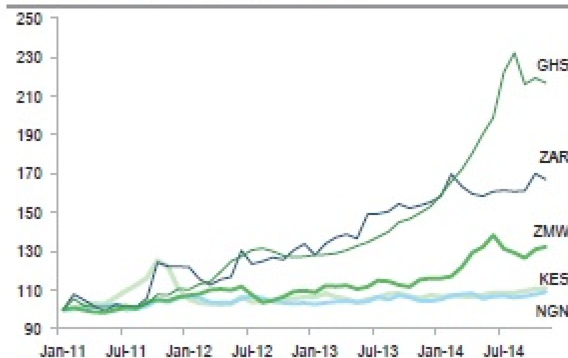
CPI, % y/y



Source: Central banks, National Statistical Institutes

IMF deals are still key for Ghana and Zambia FX rate

vs. USD, rebased to 2011 (2011=100)



Source: Bloomberg, Standard Chartered Research

Eurobond issuance in frontier Africa

2014

Issuer	Date	Maturity (years)	Coupon (%)	Amount (USD mn)
Ghana	11-Sep-14	10	8.125	1,000
Senegal	23-Jul-14	10	6.25	500
Côte d'Ivoire	17-Jul-14	10	5.375	750
Kenya	18-Jun-14	5	5.875	500
Kenya	18-Jun-14	10	6.875	1,500
Zambia	08-Apr-14	10	8.5	1,000

Source: Dealogic, Standard Chartered Research

2 December 2014

M&A activity hots up in Africa as investors bet on growth

Concerns on the scale of the Ebola crisis, current levels of political unrest and plunging commodity prices would have sent investors rushing out of Africa not long ago. But dealmaking in the sub-Saharan region is buoyant as most investors set aside short-term worries and bet big on the continent's growth prospects.

"Africa is on the radar," says Miguel Azevedo, head of sub-Saharan Africa investment banking at Citigroup in London. "Companies are developing strategies to go into the region, and M&A is naturally following up."

In the past week a host of multinationals announced almost $8bn in deals across several sectors, demonstrating the appetite that exists to tap the region's growing consumer markets.

Recent deals include debut investments by private equity giant Carlyle in Nigeria and South Africa; an alliance between brewer SABMiller and Coca-Cola; the entry of French insurer Axa in Nigeria; and a large merger in the retail sector in South Africa.

"You spend some time in Lagos and you see 170m people wanting a better life, a Coca-Cola at the end of the day and whatever else," says Philip Lindop, head of investment banking for Africa at Barclays in Johannesburg. "It's just fabulously exciting."

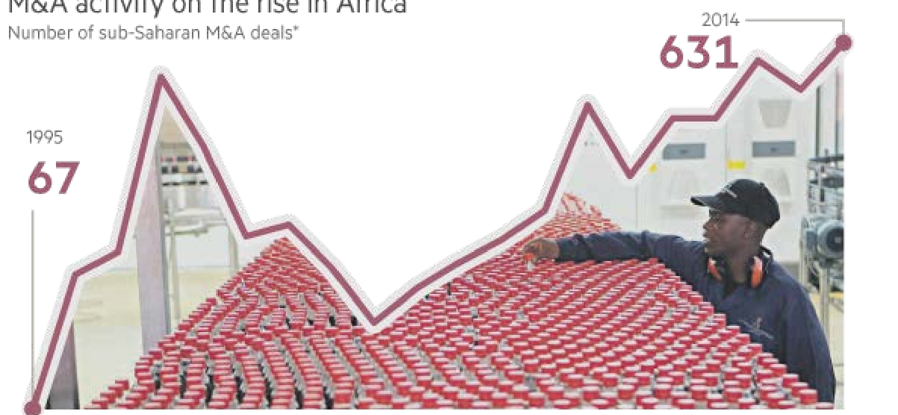
So far this year the sub-Saharan region has seen 631 merger and acquisition deals, the highest number for a comparable period since at least 1995 and up nearly 10 per cent from last year, according to financial data provider Dealogic. If M&A continues to flow, say industry experts, this year could surpass the record set in 2012 with 656 deals.

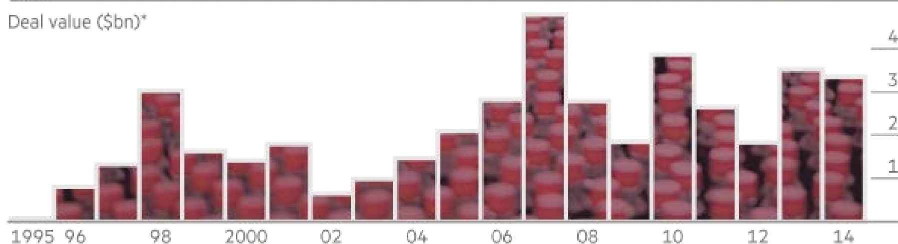
The International Monetary Fund has forecast that Africa will be the second fastest-growing region next year, expanding 5.75 per cent, behind the developing Asia region that includes India and China. By contrast Latin America will expand 2.2 per cent. And although a rout in oil and other commodity prices would damp growth in 2015, optimism still prevails.

Joseph Rohm, portfolio manager at Investec in Cape Town, says an important trend is the renewed interest of the Middle East. This year Dubai Investment Corporation poured $200m into Dangote Cement, a company owned by Africa's richest man, while Qatar National Bank paid $500m for a big stake in pan-African lender Ecobank.

M&A activity on the rise in Africa

Number of sub-Saharan M&A deals*





*All figures are year to date

FT graphic. Source: Dealogic

Another driver is the arrival of global private equity groups including Carlyle, KKR and Blackstone, joining smaller Africa-focused buyout groups such as Brait, Abraaj, Helios, Development Partners International and AfricInvest. "Private equity activity, both exits and entries, is driving M&A at the moment," says Mr Rohm.

Bankers say the interest of South African companies, which face lacklustre domestic economic growth, is fuelling deals. Woolworths, the Cape Town-based retailer, announced plans this year to acquire David Jones, an Australian department store, in a deal valued at A$2.14bn.

The record number of deals clearly supports the "Africa rising" narrative, of a virtuous circle of healthy growth in the continent's economies – supported by historically high commodity prices and cheap Chinese loans – and improved governance. For a decade African economic growth has been robust to an extent not seen since the decolonisation cycle of the 1960s and 1970s.

Colin Coleman, head of investment banking at Goldman Sachs in Johannesburg, says Africa is outperforming other regions. "There is a great enthusiasm about Africa – particularly as other emerging markets' economic growth disappoints."

Nonetheless, there are signs of caution. Although the number of deals has reached a record, they are smaller than during the same period last year.
Since January companies have announced M&A transactions worth $34bn, down from $35bn in the same period in 2013 and almost $49bn for the whole of 2007, before the global financial crisis.
Company executives and investment bankers say the drop in values reflects two trends unrelated to the health of the sector. First, investors are focusing most on M&A outside South Africa, particularly Nigeria, where deals are smaller. And second, valuations in the natural resources sector are down from the boom days of 2005-07 when Chinese companies led the investment charge into African commodities.

Recent African M&A deals

Since Nov24

Acquirer	Target	Value	Target country
Steinhoff	Pepkor	$5.7bn	South Africa
American Tower	Bharti Airtel	$1.2bn	Nigeria
SABMiller	Coca-Cola	$260m	Pan-Africa
Axa	Mansard	$250m	Nigeria
Carlyle	TiAuto	$180m**	South Africa
Carlyle	Diamond Bank	$150m	Nigeria
Sipa Resources	Geocrust	$0.5m	Uganda

** Estimated

Source: Dealogic

FT

In banking, retail and food sectors valuations are higher than five years ago. Martin Kingston, chief executive of Rothschild South Africa, says there is huge competition and limited opportunity for deals.
"The deal size is relatively small but people are paying significant multiples to secure toeholds built on existing franchises," he says.
Nigeria, which this year surpassed South Africa as Africa's largest economy, is a case in point. Carlyle, which has raised $700m for its maiden sub-Saharan fund, is looking for more investment targets in Nigeria after its deal to buy nearly 20 per cent in local lender Diamond Bank.
Genevieve Sangudi, head of west Africa at the buyout group, says it has a "strong pipeline" of potential deals in Nigeria. "The trajectory and the outlook over the long term remain positive," she says.
Will it last? The industry consensus is a categorical yes. But with mounting economic headwinds – and the impact of presidential elections in Nigeria in early 2015 – some investors are bracing for an M&A slowdown next year.
Region's fees still more 'promise than reality'
The African mergers & acquisitions business is booming and investment bankers are rejoicing.
But the fees won so far this year by banks including Citigroup, Goldman Sachs, Barclays, JPMorgan and Deutsche Bank are unlikely to trigger a major celebration, bankers and analysts say. Despite the surge in dealmaking so far this year, Africa remains all but a small niche of the investment banking industry.
"You are lucky if you win one or two big mandates outside of South Africa every year," says a senior banker. "It is booming, but from a very low base."
Another senior banker adds that while M&A advisory in the region "is profitable", Africa remains more a "promise than a reality" in terms of meaningful fees.
One problem is the equity and capital markets subsector is offering little revenue. Bond fees cover costs at best, while equity raising this year has been lacklustre. As such, M&A is the only significant revenue maker. The problem is that in spite of a significant increase in the number of transactions, deal value remains significantly below the levels of other emerging market regions.
At the same time, costs are increasing as investment banks need to locate bankers outside Johannesburg, for years the only M&A hub in Africa. Banks are establishing dealmaking teams in Lagos and Nairobi, and also in more exotic locations such as Maputo, the capital of gas-rich Mozambique. But bankers say the increase in cost will eventually be repaid by an expected rise in M&A activity outside South Africa. *(Financial Times)*

SOVEREIGN RATINGS

Eurozone

08-12-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+ *-	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa1	B	B	NP	B	B
Ireland	Baa1	A	A-	P-2	A-1	F1
Italy	Baa2	BBB u	BBB+	P-2	A-3u	F2
Latvia	Baa1	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

08-12-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Ca	Sdu	RD	NR	Sdu	RD
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa2	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	A1	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa2	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	CCC+	B	NR	C	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

08-12-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B2	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfBD grants €176 million for the second phase of the largest solar power station in Africa

The Board of Directors of the African Development Bank Group has approved one loan of €100 million and another of US $119 million for phase II of the Ouarzazate solar complex project (the NOORo II and NOORo III power stations), the former from the Bank's own resources and the latter from the Clean Technology Fund (part of the Climate Investment Funds) in its capacity as executing agency. This second phase of the project aims to develop two new power stations with a total capacity of around 350 MW and average estimated cumulative production of over 1,100 GWh per year.

"The project is one of the innovative developments in the energy sector supported by the Bank, based on the technology used and the financial arrangements with the support of the Climate Investment Funds, namely a public-private partnership supported by several donors. The Bank's participation in this second phase will support its position as a leading partner in the development of Morocco and strengthen its dominant role in combatting the effects of climate change," explained Alex Rugamba, Director of the AfDB Energy, Environment and Climate Change Department, following the approval of the loans.

The project is part of the Moroccan Solar Energy Programme (NOOR), which aims to develop minimum capacity of 2,000 MW by 2020 in order to secure power supplies for the population and productive sectors of the economy. Morocco currently depends on external sources for 95% of its primary energy needs. The country's energy consumption increased by an average of 7.2% between 2002 and 2012. Looking ahead to 2030, Morocco's demand for primary energy is expected to triple, whilst demand for electricity is set to quadruple. The country has made securing its power supply a priority for its new energy strategy for 2010 to 2030; one of its aims is to diversify sources of production and generate value from the potential of renewable energy sources, to increase its share of electricity production to 42% by 2020.

The project will bring socioeconomic benefits at a local level to Ouarzazate province, which has an estimated population of 583,000 inhabitants and a poverty rate of around 23%. At a national level, in addition to its positive impact on the balance of trade, it will contribute to: (i) reducing CO2 emissions by around 522,000 tonnes a year; ii) providing a reliable electricity supply to businesses, helping them to improve their competitiveness; and iii) promoting a new industrial sector producing solar equipment, which will create jobs.

This is the second project funded by the AfDB at the Ouarzazate solar complex. The first, in 2012, involved a loan of €100 million from the Bank's own resources and a loan of US$100 million from the Clean Technologies Fund towards the completion of the first phase of the NOOR Ouarzazate complex. Work on the first phase began in 2013 with the construction of the first 160 MW solar power station (NOORo I), which is scheduled to come into operation by the end of 2015. The project complements some of the Bank's operations currently being implemented in the energy sector in Morocco, such as the project to develop the electricity transport and distribution network, which will mostly be used to take production from the Ouarzazate complex.

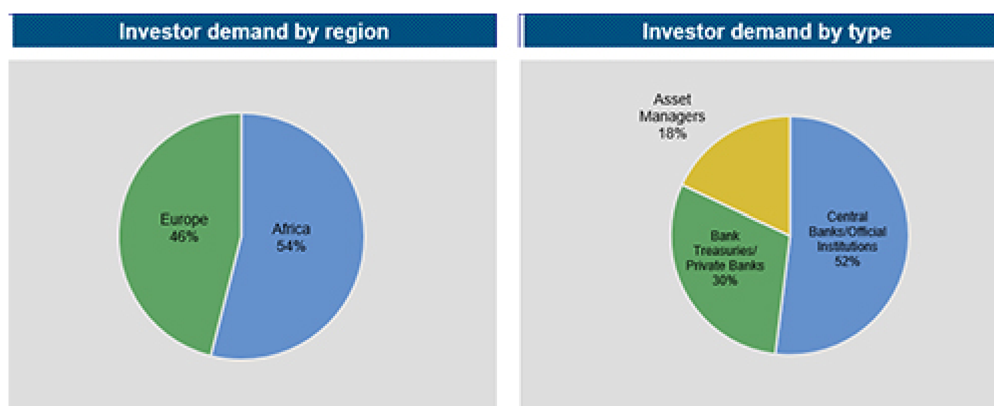
AfDB issues a 6.625% ZAR 500 Million Eurobond due 9 December 2017

Issuer:	African Development Bank (AfDB)
Rating:	Aaa (Moody's) / AAA (S&P) / AAA (Fitch)
Issue amount:	ZAR 500 million
Pricing Date:	02 December 2014
Settlement Date:	09 December 2014 (T+5)
Coupon:	6.625% (annual)
Maturity:	09 December 2017
Reoffer Price:	99.548%
Reoffer Yield:	6.685% (semi-annual)
Re-offer vs Benchmark:	SAGB 8.250% September 2017 (R203) +15 bps
Lead Managers:	Morgan Stanley, Standard Bank

On Tuesday, December 2, 2014, the African Development Bank ("AfDB") rated Aaa (Stable)/AAA (Stable)/AAA (Stable) (Moody's/Fitch/S&P), successfully priced a ZAR 500 million 3-year ZAR Eurobond due on December 9, 2017 through Morgan Stanley and Standard Bank. The deal pays a coupon of 6.625%. This transaction marks AfDB's return to the Eurorand market after more than a decade, with the most recent benchmark offering in the currency being a ZAR 2 billion domestically-listed transaction in 2008.

AfDB's decision to return to the Eurorand market was driven by increased client requirements for ZAR funding, and by the fact that this market has emerged as an attractive and cost-effective source of funding.

The transaction was announced on Tuesday, December 2 at 8:15 am London time, and marketed at 15 basis points (bps) over the R203 September 2017 South African Government issue. Sub-Saharan African Central Banks showed strong interest from the outset, taking 52% of the transaction, the rest being allocated to bank treasuries, private banks and asset managers.



Partnering to Support Uganda's Roads PPP Program

The national road transport network is the most dominant mode of transport in Uganda. Over 90% of passenger and freight traffic travels through the network. It also provides vital transport corridors to the land-locked countries of Rwanda, Burundi, Eastern Democratic Republic of Congo (DRC) and Southern Sudan to the Port of Mombasa in Kenya. Much of the country's road network requires substantial development to meet current and forecast traffic demands to promote access and equal distribution of economic and social development across the country.

