

# ARISAIG AFRICA DIARY

January 2010

ARISAIG  
PARTNERS  
INVESTMENT MANAGERS

The Africa Fund made a quiet start to 2010, dropping 0.3% in January. It was not an easy month for equities generally. Africa was spared the worst thanks in part to low volumes on its main exchanges and limited foreign involvement.

The performance of our stocks was sharply divergent. Some of our best performers of last year rolled over – Cashbuild fell by 5.1%, Spar by 2.6%, and Brasseries du Maroc by 6.7%. Other, smaller positions went like rockets – Tunisie Leasing rose by 14.1%, Unilever Nigeria by 24.1%. A couple of heavyweight positions did well too; East African Breweries rose 3.4% and Shoprite increased 4.5%.

## No Turkey Puns Here

Torquil, Suren, and Jonathan kicked off the year with a trip to Istanbul. Turkey, like other mainstream developing economies, was hit hard last year. Gross Domestic Product fell 6%.

Even as it did this, however, the Istanbul stock exchange was discounting a very robust recovery, advancing 101% (in USD) for the year. This was in spite of the Lira's poor performance versus the Dollar relative to other emerging markets currencies, weighed down by Turkey's perpetual budget and trade deficits.

We still like the market. Turkey's corporate culture is excellent – conservative, thoughtful, and alert to risks, as befits inhabitants of a high inflation, high volatility economy. It also enjoys relative excellence in education, democracy, quality of government, etc.

## Shopping in the Free World

Our 5.5% holding BIM Birlesik enjoyed a dream 2009. Its share price went up 122% and earnings advanced at a commensurate pace. We are forecasting 68% EPS growth for the full year. Its back-to-basics style suits the mood of the moment perfectly, and unsurprisingly it claimed the title of Turkey's largest food and beverage retailer during the year.

We are not worried that it will run out of "gas" when economic good times return. Its format is very well suited to the needs of rural migrants in freshly urbanising areas. It also has a lot of relevance to other countries in the region.

<b>FUND DETAILS:</b>		<b>PERFORMANCE:</b>	
as of 31 January 2010		3 year:	-5.2%
		2 year:	-21.7%
NAV (US\$):	10.86	1 year:	+30.7%
SIZE (US\$M):	159.2	6 months:	+10.3%
UNITS ISSUED (M):	14.6	1 month:	-0.3%
LAUNCHED:	12.4.05	YTD:	-0.3%
ENLARGED:	12.1.07	Since Launch:	+8.6%

Its metrics reflect the skill with which management handle capital and growth; it generates a 51% return on capital whilst ungeared and paying out 50% of net earnings as dividends, a very impressive number for a "growth stock". Growth is clearly what investors expect from BIM, given that its forecast 2010 earnings are capitalised at a 24x forward PER.

## Results

Three of our holdings reported results in January, all of them positive. Cashbuild announced sales up 9% in the half-year to December. Like-for-like sales were up 3%, a creditable performance in a testing year.

Tunisie Leasing reported full-year earnings for 2009 up 20% year-on-year. Its 30% stake in Maghreb Leasing of Algeria is a secular driver to earnings and has liberated TLS from the vagaries of the Tunisian credit cycle.

Blom Bank of Lebanon also reported preliminary results for the full year of 2009. Net earnings increased 17% YOY. Once again, we were impressed by the bank's ability to control costs and risks, as well as its success in growing its liability base. Total deposits increased 19% to US\$ 17.8bn. They remain the engine of Blom's profitability.

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<b>ASSET ALLOCATION (%)</b>		<b>SECTOR ALLOCATION (%)</b>	
Bahrain	0.6	Food & Beverage	37.7
Botswana	2.3	Retail	18.7
Egypt	3.2	Services	11.4
Ghana	7.4	Finance	22.9
Ivory Coast	6.1	Consumer Products	8.5
Kenya	13.7	Cash	0.8
Lebanon	6.5	No. of Holdings	25
Morocco	9.9	Ave Mkt Cap (US\$m)	\$1,371
Nigeria	14.2		
Senegal	5.1		
South Africa	13.2	<b>VALUATIONS (Dec 10/Mar 11)</b>	
Tunisia	3.7	PER Weighted (x)	12.9
Turkey	5.5	PER Harmonic (x)	11.0
Uganda	6.1	Yield (%)	6.0
Zambia	1.6	P/BV (x)	5.2
Cash	0.8	ROCE (%)	40
		EPS Growth (%)	13

Key Markets	US\$ Performance		Key Currencies	Performance (vs US\$)	
	YTD	12 month		YTD	12 month
Bahrain	1.4%	-10.7%	Bahraini Dinar	0.0%	0.0%
Botswana	-0.9%	28.0%	Botswana Pula	-2.1%	18.7%
Egypt	7.9%	67.2%	Egyptian Pound	0.4%	1.8%
Ghana	1.0%	-48.5%	New Ghanaian Cedi	0.1%	-6.3%
Ivory Coast	-3.3%	-18.0%	West African Franc	-3.2%	8.3%
Kenya	9.7%	17.0%	Kenyan Shilling	0.0%	4.8%
Lebanon	-0.3%	45.0%	Lebanese Pound	0.0%	0.0%
Morocco	1.9%	14.2%	Moroccan Dirham	-2.6%	6.7%
Nigeria	7.5%	2.1%	Nigerian Naira	-0.3%	-2.9%
South Africa	-6.0%	74.9%	South African Rand	-2.5%	34.9%
Tunisia	6.0%	64.0%	Tunisian Dinar	-2.6%	4.9%
Turkey	4.3%	131.3%	New Turkish Lira	-0.1%	10.3%

*The Arisaig Africa Fund is a daily valued, open-ended, Mauritius domiciled, Investment Company, listed on the Irish Stock Exchange. The Fund's NAV is shown in the Financial Times and on Bloomberg. This Diary is intended to be for the information of holders of the Arisaig Africa Fund only. It is not intended to constitute investment advice and should not be relied upon as such. Investors should be aware that, as the Fund is invested in the securities of smaller companies, share prices can be more volatile and trading liquidity much lower than those of larger companies*