To meet the increased demands on the road network, the Government of Uganda is committed to fund a sizeable program of road works over a 5 year horizon. Public Private Partnership (PPP) arrangements are considered to meet the funding gap through the use of private sector capital. Since 2000, PPIAF has provided technical assistance to the government of Uganda (GOU) to create an environment that enables private investment in infrastructure. A series of three technical grants have supported the GOU to develop the PPP framework at the national level to identify a pipeline of PPPs and strengthen the institutions implementing one of the priority projects identified –the Kampala-Jinja expressway.

PPIAF Support

In 2007, PPIAF funded a study to help GOU develop a comprehensive policy, legal and institutional framework for the development and implementation of PPPs for procuring and financing infrastructure projects and services. The study recommended the establishment of a PPP law and PPP unit. The grant also supported the development of a draft PPP Policy Outline in 2008.

In 2011, PPIAF provided follow-up support to identify and prioritize potential PPP projects. Ten priority projects were identified, including the Kampala-Jinja road, which is now under implementation with the International Finance Corporation (IFC) appointed as the transaction advisor.

In 2014, to support the institutional capacity building of the implementing agency, the Uganda National Roads Authority (UNRA), PPIAF approved a grant in partnership with the Trademark EA (TMEA) and IFC to support a tolling policy; develop an investment appraisal guidance tool as well as support the PPP implementation capacity of the UNRA. The support is focused on developing a tolling strategy that would provide revenue and strategic guidance to the GOU on transparency, fairness and stability in toll setting and collection as well as the establishment of key internal processes to identify, appraise, manage and implement projects throughout the PPP project cycle.

Outcomes

In 2010, the Ugandan Cabinet approved the PPP Policy and authorized the drafting of the PPP Bill by the First Parliamentary Counsel in the Ministry of Justice and Constitutional Affairs. The PPP Bill was passed in July of 2014.

The Bill seeks to govern the relationship between the government and the private party in PPPs and to provide guidelines and procedures for the development and implementation of PPP projects. One of its key objectives is the creation of a unit to oversee the implementation of PPPs. The priority PPP project pipeline/action plan was also adopted and identified the Kampala-Jinja expressway as a major potential project. In May 2014, IFC's Advisory Services in PPPs signed an advisory agreement with the GOU, through the UNRA, to develop a 77 km Greenfield expressway between Kampala and Jinja.

AfDB approves the revision of the financing plan of Suez power project to assure timely, smooth completion

The Board of Directors of the African Development Bank (AfDB) has recently agreed to revise the financing plan for the ongoing Suez Thermal Power Plant Project. The move will allow the Government of Egypt to leverage Bank financing to cover part of the local costs of constructing a 650 MW steam cycle power plant at a site located in the vicinity of Suez city, approximately 150 kilometres east of Cairo.

In December 2010, the AfDB extended a loan of US $550 million to the Government of Egypt for on-lending to the Egyptian Electricity Holding Company (EEHC)/East Delta Electricity Production Company (EDEPC) to finance the Suez project. The AfDB loan was originally intended to cover part of the foreign currency cost of the project. The recent restructuring of the project's financing plan will allow the equivalent of US $73.5 million of the Bank's loan to be used for covering part of the project's local costs as well.

Alex Rugamba, Director of the AfDB's Energy, Environment and Climate Change Department, explained, "We recognize that, in addition to the Suez project, EDEPC is also implementing three other power generation projects as part of the utility's generation expansion plan. The financial obligations that EDEPC has to meet to finance all of these activities are challenging. Lifting some of that burden will improve the flow of resources to the projects, including the Suez Thermal Power Project. The result will be projects that progress more smoothly, finish on time and meet their intended objectives."

The specific objective of the Suez Thermal Power Plant Project is to support socio-economic development in Egypt by making available a reliable and affordable power supply for all economic sectors and social services throughout the country. The project entails civil works; goods (supply and installation of equipment); environmental monitoring; project management; and wrap-up insurance. The project is co-financed by the Bank, the Islamic Development Bank and EDEPC. This revision of the project's financing plan would increase the Bank's contribution to 69% of total project cost, whereas Government's (EDEPC) contribution would be 28%.

The Suez Thermal Power Plant Project is part of EEHC's power generation expansion plan for 2012–2017, which aims at increasing the country's thermal generation capacity by 13,200 MW. Project implementation is progressing well, with overall implementation at approximately 40%.

Cameroon-AfDB Approves nearly 258 billion CFA francs to finance a major road project

The African Development Bank (AfDB) approved Wednesday, November 26, 2014 in Abidjan, the financing of the construction of the road section Batschenga - Ntui - Yoko-Tibati-Ngaoundere about 598 km, as part of the development strategy of the Cameroon national road network.

This stretch is an important component of North-South trade linking the capital Yaounde and the regions of Central and South in the area of Adamawa, North and Far North, serving directly or through a network of tracks that piggyback on the road, several cities, towns and villages. The construction of this road will promote the opening up of agricultural production basins in relation to consumption areas, and resulting in the development of the agricultural potential. It will therefore help foster structural transformation of the Cameroonian economy. In addition to this vocation through national service, the road section Batschenga - Ntui - Yoko-Tibati-Ngaoundere Cameroon form an essential link to the facilitation of interstate transportation in central Africa, offering a new alternative transit to Chad, landlocked country in the region that caters mainly via the Port of Douala (PAD). This portion is the shortest route (200 km less) to connect the southern and northern parts of Cameroon and hence to Chad.

From an overall cost of about 258 billion CFA francs (FCFA), the project is financed by the Bank Group through both ADB and ADF windows respectively for nearly 105 billion and 10 billion FCFA. The other co-financiers are the French Development Agency (nearly 45 billion FCFA) in parallel financing, Development Bank of Central African States (nearly 42 billion FCFA), JICA (ACFA) to about 35 billion CFA francs, and the Republic of Cameroon (nearly 29 billion FCFA) in joint funding. The main beneficiaries are the 4.4 million inhabitants of the region from the center and Adamawa Cameroon, and also indirectly, the populations of the regions in the western part of Chad given the regional nature of the project. These communities will contribute to the construction, management and maintenance of certain related infrastructure.

The project, which takes place in a context of Cameroon graduation in "mixed country," also includes institutional support to the transport sector and support to urban development related activities on the development of rural roads, rehabilitation of socio-economic infrastructure and the development of social infrastructure for the benefit of women.

INVESTMENTS

ANIP Analyzes Projects Estimated At Over U.S $7.0 Billion

Over USD 7.75 billion is the investment amount received and analyzed by the National Private Investment Agency (ANIP) during the financial year of 2014, corresponding to 214 investment proposals.

This information was released by the CEO of ANIP, Maria Luísa Perdigão Abrantes, when speaking at the opening session of the 3rd Advisory Council which is taking place in Wacu-Cungu town in the coastal Cuanza Sul province, under the motto "we encourage innovation and investment in technology and training of human resources".

Maria Luisa Abrantes said that the data is a synonymous of progress, despite the fact that they have not yet received replies from nine investment proposals submitted to the head of Angolan government and 16 proposals submitted to the Ministry of Finance on tax incentives. ANIP is a government agency responsible for implementing the national policy on private investment, its promotion, coordination and supervision. ANIP was established in 2003 by the Decree No. 44/03 of July 4, 2003. *(Angop)*

M&A

SABMiller and Coca-Cola toast Africa bottling deal

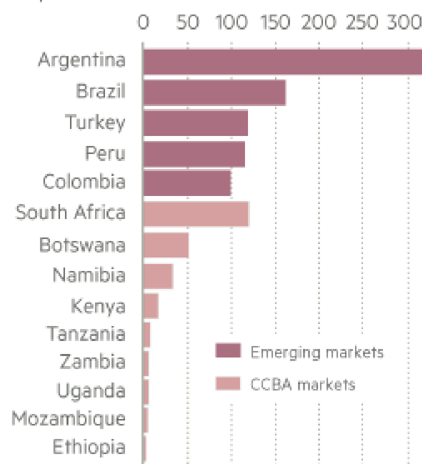
SABMiller and Coca-Cola are creating Africa's largest soft drink bottling operation with annual sales of $2.9bn as they seek to tap more of the continent's fast-growing middle class.

The deal will see them merge their bottling assets in 12 countries in south and east Africa to create a new company which will be called Coca-Cola Beverages Africa. It has the potential to transform SABMiller into Coca-Cola's main consolidator in the continent. It will allow the brewer, which has its roots in the region, to capitalise on the rapid growth of soft drinks while beer sales volumes stagnate.

Coca-Cola, which is struggling to maintain sales among increasingly health-conscious populations, is under pressure to improve its financial performance and to double revenues to $200bn under chief executive Muhtar Kent's "Vision 2020" plan.

The Atlanta-based group is encouraging its 250 bottlers around the world to consolidate with the aim of promoting efficiency and higher revenues. The current focus on Africa follows the consolidation last year of its eight bottlers in Spain and Portugal into one business.

The SAB deal also furthers Coca-Cola's diversification into other areas through a side deal that involves the US group paying SABMiller $260m in cash to acquire the brewer's Appletiser brands on a worldwide basis and to acquire rights to a further 19 non-alcoholic brands in Africa and in Latin America.
The deal also marks a turnround for the brewer of Grolsch, Peroni and Castel from benign neglect of a bottling business seen as an adjunct to its core operations into a full embrace by "strengthening of our strategic relationship with the Coca-Cola Company," said Alan Clark, SABMiller chief executive.
SABMiller, which is Coca-Cola's largest bottler in South Africa, will become the US company's 10th-largest bottler worldwide, accounting for 40 per cent of all Coca-Cola's soft drinks volumes in Africa across 12 countries.



The equity deal announced involves pooling the soft drinks bottling assets of SABMiller with those of the Gutsche Family, which is the main shareholder in another South African bottler called Coca-Cola Sabco, and Coca-Cola.
SABMiller will control 57 per cent of the new company; Gutsche Family Investments will control 31.7 per cent; and Coca-Cola Company will have 11.3 per cent.
The companies said their combined operations would have pro forma annual revenue of $2.9bn and process volumes of 729m unit cases, equivalent to 41m hectolitres.
Subject to regulatory approval, the deal is expected to complete within nine months, and is forecast to start adding to SABMiller's earnings per share in three years' time
Africa boasts some of the world's fastest-growing economies and has been attracting increasing interest from investors.
SABMiller has its roots in South Africa after being set up during that country's gold rush in the late 1800s.
Muhtar Kent, chairman and chief executive of Coca-Cola, said the deal illustrated "our firm belief in the tremendous growth prospects the continent offers", and that by combining their operations, the new company could "leverage the scale, resources, capability and efficiency needed to accelerate Coca-Cola growth".
The proposed transaction will be completed in two phases, first combining the operations in nine countries: South Africa, Kenya, Ethiopia, Mozambique, Tanzania, Uganda, Namibia, Comoros and Mayotte.
At a later date, SABMiller intends to include its Swaziland soft drinks business and those of its listed subsidiaries in Botswana and Zambia, subject to agreement with regulators and shareholders.
SABMiller will retain ownership of its non-alcoholic malt beverages in Africa and Latin America and will retain its Coca-Cola franchises in El Salvador and Honduras, the companies said.
Nomura and Newman Lowther & Associates advised Coca-Cola Sabco, and Rothschild advised SABMiller on the deal. *(Financial Times)*

Mitsui & Co buys stake in Mozambican assets of Brazil's Vale

Japanese group Mitsui & Co plans to acquire a stake in a coal project of Brazilian group Vale in Moatize, in Mozambique's Tete Province, according to Japanese financial newspaper Nikkei.
The newspaper said that Mitsui would buy a 15 % stake in Vale Mozambique, the Mozambican subsidiary of Brazilian group, for US$450 million. The same source also said the Japanese group would acquire half of the 70 % that the Vale group has in the Nacala Corridor, which has Mozambican state port and fail company CFM as a partner.
The Nacala Corridor includes a railway between Moatize and Nacala, via Malawi and the deep water port of Nacala.
Mitsui & Co group is involved in natural gas exploration in Mozambique and has a 20-% stake in the Area 1 concession of the Rovuma Basin, led and operated by US group Anadarko Petroleum. *(Macauhub)*

BANKING

Banks

Investec to align banking and investment services

Investec's UK clients will soon be able to access banking and investment services from one place in the coming months, the specialist bank and asset manager said as it reported an 8.6 per cent rise in group operating profit to £240.8m in the six months to September 30.

The Anglo-South African financial services group said the increase was driven by a surge in operating profit in Investec's wealth and investment division, which increased 23.3 per cent to £38m during the six-month period.

Stephen Koseff, chief executive officer, said: "We're aligning wealth management more closely with the private bank so that a client can do banking and wealth management from one place. We've already launched this in South Africa [under the brand One Place] and will roll this out in the UK in the coming months." Mr Koseff did not rule out acquisitions in wealth management but said "it has got very expensive". He said the results would have been stronger but for the continued weakness of the South African rand, which depreciated 19 per cent against sterling in the first half. Investec has been restructuring and simplifying its business to concentrate on banking and asset management, and in the process shedding crisis-era loan books that have weighed on results.

In September it sold UK subprime mortgage group Kensington to private equity firms Blackstone and TPG, and a month later it sold its Irish mortgage business to US private equity group Lone Star Funds. Mr Koseff said: "We're switching from reshaping to growth in our specific niches."

In the UK, Investec still has about £1.7bn of legacy loans in run off, which Mr Koseff expects will take about three years to clear.

Third party assets under management increased 5.3 per cent to £115.7bn, more than double what they were in 2009. The group reported a dividend per share of 8.5p.

Operating profit increased 6.6 per cent in its asset management business to £76.7m, and was up 6 per cent to £126.1m in specialist banking, driven by strong performance in South Africa and the UK mid market.

Investec is advising US-based researcher Dealogic, which is being acquired by private equity group Carlyle, and Synergy Health, which is being taken over by healthcare rival Steris in a £1.16bn deal. Last month Investec hired Christian Hess, who spent 16 years at UBS and co-founded its private equity group, as head of Investec's financial sponsor group. This year the specialist bank has been sole adviser on initial public offerings such as that of drinks mixers group Fever-Tree and FDM, the IT recruitment group. *(Wall Street Journal)*

JPMorgan Plans Africa Expansion to Kenya After Forex Probe Ends

JPMorgan Chase & Co. (JPM), which has more than 150 staff in South Africa, said it's interested in establishing an office in Kenya as part of plans to expand on the continent.

"We would want a representative office in East Africa but it depends on the regulatory environment," Marc Hussey, joint senior country officer for sub-Saharan Africa, said in an interview in Johannesburg on Nov. 20. "There are interesting pockets of opportunity, such as Nigeria, Ghana and Kenya."

JPMorgan, which already has a representative office in Nigeria in addition to its South African presence, has managed the Kenyan government's debut $2 billion bond and along with Citigroup Inc. (C) is financing planes for Kenya Airways Ltd. The firm is curbing expansion and reviewing processes while it deals with a 13-month probe into allegations dealers at the biggest banks colluded to rig benchmarks.

"This last year was the year of Kenya," Brian Smith, joint senior country officer for sub-Saharan Africa, said in the same Johannesburg interview. "We want to be there in time."

Exotix Partners LLP, the London-based investment bank expanding in frontier markets, Russia's Renaissance Capital, Standard Chartered Plc (STAN) and Citigroup Inc. have operations in Kenya already where the economy is expected to grow 5.8 %, according to Standard Chartered's forecasts.

JPMorgan's African operations date back more than 100 years. It offers clients, both local and global, services including asset management, private banking and corporate and investment banking.

In the wake of regulatory fines, the U.S. bank is continuing to implement systems to help it better identify customers, engage with clients and improve corporate governance, Hussey said. It may be more than a year before the bank discusses a Kenyan office with regulators, he said. *(Bloomberg)*

Bob Diamond pounces as global banks retreat from Africa

Bob Diamond, the former Barclays boss who is investing in African lenders, said big global banks have moved "off the stage" in the competition to buy financial assets, creating an opportunity for entrepreneurial new businesses like his.

Pointing out that eurozone banks had identified €1.4tn of non-core businesses that they aim to sell, Mr Diamond said some could be snapped up by investors like himself seeking to capitalise on the retreat of global banks from many countries and activities.

Mr Diamond, who conceded that he only started out in banking to fund his training to become a teacher, told the Financial Times banking summit in London that there was a "once in a lifetime" opportunity to invest in financial

services. "For 20 or 30 years the buyers of financial assets were always big financial companies," he told the FT. "Basel III [capital rules] and too big to fail regulation have changed that and they are now completely off the stage."
He cited the example of his former bank's recent sale of its Spanish retail banking operation for about half its book value.
Since quitting Barclays after it was fined for manipulating the Libor interest rate benchmark in 2012, Mr Diamond has since raised more than $600m on the London Stock Exchange to invest in African banks through his Atlas Mara venture. Mr Diamond said he was on a mission to build the top financial company in sub-Saharan Africa "over the next five to seven years". Atlas Mara has invested in three banks so far, building up positions in southern Africa, Rwanda and Nigeria. Having raised permanent capital from investors on the London stock market, Mr Diamond said he had an advantage in being seen as more long term than private equity by African politicians and executives.
Building his Atlas Mara network of bank operations across southern Africa would traditionally have been far harder, because big global banks would have been powerful rival bidders. But no banks bid against Atlas Mara in the three deals he has done in Africa to date, Mr Diamond said. "Money is being pulled back to home markets by banks in the US, UK and Europe because of Basel III. Global banks not in Africa are not looking at it all. It is fantastic – the heart of the reason we are doing this for." "Do I think the universal banking model is over – absolutely not," he said. "The type of universal banking model of pre-2007 will not come back, but we're not going to do away with them," he added, giving the example of investment banking where there is still a need for global services from big corporate and institutional clients.
However, he said that in the past year the political mood had turned even more pessimistic about the ability to end the problem of banks that are too big to fail, or too complex to manage. "The separation of risk from deposits will continue," he added. Mr Diamond avoided the question of whether he had any regrets from his time at Barclays, citing his pride over boosting the profits from its BGI asset management unit from £50m to £1bn between 2001 and 2009 before it was sold to BlackRock to avoid the need for a government bailout. *(Financial Times)*

Nigeria Banking Sector performance

The banking sector put up a surprising performance last week in terms of price appreciation despite the fact that most of the decisions of MPC are expected to impact on their operations. For instance, the MPC's decision to further increase Cash reserve ratio (CRR) on private sector deposits to 20 per cent from 15 per cent will act to reduce liquidity and limit growth potential, which might result in tempered full year 2014 performance for most of the banks. However, 11 stocks in the sector gained as against three that declined, while Unity Bank Plc remained unchanged. The top advancers included: UBA (17.4 per cent), Diamond Bank Plc (12.7 per cent), and FBN Holdings Plc (6.76 per cent), while the losers included: Fidelity Bank Plc (5.88 per cent), Access Bank Plc (2.81 per cent), and Zenith Bank Plc (2.05 per cent). According to analysts at MSL, "We are of the opinion that many of the stocks in the banking sector are undervalued at their current prices, and so we expect investors to continue to channel funds toward the sector's fundamentally justified stocks. Although we note that there are headwinds for the market, and banking sector especially which might cause drag to returns. The analysts envisaged that the renewed investors' confidence in the Nigerian equities market might be sustained, at least in the short term. "Albeit, some uncertainties, notably political tensions and depressing oil prices, still loom on the horizon. We are of the opinion that these risk factors may result in gyrations in market returns until after the elections in 2015. However, we expect there may be a resurgence post-elections, and position taking during this period of depressed prices may present a good opportunity for alpha-seeking investors," they said. *(This Day)*

Markets

Ethiopia to Complete Debut Dollar Bond Sale

Poorest Country to Issue International Bonds
Ethiopia is set to wrap up its debut dollar bond sale, capping off a record year for frontier market debt issuance.
The 10-year bond will price to yield 6.625% and will raise $1 billion, according to one of the banks working on the deal. Investors said demand for the bond had reached around $2 billion.
The deal is another landmark sale for Africa, having seen a bumper $2 billion debut issue from Kenya in June—one of the largest ever first-time sales from the region. "We're running out of new names that can issue," said Kevin Daly, a fund manager at Aberdeen Asset Management in London, adding that Ethiopia is the poorest country that has issued international bonds. Mr. Daly said he was considering buying some of the bonds.
The deal will take bond sales from frontier-market borrowers to about $40 billion this year, a record high, according to data provider Dealogic. Frontier-market countries have ramped up global debt sales this year to take advantage of low interest rates and investor demand for higher yielding debt. Expectations that the U.S. Federal Reservewill start raising rates next year means bond issuers are eager to lock in cheap funding costs while they can. Ahmed Salim, an analyst at advisory firm Teneo Intelligence, said the interest in the bond wasn't surprising given that Ethiopia is one of the fastest-growing economies in sub-Saharan Africa.
Gross domestic product growth hit an estimated 8.2% this year, according to the International Monetary Fund.

Ethiopia is rated B1 by Moody's Investors Service and B by Standard & Poor's Corp. and Fitch Ratings, four and five levels below investment grade, respectively Deutsche Bank and J.P. Morgan are managing the bond sale. *(Wall Street Journal)*

Ghana Plans Bond Sales on Bourse That May Halt Bank Auctions

Ghana is changing the way it sells bonds with plans to start issuing debt on the country's stock exchange and bringing an end to auctions handled by the central bank.

The West African nation would use a book-building approach for three-, five- and seven-year debt similar to the method it uses for Eurobonds, Michael Cobblah, chairman of the government's National Bond Market Committee, said by phone today from the capital, Accra. It will hire banks or brokers to arrange sales, he said.

"We'll not go to the auction," Cobblah said. "It creates business for the market players. Our market is very shallow and you make very little money, it'll be a good opportunity for the brokers to get more business."

The world's second-biggest cocoa producer is looking to boost volumes on its exchange, where the 35-member composite equities index has gained 6.3 % this year. Debt sales are dominated by the government, with benchmark yields rising to five-year highs as the cedi heads for a 19th straight annual loss.

"The bonds are already listed on the Ghana Stock Exchange, but there is barely any trading on the exchange," Samir Gadio, head of African strategy at Standard Chartered Bank Plc in London, said in an answer to e-mailed questions today. "The push should not be to restrict trading to the exchange, but to boost over-the-counter volumes."

Countries including Ivory Coast, Cameroon and Burkina Faso use the book-building approach, Cobblah said.

The Bank of Ghana sells Treasury bills weekly with maturities of 91 and 182 days and one and two years. Longer-term bonds are less regular. The last sale of three-year notes was held on on July 31 at an average yield of 25.4 %. There have been no offers this year of five or seven-year debt, according to data compiled by Bloomberg.

The plans were announced last week by Finance Minister Seth Terkper in the 2015 budget without giving more details.

The cedi weakened 0.6 % to 3.2101 per dollar at 3:46 p.m. in Accra, taking its loss this year against the dollar to 26 %. *(Bloomberg)*

Ethiopia plans debut international bond sale

Ethiopia could be the latest African country to tap international bond markets for the first time, after mandating Deutsche Bank and JPMorgan to take it on a roadshow to meet investors this week.

Ethiopia is one of the poorest countries in the world, with a gross domestic product per capita of just $1,240 (adjusting for PPP) according to the World Bank. A successful issue would make it the second-poorest country ever to tap the international bond market, after Congo in 2007. However, the International Monetary Fund predicts that the country's economy will be the eighth-fastest growing in the world this year, and appetite for previously esoteric African bonds has been ravenous in recent years – luring countries including Kenya, Senegal and Rwanda to make their debuts. JPMorgan and Deutsche Bank will be ushering a delegation of Ethiopian officials around Europe and the US starting, and a US dollar-denominated bond is expected to follow - possibly as early as next week. The country is rated B1 by Standard & Poor's and B by Moody's and Fitch Ratings, deep into the "junk" range of ratings. *(Wall Street Journal)*

South Africa economy: Business as usual?

The South African Reserve Bank (SARB, the central bank) left the repurchase (repo) rate unchanged in November, amid signs of moderating inflation and weakening growth. Markets had previously believed that the bank would continue to raise interest rates incrementally, but the SARB may be starting to focus on a broader range of economic variables rather than solely on inflation targeting. However, interest-rate decisions in the US are likely to have a very substantial impact on the future direction of South African rates.

The SARB's monetary policy committee (MPC) unanimously decided to leave the repo rate unchanged, at 5.75%, in November, while signalling that the policy of "normalising" interest rates would continue. Sharply lower international crude oil prices have cut inflationary expectations, and the SARB now expects headline consumer price inflation to average 6.1% in 2014, a modest improvement on the bank's 6.2% forecast at its previous MPC meeting, in September. This improvement is expected to continue into 2015, with the SARB expecting the annual average to drop to 5.3%, from its previous 5.7% forecast-well within its 3-6% target range.

GDP growth revised lower

However, the SARB is unlikely merely to have been motivated by improved inflationary expectations-it is also likely to have taken into account domestic output data. Statistics South Africa reported on November 25th that GDP grew by 1.6% in the third quarter of the year-an improvement on the 0.6% seasonally adjusted growth reported in the previous quarter, but still lacklustre. The SARB has already revised down its economic growth forecasts-the bank is now predicting real GDP growth of 1.4% this year, and 2.5% in 2015 (down from 2.8% previously). The latest GDP data suggest that growth could fall short of this, and it will certainly be well below the 1.9% seen in 2013, and the rates of 7% or more that are necessary if high rates of unemployment and poverty are to be addressed.

Monetary policymakers are unlikely to have taken the decision to "normalise"-that is, raise-interest rates had they foreseen the crippling strikes that pushed the economy to a point where it narrowly evaded recession. Rates were raised by 50 basis points in January, lifting the policy rate from the lowest level reported since 1973. Strikes in the mining

sector got under way around the same time, and only ended five months later. The impact this unrest had on production was that seasonally adjusted GDP contracted by 0.6% in the first three months of the year.
Nonetheless, monetary policy was tightened further, in July, by another 25 basis points. It is therefore unsurprising that in November the MPC decided to err on the side of caution, and leave the repo rate unchanged at 5.75%.
Flexible mandate
Some political analysts were critical of the fact that, under its former governor, Gill Marcus, the SARB was tightening policy, when it could have invoked the flexibility of the targeting mechanism, and left the policy rate unchanged. Since 2008 the SARB has been mandated to focus on a broader range of economic variables-including GDP, the state of the labour market, and credit aggregates and asset prices-rather than solely on inflation. Each of these other variables is weak enough to warrant a hold on interest-rate rises, according to critics.
Tightening monetary policy this year has led to cost-push pressures, which have arisen from higher administered prices, rather than the demand-pull pressures that ordinarily arise from stronger consumer demand. In other words, the economy has been penalised for more expensive, and above inflation-target, price increases in petrol, electricity and a wide range of other utilities, over which neither the SARB nor consumers have any control. This is clearly seen in the inflation data, where core consumer price inflation (which excludes food and energy) grew at 5.7% annually during October, but administered prices grew more robustly, above the inflation target, at 6.4% over the same period.
Watching the Fed
It is not yet clear whether the November decision to leave the policy rate unchanged is a signal of "business as usual" in the conduct of monetary policy, or whether the repo rate is set to stay on hold for an extended period of time. Markets had previously believed that the MPC would continue on its path of incrementally raising interest rates; a better inflationary outlook may have changed that perception, but the overriding factor may still be when, and by how much, US interest rates are raised.
The US may begin tightening policy from mid-2015. That would compress the interest-rate differential upon which high-yielding currencies, such as the rand, have depended. Concerned as it is about protecting its inflation-fighting credentials, the SARB has to be seen to be equally vigilant in its response to excessive volatility in the rand exchange rate. This could complicate the conduct of monetary policy, and prompt the SARB to persist with rate rises. ***(Economist Intelligence Unit)***

Angola takes on loan from Chinese bank for real estate project
The Industrial and Commercial Bank of China has granted a loan of US$120 million to Angola, to be used to finance a real estate project on the outskirts of Luanda, according to a presidential order. The loan is intended, according to the order, for the "implementation of the project of the construction contract of the detached perimeter of the Futungo de Belas – Phase I project." This is an area of 537 hectares, eleven kilometres from Luanda, with three stages of development, which was the subject of a 10-year urban development plan, mainly based on tourist use. In 2011, at the public launch, the project was estimated to cost US$150 million. In addition to housing, sporting and tourism and trade facilities, the project provides for the repair and construction of support infrastructure including drinking water, electricity and sanitation. ***(Macuhub)***

BIC Angola negotiates sale of stake to international bank
The BIC Angola bank is negotiating the sale of a 10 to 15 % stake to a major international bank, the bank's chairman, Fernando Teles said in Lisbon. The President of BIC Angola said the goal is to find a "strong partner" who wants to "invest in BIC's development" and gave assurances that there "are many entities who want to take a stake" in the capital of BIC Angola.
Teles said that the bank intended to join the group of companies that will inaugurate the Angolan stock exchange, with existing shareholders willing to sell off a slice of 15 to 20 %, "or more" of the capital bank on the Luanda bourse.
Teles recalled that the Angolan market, which is not yet operational, will initially sell only public debt and that the share segment is only expected to be active in 2016 or 2017. On the sidelines of the inauguration of a new branch of Banco BIC in Lisbon, Teles revealed the bank was to complete the acquisition of insurance company Finibanco Vida from Montepio Geral for 12 million euros. Teles noted that the marketing of insurance products of Finibanco Vida in 218 branches that the Portuguese-Angolan bank has in the Portuguese market would "attract more deals to the bank." ***(Macauhub)***

National Bank of Angola maintains key interest rate
The National Bank of Angola decided to keep the base interest rate in Angola (BNA rate) at 9 % and the interest rates on the standing facilities of liquidity at 9.75 % and liquidity absorption at 1.75 %, the Angolan central bank said.
In a statement, the bank also said that the Monetary Policy Committee had decided to adjust, with effect from 1 January 2015, the ratio of required reserves in national currency from 12.5 % to 15 %.
The latter decision, which excludes the assets of credit disbursements granted to agriculture and fisheries, is intended to ensure price stability, according to the BNA. In October, the Luibor rate stood at 4.14 % in the "overnight" and 7.49 % and 9.54 % for the three and 12-month rates, respectively. In this period, commercial banks purchased foreign currency in the amount of US$3.103 billion in the foreign exchange market, of which US$1.388 billion from the BNA and the

rest from its customers. The average exchange rate of the kwanza depreciated by 1.26 % over September, standing at 99.68 kwanzas per dollar. *(Macauhub)*

Nedbank Group To Integrate Its Capital And Corporate Businesses

Nedbank Group, South Africa's fourth biggest bank, said its units, Nedbank Capital and Nedbank Corporate, will be integrated into a single client-facing, wholesale business cluster.

This newly-formed cluster will offer the full spectrum of wholesale products under one brand and one leadership team, it said. Mike Brown, CEO of Nedbank Group, said both units had excellent reputations for client service and performance, consistently producing returns on equity of more than 20 %.

"Together the businesses contributed 48% of the group's headline earnings as at 30 June 2014. Our objective is to create a wholesale business that combines therespective strengths of Nedbank Capital and Corporate to build a market leading franchise with an even stronger client-centred focus," Brown said.

Brian Kennedy, who has been managing executive of Nedbank Capital since its formation in 2003, will be responsible for the combined wholesale business, including the implementation of the business structure and operating model with effect from 1 January next year. "At our interim results we announced that Mfundo Nkuhlu who was previously Managing Executive of Nedbank Corporate was appointed as an Executive Director and Chief Operating Officer from 1 January 2015," Brown said. Kennedy has 26 years wholesale banking experience and has been with the group for 18 years. His appointment brings insight and continuity to the combined wholesale business, having been a member of the Group Executive Committee (GEC) since 2003. Kennedy has worked closely with Nkuhlu and the Nedbank Corporate team over the years, building strong client relationships and creating unique customer solutions across Nedbank Capital and Nedbank Corporate. *(Ventures Africa)*

Carlyle Group Invests $147m In Nigeria's Diamond Bank

Global alternative asset manager, The Carlyle Group, invested $147 million in Lagos-based Diamond Bank PLC. The Nigerian financier said this in an official press release.

The investment which came through the Bank's recently completed $305 million rights issue, is set to improve Diamond Bank's Tier 1 capital. This will strengthen both its balance sheet and support the bank's continued growth plans. "This investment is a testament of the Bank's strong brand and success over the years, particularly in the Retail/SME space," said Uzoma Dozie, Group Managing Director and Chief Executive Officer of Diamond Bank.

He expressed confidence that Carlyle's support will be fruitful and benefit all stakeholders. "They bring global expertise in financial services and banking, having invested $4 billion globally in over 25 financial services companies, along with long-standing experience in emerging markets."

Part of the proceeds of the rights issue of the bank, which opened on July 30 and closed on August 26, will be applied towards the development of its information and communication technology infrastructure. It will also be used as capital support for the bank to promote renovation and growth of the bank's business locations. Proper positioning will help it seize bigger opportunities in the financial sector.

The Carlyle Sub-Saharan Africa Fund and its affiliates have invested approximately $300 million to date across a variety of industries and geographies in Africa.

"Diamond Bank is one of the most recognised retail banks in Nigeria, with a strong corporate culture, best-in-class management team, advanced technology, large retail franchise and innovative product and service offerings," said Genevieve Sangudi, Managing Director and Head of West Africa for the Carlyle Sub-Saharan Africa Fund, who expressed the company's pleasure at investing in Diamond Bank. Sangudi also said that the bank was in a good position to continue benefiting from Nigeria's attractive macro-economic trends. Carlyle is therefore ready to fully support the bank's strategic goal of becoming one of the most successful Tier 1 banks in Nigeria and West Africa. *(Ventures Africa)*

Insurance

Axa Buys Nigerian Insurer Mansard

Paris-Based Company is Among a Number of Global Insurers Building Operations in Africa

Axa SA has agreed to buy a majority stake in Nigeria's Mansard Insurance PLC for €198 million ($246 million) to enter the country's rapidly growing market. Axa is buying 77% of Mansard, which is listed on the Nigerian stock exchange, from investors including Development Partners International LLP, an Africa focused private-equity firm.

The Paris-based company is among a number of global insurers building operations in Africa. In October, Zurich-based Swiss Re bought a minority stake in Kenya's Apollo Investments Ltd. Prudential PLC, based in London, bought Ghana's Express Life in December last year. "This acquisition is a unique opportunity for Axa to enter the largest African economy with leading positions in all business lines and to get exposure to the fast-growing Nigerian retail insurance market," Denis Duverne, Axa's deputy chief executive officer, said in a statement.

Nigeria's insurance market is small but growing fast, according to Axa. The premium to gross domestic product, or GDP, ratio is 0.4% and grew at an average 18% per year in the past three years. By contrast, the premium to GDP ratio in Brazil is 4%. Mansard's net income tripled to €9.9 million in 2013 from €3.2 million in 2010, Axa said. Swiss Re and Prudential bought their recent African assets from LeapFrog Investments, a private-equity firm that specializes in

acquiring stakes in finance companies in developing countries, which it seeks to help expand before selling to global companies. Axa is an investor in LeapFrog, which raised a $400 million fund earlier this year. *(Wall Street Journal)*

London Reinsurer Expanding Into 38 African Countries by 2015

One Re Ltd., the first reinsurer approved under Britain's "twin peaks" system of financial regulation, said it's seeking clients across 38 African countries in the next year as growth outpaces developed regions. One Re, started by Johannesburg-born brothers Andrew and Robert Lewis in 2012, already has clients signed up in countries including Mozambique, Angola and Lesotho. Andrew Lewis, chief executive officer, created insurer Global Alliance in 2001 before selling its operations to various buyers including Barclays Africa Group Plc in 2011.

"In sub-Saharan Africa there are 38 countries we've identified and we're going in looking for local insurers that we will insure," London-based Andrew Lewis said in an interview in Johannesburg yesterday. Lloyd's of London Ltd., Sirius International Insurance Group Ltd. and Canopius Reinsurance Ltd. are supporting One Re, he said.

The U.K. reinsurer, which will partner with just one insurer in each country, was funded by the Lewis brothers who each contributed $25 million. In five years it will probably seek to raise about $100 million, according to Andrew. Global insurance companies are evaluating markets in Africa where millions of people are earning enough to afford business cover and protection for their families for the first time. Some of the firms are gaining insights into the continent by working with One Re.

Diversifying Risk

"The appetite is there for Africa," Lewis said. "We're a gateway to Africa for the international community. To deal with any risks we're diversifying risk as much as possible, so there's the 38 countries."

Insurance penetration for Africa, measured as a percentage of premiums to gross domestic product, is 3.5 %, according to a PricewaterhouseCoopers LLP report released in South Africa on Oct. 21. That's more than the emerging markets' average of 2.7 % and lower than the average for advanced markets of 8.3 %.

Revised regulations in the U.K. have divided responsibilities between the Financial Conduct Authority, which was created in April 2013 to oversee banking behavior and consumer protection, and the Prudential Regulation Authority, an arm of the Bank of England designed to supervise capital and liquidity requirements at banks, insurers and investment firms. To boost its operations One Re has also set up a training center in South Africa, according to Lewis. In-country training, skills development and knowledge transfer will support the growth of Africa's reinsurance markets, he said *(Bloomberg)*

Trade Finance

Eastern, Southern African Trade Fund Will Boost Regional Business Flow

Expectations have heightened in Rwanda and beyond as plans have been unveiled by the Eastern and Southern African Trade and Development Bank (commonly known as PTA Bank) and GML Capital to establish an African-focused trade finance investment fund. Importers and Exporters in the region believe this development will usher in more financing for their businesses. "It will be an open-ended fund and will seek to provide secure and stable investment returns, uncorrelated with mainstream asset classes, while also pursuing social and development goals in Africa in reducing poverty and transferring financial expertise to entrepreneurs on the continent," the firms indicated in a statement. The new investment fund, which is expected to be open for subscriptions as from next year, will greatly support importers and exporters starting from the 18 African states where the PTA Bank currently operates.

The Bank's customer base spans the Common Market for Eastern and Southern Africa (COMESA) trade bloc and includes Burundi, Comoros, Djibouti, the Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The air around this development is increasingly positive as both firms have extensive knowledge of the region and can now offer tailored innovative financing solutions to boost regional trading and development. "This fund will make a significant contribution towards addressing the trade financing deficit in Eastern and Southern Africa. It will also help leverage regional, international, private and public sources of capital and facilitate regional trade and economic integration that is in line with the mandate of PTA Bank," said PTA Bank President, Admassu Tadesse. Mohammed Muzimpaka, Chairman of the Chamber of Commerce at the Private Sector Federation, believes the fund can enhance competitiveness in the investment financing segment, and boost overall socio-economic and environmental development. "It will be an alternative source of funding for investors seeking long-term and affordable credit. In fact it's timely, and will enable the private sector efforts to deliver the country's economic development objectives," he said.

The impact of imports and exports on a country's balance of payments and overall economy are significant. Positive net exports contribute to economic growth, therefore, countries are to aim for more exports as this would mean more output from, say, factories, more people employed to keep up with increasing output, more inflows into the economy which usually translates into consumer spending and further economic growth. The trade fund is, therefore, a welcome development and one that should be replicated by other African regions as a sure means of stimulating further growth. *(Ventures Africa)*

EU Supports Angolan Trade Sector With 11 Million Euros

An agreement of financing the Project for Supporting Trade (ACOM), estimated at 11 million Euros (nearly 1.4 billion Kwanzas), is going to be signed in Luanda between Angola and European Union (EU).
According to a press note from the EU delegation in Angola that reached Angop, the ACOM project aims to contribute to a stronger integration of Angola in the regional and global economy, promoting the economic growth and sustainable development of the country. The note adds that with the referred budget, the four-year project is intended to reinforce the local capabilities so as to diversify the economy, as well as bargain and enforce the agreements of multi-lateral and regional trade. The event will count on the presences of the ministers of Planning, Job Graça, of Trade, Rosa Pacavira de Matos, EU ambassador to Angola, Gordon Kricke, and other guests. *(Angop)*

Angola: UK Trade Envoy David Heath CBE MP Visits Angola

David Heath CBE MP visited Angola to support the UK's first ever Defence and Security Trade Mission to Angola.
The Prime Minister's Trade Envoy to Angola and Nigeria David Heath visited Angola this week to support the UK's first ever Defence and Security Trade Mission to Angola, to identify business opportunities for British companies and take part in high-level discussions on both opportunities and increase trade between the two countries.
David Heath CBE MP said: I am delighted to have the opportunity to return to Angola. It is a country that has undertaken extraordinary achievements only twelve years after achieving peace. Angola is a rapidly growing market for the UK and our bilateral High Level Prosperity Partnership launched last year demonstrates the desire of both countries desire to strengthen our economic cooperation. As new opportunities emerge, I am thrilled to be part of connecting UK business with local counterparts in an increasingly important but sensitive sector.
In a political career spanning nearly 20 years, David Heath is a member of Parliament for Somerton and Frome and was appointed as Deputy Leader of the House of Commons from 2010-2012 and Minister of State for Agriculture and Food between 2012-2013. In early 2014 David Heath was appointed as the Prime Minister's Trade envoy to Angola and Nigeria. As part of the three-day visit to Luanda, David Heath supported the UK's first ever Defence and Security Trade Mission to Angola and also met with Angola's Minister of Water and Energy, H.E João Baptista Borges and the Secretaries of State for Higher Education, Industry and Interior respectively to discuss ways the United Kingdom can support investment opportunities for British companies in these sectors and reaffirm the UK's commitment to responsible investment. David Heath also met with members of Luanda's British business community, and discussed the new UK Chamber of Commerce which we plan to launch early next year. HE John Dennis, British Ambassador to Angola, said: It was great to have the Prime Minister's Trade Envoy in Angola supporting the UK's first ever Defence and Security Trade Mission and engaging with a wide range of senior officials. He was able to meet a wide range of British and Angolan businesses, and the visit will help us boost trade ties, and uncover opportunities for investment. *(British Embassy Luanda)*

AfDB releases report on trade finance in Africa

Trade finance is essential for international trade. This financial intermediation helps firms to manage risks inherent in international transactions, improve their liquidity and enable them to optimally invest to enhance their growth. It is for this reason that, in 2013, the Board of the African Development Bank (AfDB) approved a US $1-billion trade finance (TF) program to support African trade and provide financing to underserved African-based financial institutions and enterprises. Despite its importance, there is a great deal we do not know about the trade finance market in Africa. This includes the size of the market, the variations across sub-regions, the scale of financing gap, the trade finance devoted to intra-African trade, the relative importance of on-balance sheet versus off-balance sheet financing, and constraints faced by banks.
The report Trade Finance in Africa seeks to fill the above information gap. It is based on a unique survey of the trade finance activities performed by commercial banks in Africa in 2011 and 2012. Our survey questionnaire was sent to approximately 900 banks on the continent. We received a high response rate, resulting in a dataset that covers 276 banks across 45 countries. All the sub-regions on the continent are represented in the survey.
We found that the size of bank-intermediated trade finance is approximately US $330 billion to US $350 billion and approximately 93% of banks have trade finance assets. This is roughly equal to one-third of total African trade. The market is not uniformly distributed across sub-regions as the average trade finance assets per bank in Northern Africa dwarfs those of the other sub-regions. The share of bank-intermediated trade finance that is devoted to intra-African trade is limited, and comprises approximately 18% (US $68 billion) of the total trade finance assets of African banks. It should be noted, however, that the share of intra-African trade accounts for 11% (US $110 billion) of the value of total African trade. Given the estimated rejection rates of trade finance applications reported in the survey, the conservative estimate for the value of unmet demand for bank-intermediated trade finance is US $110 billion to US $120 billion, significantly higher than estimated earlier figures of about US $25 billion. These figures suggest that the market is significantly underserved.
African banks face numerous constraints in meeting the demand for trade finance. The survey reveals that the main constraints are limited US dollar availability (by far the dominant currency in international trade, and by extension, trade finance) and insufficient limits with confirming banks for confirming letters of credit. Other constraints include small balance sheets, which tends to make single obligor limits frequently binding. These constraints also suggest that

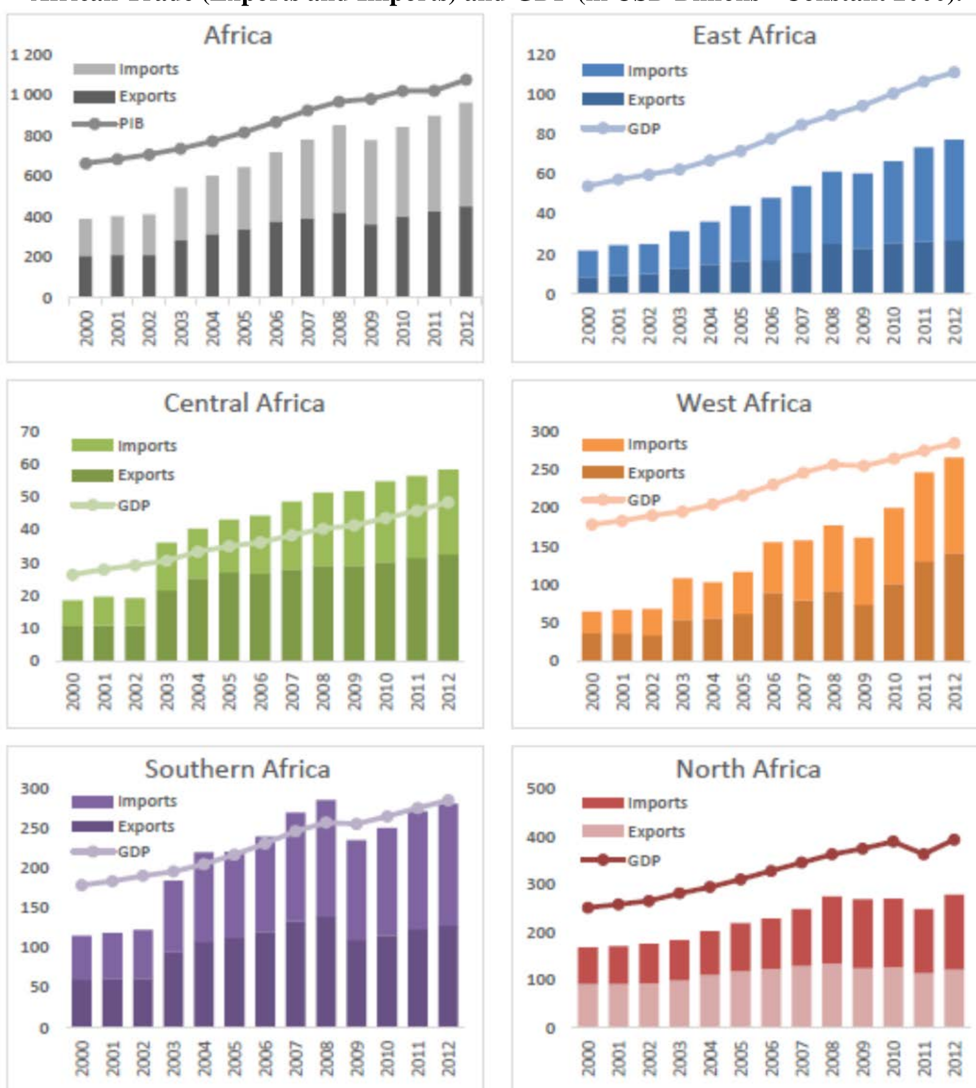
the AfDB's trade finance program, as well as those implemented by other international financial institutions, are needed and well suited to relaxing some of the most binding constraints.
Finally, the survey shows that the outlook of banks for trade finance remains positive, with 72% expecting to increase their trade finance activities in the immediate future. However, banks foresee obstacles to their trade finance portfolio growth such as low US dollar liquidity, regulation compliance, slow economic growth in some markets, and the inability to assess the credit-worthiness of potential borrowers.

Selected Projects Approved by the African Development Bank under its Trade Finance Program.

	Risk Participation Agreements (RPAs)*	Trade Finance Lines of Credit (TF-LOCs)
Citibank N.A.	USD 50 million	
Standard Chartered Bank	USD 200 million	
BNP Paribas	EUR 40 million	
UT Bank (Ghana)		USD 20 million
Union de Banques Arabes et Françaises	USD 50 million	
Africa Export and Import Bank (Afreximbank)	USD 100 million	USD 150 million
Ecobank Transnational Incorporated	USD 100 million	USD 100 million
Commercial International Bank Egypt	USD 50 million	
Commerzbank AG	USD 100 million	
Shelter Afrique		USD 20 million

*In RPAs, the AfDB usually shares credit risk with the institutions, not exceeding 50%. So the AfDB's contribution to the RPA facility is 50%.

African Trade (Exports and Imports) and GDP (in USD Billions - Constant 2000).



Source: IMF Direction of Trade (2013) and African Development Bank (2013).

Private Equity & Funds

Permira Takes First African Step, buys South African Data Firm

Private Equity Firm Acquires Teraco Data Environments

Permira, one of Europe's largest private-equity firms, is making its first African investment, agreeing to buy South Africa's Teraco Data Environments, a manager of data centers, for an undisclosed amount.

Permira joins U.S. rivals including KKR & Co., Blackstone Group LP and Carlyle Group , which are expanding their operations in Africa. Johannesburg-based Teraco was founded in 2008 and manages three facilities that serve more than 170 clients, according to a statement from Permira. "The datacenter market is supported by the growth in the adoption of Internet and smart devices in Africa," Permira said. South Africa boasts one of the continent's most developed economies and deepest financial markets, though growth is stuttering amid high unemployment, falling commodity prices and the threat of power shortages. *(Wall Street Journal)*

IT

Mobile money fails the test for emergency relief in DRC

Despite the hype around mobile money's rapid uptake across Africa, in a new study e-vouchers outperformed mobile money - and in many cases physical cash - as the most effective means of disbursing assistance in emergency settings.

Many humanitarian organisations are shifting towards providing emergency relief in cash as opposed to in-kind, but questions remain about the best way of doing it.

The study, conducted by Mercy Corps over nine months in the Democratic Republic of Congo (DRC), is the first to test the effectiveness of each delivery method within the same programme. Previous studies relied on groups dispersed across programmes run by different organisations, making direct comparisons difficult.

Cash relief is an alternative to traditional aid and relief packages, such as food supplies. Proponents argue it allows recipients to be more autonomous, and provides them with the flexibility to address their most immediate needs more efficiently.

"Cash provides a reliable way for families in crisis to buy what they need, when they need it," says Sara Murray, electronic cash transfer program manager for Mercy Corps.

In the Mercy Corps study, over 3,500 participants were divided into three groups, each assigned a different method of receiving their cash relief. Mobile money proved problematic, taking up to three times longer than the other methods to set up, while the dearth of cash-out locations in rural DRC made it difficult for recipients to collect.

In the end, the study concludes that e-transfers via mobile money were the most expensive for the implementing organisation because of the number of hours staff had to spend setting them up.

The uptake of mobile money services in Africa through telecoms providers has been hailed as a technology revolution. The region is considered a global leader, accounting for over 52 % of all mobile money services worldwide, and of the 60 million mobile money accounts were active globally, the vast majority are in sub-Saharan Africa.

These services are widely regarded as the silver bullet for bringing financial services to the poorest and most rural. However, as the conclusions of Mercy Corps research demonstrate, there are still limitations to what these services can do well, and to where they can work effectively.

E-vouchers had the highest upfront costs because of the need for the organisation to invest in the necessary hardware, but overall proved both the fastest and most reliable means of disbursing cash transfers. Physical cash, while the most straightforward, is not able to be disbursed in all areas due to security concerns.

In DRC, which has experienced waves of conflicts spanning several decades, aid recipients are often targets for extortion and robbery by militants, soldiers, officials and even police. According to Mercy Corps, some study participants claim they feel more secure receiving cash payments.

"A number of beneficiaries I spoke with in the DRC said they would prefer to receive cash over in-kind aid since cash is easier to hide. While risks are associated with any type of aid distribution in conflict zones, cash may actually offer some security benefits over in-kind distributions," Ms Murray explains.

As a result of the study's findings, Mercy Corps is institutionalising e-vouchers as a standard emergency relief tool across the organisation, and is launching e-voucher programmes in Niger, Yemen, East Timor and Nigeria.

While the report highlights the high upfront costs of these programmes, Ms Murray remains optimistic that they can be brought down over time through coordinated engagement with private sector providers. The report also notes that these costs may be offset in longer term programmes, and costs will drop as demand increases. *(This is Africa)*

ENERGY

Angola Biofuel plant produces its first ethanol

Companhia de Bioenergia de Angola (Biocom) has reported production of 1,550 tonnes of sugar and 3,600 cu metres of ethanol from its plant in the Pólo Agro-Industrial de Capanda in Malange province.

Biocom is due to start producing in earnest in April 2015, according to its project director, Carlos Martins. The November output was the result of a test run designed to try out the machines and processing equipment-however, the

production period was shorter than initially planned because of heavy rainfall, which made it difficult for vehicles to enter the sugarcane fields to harvest.
Biocom, Angola's first biofuel plant, was launched in 2009, and is a joint venture between the state oil firm, Sonangol, Odebrecht of Brazil-which has extensive biofuel experience and is leading the project-and Damer, a private consortium linked to high-ranking government officials. The sugarcane plantation and factory are around 70 km west of the city of Malange, and is one of several large-scale agribusinesses in the area, which has been strategically developed because of the proximity of the newly rehabilitated Capanda hydroelectric facility, which is fed by the Cuanza River.
By 2018-19 Biocom expects the plant to be producing 256,000 tonnes/year of sugar and 30m litres/year of ethanol. It has already begun generating electricity through the burning of biomass in the form of the discarded cane stalks. Initially, Biocom will use this to power its own operations, but in the longer term it could also supply the national grid. *(Economist Intelligence Unit)*

Glencore invests in Congo hydropower as solution to blackouts

Glencore and its partner in Congo are ploughing $360 million into refurbishing the African nation's main hydroelectric plant as mining companies seek ways to overcome power shortages that are holding back projects.
Mining investment has poured into Democratic Republic of Congo since 2006, after the 1998-2003 war ended and an election drew a line under decades of dictatorship. Last year, Congo beat out Zambia to become Africa's main copper producer with output of 914,631 tonnes. But companies seeking to tap some of the world's biggest undeveloped mineral reserves say power shortages are preventing development. Prime Minister Augustin Matata Ponyo told companies in January to halt any expansion plans that require extra power in the southeastern mining heartland of Katanga province. "If you want to (produce) 1.5 million tonnes of copper, this is only possible if you solve the energy problem," said Pieter Deboutte, who sits on the board of Mutanda Mining, a copper project owned by Glencore and the Fleurette Group, which is controlled by Israeli billionaire Dan Gertler.
With demand for generation capacity of 912 to 1,202 megawatts, Katanga is facing a deficit of up to 734 MW, according to an August report from national utility company SNEL, seen by Reuters. Mutanda's operations in Katanga suffered over 862 hours of power interruptions between May and September, according to company figures.
Until now Mutanda and the Kamoto mine, in which Glencore and Fleurette also hold a controlling stake, have resorted to importing energy from Zambia at up to twice the price of domestic power and using diesel generators that cost $3 million a month.
Glencore and Fleurette have now decided to take matters into their own hands by repairing two turbines at SNEL's 1,424 MW Inga 2 hydropower plant and upgrading about 2,000 km of transmission lines to take the power to Katanga.
The plan is to produce 450 MW, with 380 MW reserved for Mutanda and Kamoto. The mines will recoup the cost through reductions in utility bills, Deboutte said. “The model here is you bring what you need,” said Oscar Melhado, the International Monetary Fund’s representative in Congo. Randgold Resources, which poured the first gold at its Kibali mine in Congo's remote northeast last year, opted for this do-it-yourself strategy from the start. “We just got on and built our own hydropower stations," said Mark Bristow, CEO of Randgold, which runs the mine in a joint venture with AngloGold Ashanti and state miner Sokimo. "Without reasonable power costs, Kibali doesn’t make a return."Such solutions are within the reach only of the largest players. Others face an uncertain future.Congo's hydroelectric potential ranks third behind China's and Russia's, according to the World Bank, but underinvestment and mismanagement have left 90 % of its roughly 65 million people without electricity.
For the long term, the government is counting on a new Inga 3 hydroelectric project with 4,800 MW of capacity. Construction of the dam is set to begin next year and be completed in 2020, according to SNEL. Some 1,300 MW will be reserved for the mining sector and another 2,500 MW will be sold to South Africa. The remaining 1,000 MW will go to domestic consumption.
An Oxford University study this year of large dam projects found, however, that nearly all of them ran over budget and significantly behind schedule. "For the more large-scale projects, there's considerable risk involved," said Alexander Budzier, a co-author of the study. "We've seen that in most cases these risks are underestimated or not fully appreciated." *(Reuters)*

Econet partners Ericsson in network upgrade programme

In a statement, Ericsson said the collaboration would allow Econet’s customers faster and more reliable mobile services. Econet wants to upgrade its network to the latest systems and technologies. “The deal will see the companies working together to simplify and upgrade the existing 2G/3G/4G/LTE networks, future proofing it for the rapid mobile expansion in the country,” the company said. Econet Wireless group chief technology officer Bernard Fernandes: “We have chosen our trusted long-term partner Ericsson to accompany us on this journey and look forward to the ability to launch new products and quality services to our customers.” Ericsson said building on the company’s existing long-term partnership, the new scope would rationalise and upgrade the Core network as well as introduce the latest Ericsson network architecture. “Econet is the market leader in Zimbabwe and this project will give them one of the most advanced Core networks on the continent, providing them far more capacity to manage and scale their network,” Ericsson Zimbabwe, country manager Pieter Goosen said. The agreement include a complete multi-access Evolved Packet Core with Evolved Packet Gateway on SSR 8020, SGSN-MME and Service-Aware Policy Controller as well as

Mobile Switching Centre and Media Gateway. The deal also include close integration between policy and charging functions, which would enable Econet to reduce time-to-market for new offerings and increased personalisation capabilities. “In the Harare area, which currently carries more than half of all traffic on the network, the project will also upgrade the radio access network (RAN) to include Ericsson’s multi-standard RBS 6000 family of base stations for macro and small cell networks,” the company said. Econet is the largest telecommunication company in Zimbabwe with 9,2 million registered subscribers. *(News Day)*

Kenya Power to spend $97m to improve shaky power grid

Kenya Power plans to spend 8.7-billion shillings ($96.6-million) on new power distribution stations to improve electricity supply aimed at curbing chronic power shortages that companies say have discouraged investments.

Kenya Power, the country's main electricity transmission company, said in a statement on Friday it plans to build 36 new substations, with ten of them being put up in the coast region.

Kenya's government has said it aims to boost power production capacity in East Africa's biggest economy by an extra 5 000 MW to the existing 1 664 MW of generation capacity by 2017, to meet growing demand.

Kenya Power, which serves about 2.8-million customers out of a population of 40-million, relies heavily on renewable energy such as hydro power and geothermal gas for its electricity.

The company annual pre-tax profit grew by 55% driven by higher tariffs, increased sales of electricity and reduced losses due to improvements in the power grid. *(Engineering News)*

INFRASTRUCTURE

Nene urges private-sector participation in infrastructure

FINANCE Minister Nhlanhla Nene has once again called on the private sector, which he says has the financial resources to help African governments develop their infrastructure.

Most African countries are still lacking when it comes to infrastructure such as roads, rail, buildings and telecommunications. Mr Nene addressed the Infrastructure Consortium for Africa annual meeting in Cape Town.

The limited resources and inability of many African governments to carry big financial burdens on their books provided "ample space" for co-operation with international partners and the private sector to implement infrastructure projects.

Mr Nene said that Africa on average invested only 4% of its gross domestic product (GDP) in infrastructure — very low compared to China’s 14%. He said the benefits of closing the infrastructure gap were numerous, with some estimates showing that closing the gap could boost GDP growth by two percentage points a year.

The Programme for Infrastructure Development in Africa developed by the African Union and the African Development Bank estimates that it will cost $360bn between 2011 and 2040 to implement infrastructure projects.

SA is also implementing infrastructure development and has set up a task team on private sector financing of infrastructure to mobilise the private sector’s support. "Private sector participation and support through human and financial resources development, investment in infrastructure and technology transfer should be further encouraged and strengthened," Mr Nene said. *(BDLive)*

Mota-Engil Africa lists in Amsterdam

Mota-Engil, Portugal’s largest construction company, has listed its African subsidiary on the Euronext stock exchange as a first step to raising capital, just months after it abandoned an initial public offering in London.

Mota-Engil Africa closed in Amsterdam €11.48 a share, giving it a market capitalisation of roughly €1.15bn. The company did not raise any capital after Euronext allowed the listing without a capital increase or institutional offering.

The company is the second African construction group in two years to list on Euronext after Egypt’s Orascom Construction Industries moved its listing from Cairo to Amsterdam in 2013.

Mota-Engil, the parent company, gave its shareholders 20 per cent of its African subsidiary as a special dividend earlier this year and had promised to list the business on a European exchange. Gonçalo Moura Martins, chief executive of Mota-Engil Group, said the company pulled the IPO because of “unsupportive market conditions”. However, he added: “In due time, whenever market conditions allow, the free float [of Mota Engil Africa] is expected to increase.”

Bankers estimate that the free float of Mota-Engil Africa is about 7 per cent of the company’s total capital. Another 13 per cent is controlled by the family behind Mota-Engil, and the rest is held by the parent company.

Mota-Engil Africa operates in 10 countries in mostly southern Africa, with a strong presence in fast-growing Portuguese-speaking Angola and Mozambique. The Lisbon-based company reported net profit of €104.9m last year, up 33 per cent from €78.6m in 2012. Sales hit €1bn last year and earnings before interest, tax, depreciation and amortisation rose to €243m, up from €158m in 2012.

Portuguese construction groups have rapidly expanded through the country’s former African colonies Angola and Mozambique, benefiting from rapid economic growth fuelled by the discovery of oil and natural gas and the reconstruction of infrastructure after decades of civil war. On top of Mota-Engil, rival Portuguese groups Teixeira Duarte and Soares da Costa also operate in southern Africa.

Angola accounted for half the sales of Mota-Engil Africa in 2013. The Mota-Engil was originally founded in Angola in 1946 as a timber company and only later expanded into construction.
African officials and executives say the continent would be a magnet for construction groups. They forecast the region needs to build 37,300km of modern highways over the next 25 years and an additional 30,200km of modern railways. Africa also needs to expand ports and build new dams.
Among Mota-Engil's top clients are Vale, the Brazilian mining group with operations in Mozambique, Angola's state-owned oil company Sonangol, US oil group Chevron, engineering company Bechtel and Dubai's DP World. *(Financial Times)*

Government of Angola wants trains to reach all provincial capitals

The government of Angola intends to make railways reach all of the country's provincial capitals, as part of a project involving the construction of 10,600 kilometres of railway lines costing US$50 billion, a sector official said.
The Director General of the Angola National Institute of Railways (INCFA), Júlio Bango Joaquim, told Angola National Radio about the long-term project for the expansion of the network, involving the reconstruction of three existing lines – Luanda, Benguela and Moçâmedes – achieved in recent years.
"This way, we will have the country fully crossed by a railway network, which will allow all provincial capitals to be covered," said the official.
Stressing that this is something to develop in the "long term" with an estimated cost of "US$50 billion," the Director General of the Angolan National Institute of Railways said the project included connection to the rail networks of the Democratic Republic of Congo, Zambia and Namibia.
The aim, in addition to expanding passenger transport to the interior of the country, connecting the lines that now run in the cities of Luanda, Lobito and Namibe, involves integration of freight transport, rail and road networks, ports and logistics platforms along the borders with neighbouring countries.
As part of this strategy, according to the director of INCFA, the feasibility study to expand the rail network in the north, involving the provinces of Uige, Zaire and Cabinda has already been completed. *(Macauhub)*

World Bank Group to provide $1.2 billion to improve infrastructure and competitiveness of East African Community

The World Bank said today that it will provide $1.2 billion to support infrastructure development and improve the competitiveness of the East African Community (EAC) states.
In addition, through IFC and MIGA, the World Bank Group will provide additional resources for regional infrastructure through market-driven private sector financing and guarantees.
The financing will contribute to the EAC states' planned investments in the next three to seven years. This support is additional to large ongoing individual country programs.
"We are partnering with the EAC governments, other development partners and the private sector to invest in regional infrastructure and to help deepen policy integration and reduce barriers to trade in the EAC," said Philippe Dongier, World Bank Country Director for Burundi, Tanzania and Uganda, during the EAC Heads of State retreat in Nairobi. "We are preparing investments to revive the region's inland waterways on Lakes Victoria and Tanganyika, and to enhance the capacity and efficiency of the two main EAC ports on the Indian ocean: Dar-es-Salaam in Tanzania, and Mombasa in Kenya. We will also invest in specific transport links to better connect landlocked countries (Burundi, Rwanda, Uganda and South Sudan) to the Northern and Central corridors, this way improving these countries' access to the ports of Mombasa and Dar-es-Salaam."
The retreat on Infrastructure Development and Finance focused on policies and reforms necessary to strengthen regional integration through enhanced efficiency of infrastructure investment and financing.
"Working with private sector partners, IFC is already investing more than $1.0 billion annually in Sub-Saharan African infrastructure to spur economic growth and improve living standards," said Oumar Seydi, IFC Director for Eastern and Southern Africa. "IFC intends to do more to support ports, power, rail, transport, and other key infrastructure projects in the East African Community in the years ahead."
The World Bank Group's investments and support to reforms anticipate the boom of extractives in the region and will facilitate easier movement of people, goods and capital. The Bank Group will continue to support the EAC efforts in removing barriers to agriculture trade and selected services. This is expected to deliver real benefits to farmers, traders, youth and women in the region.
The retreat was officially opened by Kenya's Deputy President William Ruto. Participants include the EAC Heads of State or their representatives, ministers, chief executives of development banks and regional economic communities, high commissioners, ambassadors and private sector leaders.

World Bank Group portfolio in the EAC

The World Bank is already supporting the EAC's regional integration agenda with investments of $2.3 million in 17 regional projects in priority sectors. These include roads, railways, energy, information and communications technologies, finance, trade, health, agriculture, livestock development and health.
IFC presently has a portfolio of over $1 billion in EAC countries. Project support sectors include agribusiness, finance, infrastructure, manufacturing, services, and telecommunications. IFC's infrastructure portfolio in East Africa includes

investments in Kenya Power and Lighting, Thika Power and Gulf Power in Kenya; and the Bujagali Hydropower Project and Umeme in Uganda.
MIGA's portfolio in the EAC includes 11 projects, amounting to a gross exposure of $550 million. MIGA's support for the energy sector is particularly noteworthy and includes guarantees for the Gulf, Thika, Triumph, and OrPower 4 independent power producers in Kenya; KivuWatt Ltd. in Rwanda; and Bujagali and Umeme in Uganda.
The Bank Group is also using its knowledge resources and experience to assist the EAC member countries in analytical work and policy reforms that are critical to unleashing the region's growth potential and increasing its global competitiveness in trade and investment

MINING

Mining companies operating in Angola will be exempt from customs duty

Mining companies in Angola will benefit from customs exemptions in the coming years, the director of the Office of Mining Negotiations and Concessions of the Ministry of Geology and Mines, Antonio Cassoma said in Luanda.
Cassoma met with mining operators to identify the products that should be exempt and receive tax benefits so that, through a government decree, the list of goods without customs charges can be issued.
"The mining law, on approval, established a set of benefits for companies, they and they should propose a list of equipment that should be exempted from customs duties," Cassoma said cited by state daily newspaper Jornal de Angola.
At the meeting, the Secretary of State for the Budget, Alcides Safeca said the mining code was a management tool that ensured the implementation of development sector stability policies, in order to promote transparency and swiftness of investment projects.
"It is important to develop strategies that provide best business practices and efficient management systems, that make contributions to the economy," he said.
The Secretary of State for Mines, Miguel Paulino said in turn that the list "will allow the provision of an excellent service to mining operators, potential investors and other parties interested in operating in the mining sector." *(Macauhub)*

Britain's Gemfields finds 40-carat ruby in Mozambique

British gem mining company Gemfields has discovered an "exceptional" ruby with 40 carats (8 grams) in the rough in the Montepuez mine in the province of Cabo Delgado, northern Mozambique, the company said in London. The company, which owns the world's largest emerald mine in Kagem, Zambia, also announced that this ruby would be sold at auction in Singapore in December, the second time this year that Gemfields will take its rubies to auction. "This gem will set a new benchmark for the quality of African rubies and makes Montepuez mine the most significant reserve under development in the world," the statement said. According to Gemfields, the area of 340 square kilometres of the Montepuez project is the world's largest ruby concession in private hands and "has proven to be one of the most productive." In an auction held at Sotheby's in Geneva on 12 November an 8.62 carat ruby from London jewellers Laurence Graff was sold for US$8.56 million, which was a new record. *(Macauhub)*

Endiama partners private companies to mine diamonds in Angola

Angola's state diamond company Endiama and private comapnies Lukapa Diamond and Rosa e Pétala have signed an agreement for diamond prospecting in the Lulu concession, in Capenda Camulemba, in Angola's Lunda Norte province, according to the Angolan press. The five-year agreement should provide diamond production worth US$40 million a year. Endiama chairman Carlos Sumbula said aero-magnetic surveys had revealed the occurrence of more than one hundred kimberlites, of which just five are economically viable. "We are explore the kimberlites and, simultaneously, continue with prospecting work, which will create 200 jobs," he said. The Lulu concession is 32-% owned by Endiama 32%, 40 % by Lukapa Diamond and Rosa e Pétala owns the remaining 28 %. *(Macauhub)*

Glencore's new low-cost Tweefontein coal mine coming in below budget

The new coal emerging from Glencore's on-time, 85%-complete, R8.213-billion Tweefontein Optimisation Project (TOP) is coming in under budget. The project has delivered a low-cost, long-life brownfield expansion that has elevated Tweefontein into a modern, predominantly opencast operation that mines the rich pillar reserves that were left behind in discontinued underground workings. TOP's mining segment is already close to steady state and by August the project's new high-capacity washing plant will have fully ramped up to 12.5-million tons of run-of-mine coal a year, TOP GM Allen Butcher told Mining Weekly Online during a site visit.
The first two of a total of seven openpit operations are already producing at the operation, which is on the way to becoming Glencore's second-largest coal operation after Optimum Coal. Mining, which began at Tweefontein at the turn of the last century, will continue for the next 24 years on a mine authorisation area covering 113 km2.

Seventy five per cent of the more than seven-million tons of saleable coal that will be produced is destined for the export market and the remainder for the domestic market, with most of the domestic coal going to State electricity utility Eskom, which the London-, Hong Kong- and now also Johannesburg-listed Glencore group goes all out to assist.
On completion of the project in May/June, Tweefontein will be employing 750 full-time employees, many of them redeployed from Tweefontein's closing underground operations.
Most of the employees at the operation, which is located 110 km north-east of Johannesburg, near the town of Ogies in Mpumalanga province, live in surrounding areas and there is no hostel environment. "We have a policy of recruiting in local communities," Butcher told Mining Weekly Online. The group has a centralised training facility 10 km from Tweefontein, where mining operators and plant operators are trained. Mining equipment, bought for R1.5-billion, includes a large 1570 Bucyrus dragline, which will move huge volumes of material at optimal efficiency in the large pits. The truck-and-shovel mining method, which has already been deployed in the first two pits, is earmarked for use in the smaller pits.
The productivity of mining equipment is measured across the Glencore group monthly, taking in the company's coal operations in Australia, Colombia and South Africa. Output is measured in bank cubic metres (bcm) against the nameplate capacity of the equipment used. The target for the dragline is to achieve 2 000 bcm an hour, while the target for the bigger shovels is 1 100 bcm an hour and 750 bcm an hour for the smaller shovels.
Caterpillar supplied most of the rubber-tyred mobile equipment and dozers and Hitachi the excavators and backhoes.
Topsoil fleets are made up of 85 t excavators and 40 t articulated dump trucks and the primary loading fleet is made up of 260 t backactors, 350 t face shovels and a 200 t class front-end loader.
Although in-house crews do most of the maintenance, upkeep of large haul trucks has been contracted out to Barloworld and the upkeep of the large excavators to Hitachi – contracts that will be exited once the company is in steady state and has completed the building of its own large workshop facilities. A big eight-bay workshop, which is still under construction, includes a tyre-handling facility, a million-litre fuel and lubrication service station, offices and a dragline section.
The R2-billion worth of operating infrastructure, which includes a high volume tip that feeds a run-of-mine facility designed to handle pillared coal, has been built along a dyke to avoid the sterilisation of coal reserves. Project house DRA designed and built the R3.5-billion double-stage cyclone coal plant, which is similar to four others in the Glencore group, two in Australia and two in South Africa.
A rapid loadout facility feeds the rail siding that connects the mine to the Richards Bay Coal Terminal (RBCT), the coal-export port in KwaZulu-Natal where Glencore is the largest shareholder. Once the coal is extracted, the pits are backfilled as part of a rehabilitation process. During the visit of Mining Weekly Online, rehabilitation was already under way in the two fully developed pits, where the first cuts have been filled, levelled, top soiled and seeded *(Mining Weekly)*

Mozambique concludes regulations of the mining and oil laws

The Mozambican government is in the final phase of drawing up regulations for the Mining and Oil laws, the Permanent Secretary of the Ministry of Mining Resources said in Maputo.
Alfredo Nampete, who spoke on behalf of the Minister of Mining Resources, Esperanca Bias, said "after the adoption of laws and tax regimes by Parliament in August and September this year, we are now completing the drafting of the regulations, which should be ready by the end of this year."
According to the Permanent Secretary, the regulation is being drawn up with the assistance of mining and oil sector operators, as well as with civil society. *(Macauhub)*

Thai Moçambique Logística promises low-cost solution for transporting Mozambican coal

The Thai Moçambique Logística consortium will create a "low cost logistics solution" to transport coal mined in Mozambique, particularly in Tete province, the consortium's chief executive said in Maputo.
Almost a year after winning the tender launched by the government for the development and operation of a deep water port in the town of Macuse, in Zambezia province, and a railway line connecting the region to the Moatize coal basin in Tete the consortium of Mozambican and Thai investors has given assurances that it has a "solution" to the logistical challenges faced by the Mozambican coal sector, which it compared to low-cost civil aviation companies.
"If you were to compare our project with some airlines, I'd say that we achieve the essential objective of being the 'low cost' logistics solution for the Moatize basin," said José Pires da Fonseca, during a conference on the coal sector, recently held in Maputo.
For the former director of CP Carga, of Portuguese state railway company Combois de (CP), the project's has the "objective of transporting volume," which can only be achieved with a "high performance corridor from a technical point of view," that ensures transport costs "tend to stay more competitive."
With feasibility, environmental and social impact studies still underway, José Pires da Fonseca said he believed the time is not right to reveal information about the route of the project but, given the information released by the government on the launch of the concession the railway line will be between 500 and 600 kilometres long.
"Let's find the shortest route between the Moatize basin and a deep water port," he said, adding that the railway would be comparable "to any international operation, such as in Australia, Brazil and other countries that compete

Mozambique" in the coal market . But for this to happen, the railway line will have to guarantee capacity to carry over 20 million tons, with an "international gauge that allows the circulation of 32 tons per axle trains," which, in terms of load, could mean "a first phase," of 25 million tons per year. "From there up to 50 million tons the difference is very small," said Pires da Fonseca, indicating that the "logistics project will have to be adjusted to the prices of low-quality products," referring to thermal coal, which is less valuable than the metallurgical variety. Bringing together Thai company Italthai Industrial Company Limited, with a 60 % stake, Mozambican state port and railway company CFM, with 20 %, and business group Zambezia Development Corridor (Codiza), also with 20 % , Thai Mozambique Logistics will compete directly with the Sena Railroad, linking Tete to the port of Beira, in Sofala province, and the Nacala Corridor, which will soon be opened linking the Moatize region to the deep water port of Nacala-a-Velha, in Nampula province. Operated by CFM and 575 kilometres long, the Sena line is currently the only railway solution for transporting Moatize coal, albeit with a load capacity far below the needs of the mining companies operating in this region: about 6.5 million tons. The Nacala Corridor, which stretches for 912 kilometres crossing through Malawi, with a transport capacity of 18 million tons per year, is operated by Brazilian mining company Vale Moçambique (70 %) and CFM (30 %). *(Macauhub)*

Italy's ENI announces gas exploration model in Mozambique soon

Italy's ENI group is about to make a final decision on the project to build a floating platform for processing natural gas to be extracted in northern Mozambique, a group official said in Paris.

On the sidelines of an international conference on liquefied natural gas, Steve Ratcliffe, senior vice president for the gas sector, said the investment decision would be the last official step before the project starts.

Ratcliffe said that in addition to the final investment decision, there were still aspects such as estimating costs and other issues that had yet to be completed.

"We hope to be able to prove the competitiveness of our project," said Ratcliffe, admitting that a continued drop in oil prices, which have fallen 29 % in the last twelve months, would reduce the contract prices of liquefied natural gas.

Ratcliffe urged the government of Mozambique not to allow approval of the natural gas projects to drag on, noting that the current market may not be the same after 2020, due to a possible slowdown in the growth of Asian economies, the main markets interested in buying Mozambican natural gas.

With a potential for exploration of about 180 trillion cubic feet of natural gas, projects led by Anadarko Petroleum and ENI may place Mozambique among the largest exporters of liquefied natural gas, with the deadline for the start of commercial operation set by the companies and the Mozambican government at 2018. *(Macauhub)*

South Africa Economy Expands as Platinum Mines Restart Work

South Africa's economy grew 1.4 % in the third quarter after platinum mines restarted production following a five-month strike. Growth improved from an annualized revised 0.5 % in the second quarter and a revised 1.6 % contraction in the first three months, the statistics office said in a report released today in Pretoria, the capital. The median estimate of 21 economists in a Bloomberg survey was for 1.5 % quarterly growth. The economy expanded 1.4 % from a year earlier.

While Africa's second-largest economy is recovering from the longest stoppage in the mining industry that ended in June and a four-week strike at factories a month later, expansion remains too slow to cut into a 25 % jobless rate. Moody's Investors Service cited weak growth as a reason for downgrading the nation's credit rating this month to Baa2, the second-lowest investment grade. "The economy grew fairly well in the quarter, although we are not close to the rest of sub-Saharan Africa," Francois Stofberg, an economist at Efficient Group, by phone from Pretoria. "The momentum that has to carry us forward is there."

The economy of 3.53 trillion rand ($321 billion) was 4.4 % larger in 2013 than previously calculated after rebasing the data to 2010 and adding categories, the agency said. This may lower the the country's debt as a percentage of GDP.

'Looks Better'

"The economy looks better on paper, but it will not really mean much for government finances, even as our debt and deficit ratios will look somewhat better," Christie Viljoen, and economist at NKC Independent Economists, said by phone from Paarl, near Cape Town.

The rand reversed losses after the figures were released and was trading less than 0.1 % stronger at 11.0155 per dollar by 12:20 p.m. in Johannesburg. The yield on the benchmark rate bond due in December 2026 rose five basis points to 7.79 %.

Platinum-mining companies started returning to normal production at the world's biggest mines in the third quarter, leading to annualized growth of 1.6 % from the previous three months. A walkout by metals and engineering industry workers in July for higher pay stifled factory output, resulting in a 3.4 % contraction.

Power Woes "Hopes had been resting on these sectors to create some sort of escape velocity for the economy," Razia Khan, head of research at Standard Chartered Plc in London, said in an e-mailed note. Fourth-quarter "performance is likely to be limited by Eskom's woes and the need to curb electricity consumption," she said.

Utility Eskom Holdings SOC Ltd. (TKG) has resorted to scheduled outages as it struggles to meet demand for electricity with aging power plants.

The economy is forecast by the government and central bank to expand 1.4 % this year after growing 2.2 % in 2013. That would be the slowest pace since the recession in 2009.
The GDP data was revised from 2002 after the statistics agency updated its measurement to include new categories and changed the reference year to 2010. The figures now include spending on research and development, employee stock options and purchases of weapon systems, according to the agency. "South Africa's revisions tend to be relatively minor compared to the type of revisions we've seen in the rest of Africa," Goolam Ballim, chief economist at Standard Bank Group Ltd., said by phone from Johannesburg before the data was released. A similar rebasing exercise in Nigeria boosted the size of that economy by more than three-quarters, pushing it above South Africa as the continent's largest. Kenya's GDP was estimated to be 25 % bigger after the data was overhauled in September. *(Bloomberg)*

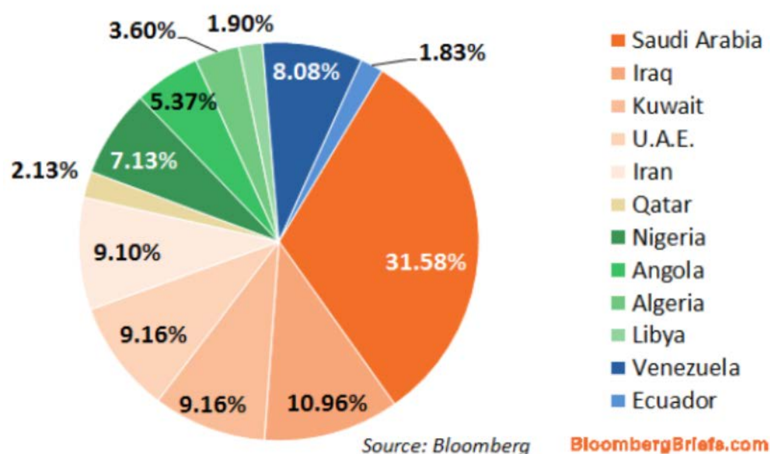
OIL & GAS

Sasol Falls Most Since 2008 as U.S. Plans Face Oil Pressure

Sasol Ltd. (SOL), the world's largest producer of motor fuel from coal, fell the most in six years as oil's slump to a five-year low put pressure on spending plans.
The Johannesburg-based company, which manufactures synthetic fuels from coal and gas, finalized plans last month to build an $8.1 billion plant in the U.S. that will convert natural gas into plastics and other chemicals. Sasol fell 41.05 rand, or 8.2 %, the most since December 2008, to close at 461.95 rand in the city.
Brent crude fell the most in three years yesterday to the lowest close since August 2010 after the Organization of Petroleum Exporting Countries decided to keep production steady at yesterday's meeting in Vienna, resisting calls from Venezuela to cut output. Sasol's revenue is linked to the dollar price of oil.
The drop in crude is the key factor pulling Sasol's stock lower, Mohamed Kharva, a research analyst for Nedbank Capital, said in an e-mail response to questions. "It's all a serious concern as they have a huge capex program ahead."
Sasol fell 10 % in October and is down 16 % this month. Yields on dollar bonds due November 2022 rose two basis points to 4.42 %, the highest on a closing basis since June 12. Brent crude rose 58 cents to $73.16 a barrel in London, bringing its decrease this year to 34 %.
Diversifying Business
"The presently lower oil price does not pose a risk for investors in Sasol's bond," Acting Chief Financial Officer Paul Victor said in a Nov. 24 e-mailed response to questions. The fuel producer is considering bringing back an oil-hedging program after years of suspending it because shareholders wanted exposure to crude-price movements, he said.
Sasol needs to raise as much as $7 billion to build the ethane cracker in Lake Charles, Louisiana. The company received offers from a syndicate of international banks for a dollar-based term-loan facility and is entering into binding commitments, Victor said. Sasol expects to reach financial close by mid-December, he said.
While the crude selloff is weighing on Sasol's stock, moves to diversify operations with U.S. projects will be beneficial, Sean Ungerer, a Johannesburg-based analyst at Avior Research (Pty) Ltd, who rates the stock outperform, said. The chemical facility and a proposed gas-to-liquids plant at the site, which the company will decide on in 2016, are set to gain from a jump in natural gas output from shale formations in North America.
Capital spending over the next three years will increase earnings with less reliance on fuel production in South Africa, "which is good," Ungerer said in an e-mailed response to questions. *(Bloomberg)*

Nigeria Expands Share of OPEC Output

Nigeria increased its share of OPEC output last month. Nigeria's share increased to 7.13 % of the group's total production compared with 6.75 % in October.



Libya Production Drops 32 % to 580,000 B/D, Lowest in 14 Months

PRODUCTION ('000 b/d)	TICKER	CURRENT MONTH	LAST MONTH	CHANGE	% CHANGE	CAPACITY
Total OPEC-12	OPCRTOTL Index	30,560	30,984	-424	-1.37%	37255
Saudi Arabia	OPCRSAUD Index	9,650	9,750	-100	-1.03%	12500
Iraq	OPCRIRAQ Index	3,350	3,300	50	1.52%	3650
Kuwait	OPCRKUWA Index	2,800	2,850	-50	-1.75%	3500
U.A.E.	OPCRUAE Index	2,800	2,850	-50	-1.75%	3250
Iran	OPCRIRAN Index	2,780	2,780	0	0.00%	3000
Venezuela	OPCRVENZ Index	2,470	2,469	1	0.04%	3000
Nigeria	OPCRNIGE Index	2,180	2,090	90	4.31%	2400
Angola	OPCRANGO Index	1,640	1,700	-60	-3.53%	1870
Algeria	OPCRALGE Index	1,100	1,100	0	0.00%	1200
Libya	OPCRLIBY Index	580	850	-270	-31.76%	1550
Qatar	OPCRQATR Index	650	690	-40	-5.80%	780
Ecuador	OPCRECDR Index	560	555	5	0.90%	555
Total OPEC-11	OPCREXIQ Index	27,210	27,684	-474	-1.71%	33605

RETAIL

Truworths Expands South Africa Kidswear With Naartjie Deal

Truworths International Ltd. (TRU) agreed to buy the South African clothes-retail business of Naartjie, boosting its childrenswear offering with a second acquisition in as many months.

The purchase for an undisclosed cash amount will add a network of 26 South African stores to Truworths' 600 across the country, the Cape Town-based company said in a statement today. The deal has been approved by courts in the U.S., where Naartjie's closely-held owner Naartjie Custom Kids Inc. is in bankruptcy proceedings.

South African retailers have been struggling to grow organically as high inflation and unemployment of more than 25 % hurt consumer spending. Truworths announced the purchase of high-end kidswear chain Earthchild Clothing (Pty) Ltd. on Oct. 7, also without stating the price. The company generates most of its sales on credit, which has been in short supply as customers battle to pay back loans.

"Naartjie has excellent growth potential after an initial consolidation phase and will reinforce our growth prospects in the kidswear market," Truworths Chief Executive Officer Michael Mark said in the statement. "Earthchild and Naartjie together with our highly successful L.T.D Kids range enhance the Truworths children's emporium brand appeal."

The company plans to improve Naartjie's finances before adding stores and introducing a credit facility, Truworths said. It will then consider expansion outside South Africa, where the retailer has stores in countries including Nigeria, Namibia and Botswana.

U.S. Investors

Truworths shares gained 3.2 % to 75.52 rand at the close in Johannesburg, the biggest jump in three months. The company had cash of 1.6 billion rand ($146 million) as of the end of June, about 20 % more than a year earlier.

Naartjie, an Afrikaans word for a type of citrus fruit, was started in Cape Town in 1989 and taken over by U.S. investors in 2001, according to the company's website. Naartjie Kids USA, based in Salt Lake City, has 55 stores and an e-commerce business shipping clothes to more than 200 countries. The U.S. assets aren't included in the Truworths acquisition. *(Bloomberg)*

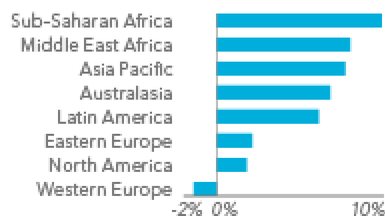
Retailing in Sub-Saharan Africa

Retailing in Sub-Saharan Africa, with 10% CAGR for 2008-2013, showed the fastest growth globally, driven by socioeconomic factors, such as rising GDP, consumer expenditure and increasing urbanisation. Disposable income in Africa's largest cities is rocketing, creating a favourable playground for retailers. Encouraged by these developments, international companies, including Shoprite Holding Ltd, Wal-Mart Stores Inc and Internationale Spar Centrale BV, plan further expansion in the region.

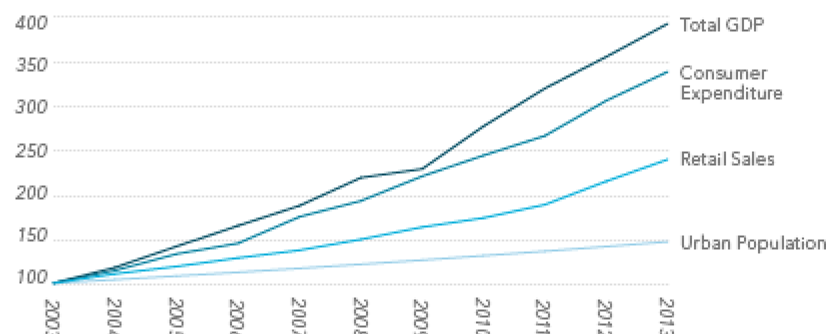
DATAGRAPHIC RETAILING

Sub–Saharan Africa: The Next Retailing Frontier?

Africa's Fast Growth
Retail Growth Regional Comparison
% CAGR 2008-2013

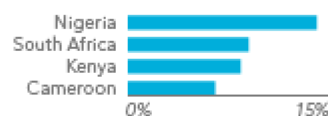


Socioeconomic Factors Drive Retail
GDP, Expenditure and Urbanisation's Role
growth index

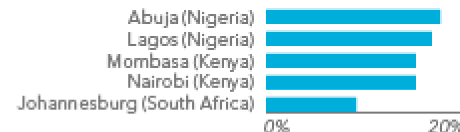


Top Retailers in Africa
Total Sales by Retailer
retail sales US$ million

Retail Rises in Africa
Growth in Key African Countries
% CAGR 2008-2013



Income Rise in African Cities
Annual Disposable Income
% CAGR 2008-2013



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FOOD & BEVERAGES

SABMiller has large appetite for Africa's soft drinks market

SABMiller, the UK-based brewer, raised a Thanksgiving Day toast to seal a deal that will make it Coca-Cola's biggest bottler in Africa. The tie-up will help rationalise Coca-Cola's fragmented bottling structure on the continent, while giving SABMiller greater exposure to the fast-growing soft drinks market.

Under the terms of the deal, Coke's five south African bottlers will be absorbed into one joint venture, which will be dominated by the UK-based brewer. It will have revenues of $2.9bn and operating profits of $505m.

But a question hanging over the deal is the extent to which the world's second-largest brewer will be able to extract synergies. The answer appears to be very little, given the disclosure that its beer and soft drinks operations would be run separately.

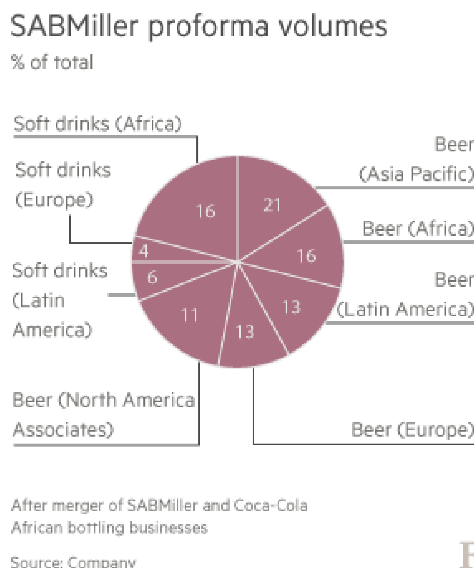
Alan Clark, SABMiller chief executive – who once headed the group's soft drinks operation – said: "We're not going to be looking for strong synergies, particularly in sales and distribution. And probably even manufacturing."

That came as a disappointment to analysts. Trevor Stirling, analyst at Bernstein Research, said: "While the combination makes sense operationally, the upside for SABMiller shareholders will not be as great as one would have hoped. The businesses will still be run separately – probably a stipulation made by Coca-Cola which has traditionally been touchy on the subject. So the potential prize of merging beer and soft drinks in sub-Saharan Africa will be left on the table."

Coca-Cola's 113-year-old bottling model splits ownership of the brand and concentrate from capital-intensive bottling and logistics, the bulk of which is handled by independent franchises.

Traditionally, its preference has been to award franchises to those dedicated to Coca-Cola's drinks, such as South Africa's Gutsche family.

Their Coca-Cola Sabco business has been loyally bottling Coke's brands for the past 74 years and is its second-largest bottler in South Africa. It also has operations in Mozambique, Namibia, Tanzania and Uganda. The family will take a 31.7 per cent stake in the joint venture.



The Atlanta-based company – in the US's Bible Belt – has traditionally been chary of awarding brewers the Coca-Cola franchise, fearing potentially competing interests, or simply a lack of dedication to Coke brands.

But the exceptions are many, including Dutch brewer Heineken and SABMiller, as well as Castel, the French drinks group that has a cross-shareholding agreement with SABMiller.

SABMiller has also been diffident about its relationship with Coca-Cola, tending to regard soft drinks as an adjunct to its core brewing operations. Under the late Graham Mackay, the pioneering force behind SABMiller's internationalisation, the relationship had some low points – usually over the extent of profits that SABMiller was allowed to extract from a relationship that dates back to 1977.

Nevertheless, it bottles 55 per cent of Coca-Cola's volumes in South Africa, reflected in its 57 per cent shareholding in the joint venture.

Mr Clark, who took over from Mr Mackay last year, has made his first big strategic decision as chief executive to squash that ambivalence in deciding to commit to soft drinks by strengthening the relationship with Coca-Cola.

The three main reasons for this are.

First, sales of mainstream lager are flagging in the face of the slowdown in demand in emerging markets and stagnant or falling volumes in developed countries. But soft drinks have been fizzing. Lager sales fell 1 per cent in the six months to the end of September, but soft drinks rose 9 per cent.

Second, SABMiller's exposure to soft drinks increased after it took a 24 per cent stake in Turkey's Anadolu Efes brewer that in turn owns 51 per cent of Coca-Cola Icecek – the Coke bottler in Turkey, the Middle East and central Asia.

Soft drinks account for 21 per cent of SABMiller's volumes and this will rise to 26 per cent under the joint venture.

The downside is that SABMiller's 19 per cent soft drinks profit margins will, at least initially, be diluted. But return on capital will be higher compared to beer, because soft drinks is a less capital-intensive business.

Third, the agreement will give SABMiller access to more countries in Africa, seen as the most promising long-term market because of its favourable demographics and fast-growing economies.

For Coca-Cola, Africa could help balance the decade-long decline in its core US business and help Muhtar Kent, chief executive, deliver on his 2020 growth plan.

Nathan Kalumbu, president of Coca-Cola Eurasia and Africa, said: "Africa is about 10 per cent of the Coca-Cola company's revenue and volume and it has the potential to double that contribution. Our 2020 vision was to double our business in Africa by 2020 and we are well on the way."

The deal also enables Coca-Cola to continue its policy of diversifying from its core Coke product because it will acquire or license rights to 20 SABMiller soft drinks brands, including Appletiser. *(Financial Times)*

TELECOM

Alcatel, Ooredoo Algeria Deploy Africa's First 400G Ultra-Broadband Network

Alcatel-Lucent and Ooredoo Algeria, a subsidiary of Ooredoo group, have built a high-capacity optical transport network to connect Algeria's main cities of Algiers, Constantine and Oran. The high-speed ultra-broadband will also cut across smaller cities.

This capacity switch is to address the booming demand for high-bandwidth mobile data services such as high-definition video streaming, next-generation mobile broadband applications and cloud services. It will provide improved services to residential and business customers on their smartphones, tablets and other connected devices.

"Thanks to 400G and the efficiency of OTN sub-wavelength grooming, Ooredoo Algeria's new network will support the booming explosion of data traffic generated by the proliferation of mobile devices such as smart phones and tablets and do so in the most economical way," said Pierre Chaume, Vice-President, Alcatel-Lucent Middle East & North Africa. The Agile Optical Network which is Africa's first Alcatel-Lucent 400G, will be fully operational before the end of 2014. Network capacity and performance will take advantage of unique Bell Labs silicon innovations to support data speeds of 400 gigabits-per-second on each of the 88 wavelengths. Chaume expressed Alcatel's pride at the partnership with Ooredoo. He assured that Alcatel will work towards enabling Ooredoo Algeria to be the first service provider to deploy high quality service solution in Africa. *(Ventures Africa)*

Africell Seeks U.S. Private Equity
Largest Mobile-Phone Operator in Sierra Leone and Gambia Hopes to Sell Stake
Africell Holding, the largest mobile-phone operator in Sierra Leone and Gambia, is courting U.S. private-equity firms including Providence Equity Partners LLC, KKR & Co. and Carlyle Group LP, hoping to sell a stake in the company, which is valued by the owner at up to $1.5 billion. Ziad Dalloul, who is based in Lebanon, founded Africell in 2000. The company also operates in Democratic Republic of the Congo and this year bought the operations of Orange in Uganda. Providence is particularly interested, Mr. Dalloul said in an interview in London.
As parts of Africa including Sierra Leone and DRC, where Africell has large operations, continue to battle the outbreak of the Ebola virus, Mr. Dalloul says his priority is to maintain a good level of service. Providence made its first African investment earlier this year, buying a stake in Helios Towers Africa, which operates telecommunications towers in countries including Congo. KKR also made its first African investment this year. Carlyle, which has a $698 million African fund, this week agreed to buy stakes in Nigeria's Diamond Bank PLC and in Tiger Automotive, a South African tire retailer. "I think they got more comfortable with doing business in Africa," Mr. Dalloul said of the U.S. private-equity firms' increasing deal-making. "They are showing interest," he added. "Africa is changing and changing fast."
Providence, KKR and Carlyle declined to comment. Africell plans to add operations in two more countries in the next three years, Mr. Dalloul said. Africell has more than 10 million customers and predicts that revenue of $200 million in 2014 will grow by 60% next year. The company predicts earnings before interest, taxes, depreciation and amortization of $67 million in 2014 will increase to $125 million in 2015. Africell may be ready to sell shares to the public in 2017, Mr. Dalloul said. *(Wall Street Journal)*

American Tower Buys Bharti's Nigerian Telecom Towers for $1 Billion
India-Based Telecom Operator Sells 4,800 Towers to U.S. Infrastructure Group
Bharti Airtel Ltd , India's biggest telecommunications company, has agreed to sell its telecommunications towers in Nigeria to American Tower Corp. for $1.05 billion.
The move will help the Indian group reduce its heavy debt while significantly expanding American Tower's presence in Africa, marking its first entry into Nigeria, the continent's most populous country.
Bharti Airtel International Netherlands B.V., the holding company of Bharti Airtel's African operations, will sell 4,800 towers and then lease them back from American Tower for 10 years, the two companies said in a joint statement.
American Tower in a filing to the Securities and Exchange Commission in the U.S. said the total consideration for the deal is expected to be $1.05 billion. "The agreement will allow Airtel to focus on its core business and customers, enable it to deleverage through debt reduction and will significantly reduce its on-going capital expenditures on passive infrastructure in Nigeria," Bharti said in a statement released to a stock exchange in Mumbai.
Nigeria is the biggest market within Bharti's African operations. Boston., MA-based American Tower Corp. is an independent telecommunications and broadcast real-estate company which owns, operates and develops about 70,000 towers for cellphone companies and television stations. This deal will mark American Tower's first foray into Nigeria. It already has operations in Ghana, South Africa and Uganda.
Bharti and American Tower expect to close the transaction during the first half of 2015, subject to regulatory approvals, the company's joint statement said. Bharti's profits have been under pressure since 2010 because of high interest costs on the loans it took to buy the African operations of Mobile Telecommunications Co.
The New Delhi-based company—which is about 32%-owned by SingTel --has been selling stakes in itself and its unit to pay off some of those loans. In July, it had agreed to sell 3,000 telecom towers to Helios Towers Africa for an undisclosed amount. Later in September, it signed sale-and-leaseback agreements for about 3,500 towers to Eaton Towers Ltd. *(Wall Street Journal)*

AGRIBUSINESS

World Bank and Japan provide US$13 million for irrigation in Mozambique
The World Bank and Japan contributed US$13 million of the US$90 million needed to carry out Mozambique's Sustainable Irrigation Development Project (Proirri), said the coordinator of the project, Manuel Magombe.

The project, which intends to cover 5,500 hectares by 2017, in the provinces of Manica, Sofala and Zambezia, in central Mozambique, will have a first phase with 12 irrigation systems, including eight in Manica, covering a total of 193 hectares, two in Sofala to cover 160 hectares and an equal number in Zambezia for 210 hectares.
The project coordinator told Mozambican daily newspaper Notícias that 60 million meticais would be invested in two irrigation systems, covering 150 hectares, in the districts of Nhamatanda and Buzi for this campaign.
In Zambezia province the first irrigation project is located in Change-Macequesse, where farmers will plant cane sugar in an area of 60 hectares, the products of which will be sold to the Mafambisse sugar factory in Dondo, owned by Açucareira de Moçambique. *(Macauhub)*

European Union and Guinea-Bissau renew fisheries agreement

The European Union (EU) and Guinea-Bissau signed a new three-year protocol as part of the Fisheries Partnership Agreement between the two, the European Commission said in Brussels.
Vessels from the 28 Member States of the EU, mainly from Spain, France, Greece, Italy and Portugal, will now resume fishing in Guinea-Bissau waters after a break of two years because of the April 2012 coup d'etat.
The new protocol will allow 40 EU vessels to operate in Guinea-Bissau waters, in exchange for annual compensation of about 6 billion CFA francs (9.2 million euros).
Part of this compensation, almost 2 billion CFA francs, will be applied to development of national fishing by boosting Guinea-Bissau's capacity for monitoring, control and surveillance of fisheries, as well as encouraging scientific cooperation, improving sanitary checks and providing support for artisanal fishing.
In addition to the compensation fees will be paid by shipowners for the licenses granted, which vary according to the type of ships and the quantities of fish. *(Macauhub)*

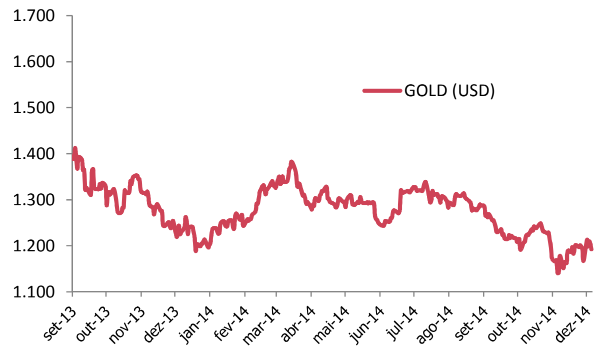
Food Security: How Will Sub-Saharan Africa Handle Soil Fertility Decline?

A recent East African workshop conducted in Nairobi by the United Nations University Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) discussed empirical assessments of sub-Saharan Africa's soil fertility which confirms a significant decline in soil fertility, the progression of which can worsen the food security situation in the region.
The workshop was set up to discuss and develop a joint research project across the region in order to stem the impact of climate change on soil fertility. Organizations represented at the workshop included the Food & Agriculture Organization (FAO), United Nations Environment Program (UNEP), the International Water Management Institute (IWMI) and several universities from the continent.
An initial review was conducted on current soil conditions and land use management in seven African nations including Kenya, Ethiopia, Nigeria, Mozambique, Namibia, Botswana, and Tanzania. The results confirmed that the decline in soil fertility and erosion, water scarcity, and inappropriate farming practices are part of the reasons for reduced food production from the region. "Results from the mapping assessment serve as a testimony that majority of countries in Africa need an extensive monitoring program to determine the impact of climate change on soil fertility, soil moisture and land degradation," said Dr Effiom Oku, Senior Research Fellow at the United Nations University Institute for Natural Resources in Africa (UNU-INRA).
Given that there are more than 60 million smallholder farmers in sub-Saharan Africa – a region highly dependent on agriculture – there is a need to urgently remedy the ill effects already caused by climate change. The World Bank estimates that irrigated lands may already be, on average, 7 % below their potential productivity, while rain-fed crops and range lands are about 14 % and 45 % below potential respectively.
Also, soils in sub-Saharan Africa have been found to be low in a number of chemical constituents such as phosphorus, sulphur, magnesium and zinc. Low amounts of soil organic matter (SOM) combined with poor land cover have resulted in poor soil structure, limited rooting depth and susceptibility to accelerated erosion, according to the World Bank.
In developed regions, challenges of this type have been remedied by adopting appropriate management practices hovering around the use of mineral fertilizers to meet plant requirements, and engaging biological processes to optimize nutrient recycling. Experts advocate for a hybrid of both practices which is known as Integrated Nutrition Management (INM). This approach combines mineral fertilizers with organic resources and reduces the risks of acidification, while increasing fertilizer use efficiency and ensuring a balanced diet, as it were, for the plants.
Given the grievous effects of climate change, the entire sub-Saharan region should be looking to engage a concerted effort in redeeming its soil, thus ensuring a continuous supply of food and wealth. *(Ventures Africa)*

MARKET INDICATORS
08-12-2014

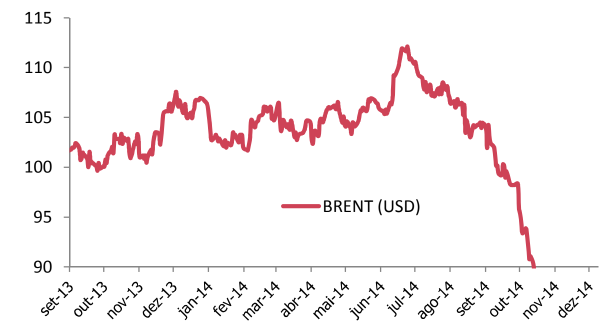
STOCK EXCHANGES		
Index Name (Country)	**08-12-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.510,89	26,64%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	244,17	46,58%
Case 30 Index (Egypt)	9.561,86	75,05%
FTSE NSE Kenya 15 Index (Kenya)	220,82	75,60%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.712,29	8,20%
Nigerian Stock Exchange All Share Index (Nigeria)	33.144,64	18,04%
FTSE/JSE Africa All Shares Index (South Africa)	49.413,90	25,89%
Tunindex (Tunisia)	4.976,20	8,65%

Source: Bloomberg and Eaglestone Securities



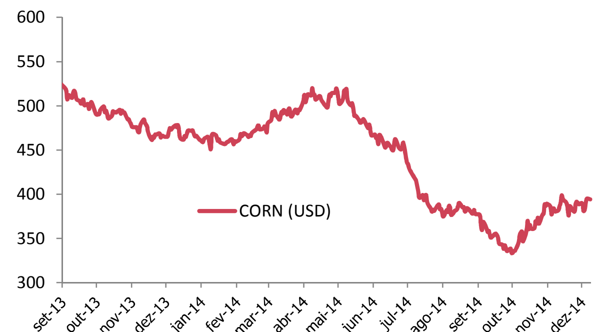
METALS		
	Spot	**YTD % Change**
Gold	1.196	-28,63%
Silver	16	-46,11%
Platinum	1.232	-20,02%
Copper $/mt	6.451	-18,66%

Source: Bloomberg and Eaglestone Securities



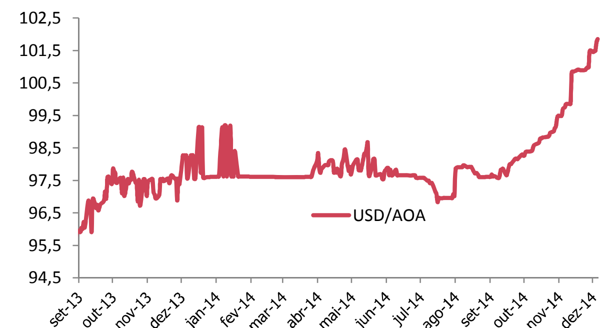
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	64,7	-30,54%
ICE Brent (USD/barril)	67,6	-37,66%
ICE Gasoil (USD/cents per tonne)	608,3	-33,58%

Source: Bloomberg and Eaglestone Securities



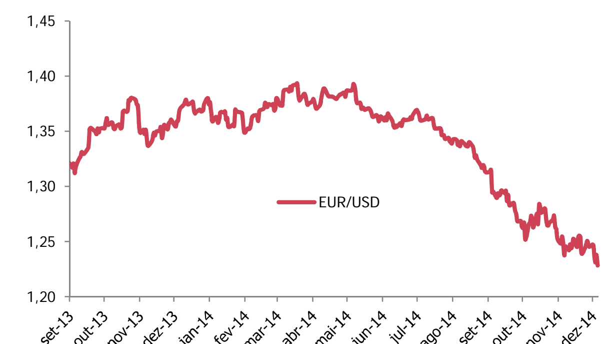
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	394,3	-43,70%
Wheat cents/bu.	589,0	-25,23%
Coffee (KC) c/lb	180,2	22,84%
Sugar#11 c/lb	15,3	-22,64%
Cocoa $/mt	2891,0	28,26%
Cotton cents/lb	60,0	-20,89%
Soybeans c/bsh	1031,8	-26,26%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	101,850
EUR	124,813
GBP	158,679
ZAR	8,889
BRL	39,332
NEW MOZAMBIQUE METICAL	
USD	32,150
EUR	39,215
GBP	49,855
ZAR	2,793
SOUTH AFRICAN RAND SPOT	
USD	11,459
EUR	14,044
GBP	17,852
BRL	4,425
EUROZONE	
USD	1,23
GBP	0,79
CHF	1,20
JPY	148,57
GBP / USD	1,56

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Business Success in Africa 9 December 2014 | Four Seasons Hotel The Westcliff, Johannesburg
This is Africa, in association with Board of Investment Mauritius, presents 'Business Success in Africa', a one-day summit discussing strategic partnerships for business growth across the continent.
http://event.ft-live.com/ehome/africabusiness/238107/?&

ANGOLA will host the 2nd AFRICAN URBAN INFRASTRUCTURE FORUM in Luanda from 19th -20th January 2015

INVESTING IN AFRICAN MINING INDABA 9-12 February 2015- Cape Town, South Africa
Investing in African Mining Indaba™ is an annual professional conference dedicated to the capitalisation and development of mining interests in Africa. It is currently is the world's largest mining investment event and Africa's largest mining event.
http://www.miningindaba.com/ehome/index.php?eventid=84507&

5th Africa Debt Capital Markets (ADCM) Summit 16th April, Washington DC, USA
Held during the World Bank & IMF meetings, the S"' ADCM Summit will apprise on Africas capital markets, showcase investment opportunities, and convey its position within the global context of financial markets

AFRICAN BANKER AWARDS 2015 – 21st May 2015
http://www.ic-events.net/awards/african_banker_awards_2014/index.php

World Economic Forum on Africa 2015, Cape Town, South Africa 3-5 June 2015
Then and Now: Reimagining Africa's Future
In 2015, the World Economic Forum on Africa will mark 25 years of change in Africa. Over the past decade and a half, Africa has demonstrated a remarkable economic turnaround, growing two to three percentage points faster than global GDP. Regional growth is projected to remain stable above 5% in 2015, buoyed by rising foreign direct investment flows, particularly into the natural resources sector; increased public investment in infrastructure; and higher agricultural production. *http://www.weforum.org/events/world-economic-forum-africa-2015*

7th African Business Awards 20th September, New York, USA
Designed to celebrate excellence in African business, the African Business Awards gala cocktail will be held during the UNs General Assembly and in conjunction with the African Leadership Forum and the UN Private Sector Forum. *www.ic-events.net*

2nd African Leadership Forum (ALF) 21st September, New York, USA
The 2nd ALF will discuss the role of leadership in driving transformative growth and development in Africa. It will be held in conjunction with the African Business Awards and the UN Private Sector Forum. *www.ic-events.net*

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Additional information is available upon request.

LONDON-28 Dover Street- T: +44 20 7038 6200

LUANDA-Rua Marechal Bros Tito n° 35/37 - 9th Floor B- Kinaxixi, Ingombotas-T: +244 222 441 362

LISBON-Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN-22 Kildare Road Newlands 7700- T: +27 21 674 0304

MAPUTO-Rua dos Desportistas Edificio JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM-Herengracht 450-454 1017 CA - T: +31 20 240 31 60

Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Services Authority. The first of its six Luxembourg based funds has received approval from la Commission de Surveillance du Secteur Financier.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

EAGLESTONE SECURITIES

Business Intelligence
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu

Guido Varatojo dos Santos
(+351) 211 214 468
guido.santos@eaglestone.eu