

Stakeholder Report First Quarter of 2014

As discussed in our previous quarterly update, we have had to make changes to our strategy, in order to best operate in a challenging market environment. We are proud to announce that this process of adjustment has been finalised. We are now leaner, more focused, and better positioned for the long-term.

The Vavaki Group continues to deploy capital on short-term financing operations. The economic environment in Zimbabwe is as challenging as we have seen and we are closely monitoring our exposure to the country.

At Mukana Global, we have chosen to more fully integrate operations with FPXA Holdings' non-African business. This means a few big changes. We are winding down Mukana Green but keeping our strong relationships with former team-members on the ground. We have re-focused Mukana Growth to look for "knowledge-

economy" investment opportunities in South Africa. We continue to work hard on Mukana Imobiliaria in Mozambique, where we are extremely pleased with our growing team.

These changes will allow us to focus on what we do well and on those segments of the market where we have a chance of competing. To be clear on this point, growth opportunities are numerous, across all sectors of the regional economy. However, if you want to do business in a certain way with only limited resources, those opportunities become far fewer. It is also clear that timeframes in this part of the world are typically extended. You need to plan for years and decades, not just months and quarters.

Please accept this quarterly report as a summary of our recent activities and upcoming work. As always, we welcome your feedback and expressions of interest.

The Vavaki Group: Existing Projects

- *Warrion Enterprises Pvt Ltd*
Harare, Zimbabwe
The region's liquidity shortage provides a big opportunity to provide working capital or trade finance. We are targeting returns of 40%+ per year, and by purchasing credit insurance on our transactions, we're able to mitigate most of our risk. Since September 2013, we have financed 26 transactions and realized returns on 24.
Investment Return: TBD
- *Equipment Leasing*
Harare, Zimbabwe
The problem of liquidity and capital is widely documented across Southern Africa, particularly where it concerns capital-intensive activities undertaken by small firms. Vavaki continues to rent out small equipment assets to entrepreneurs.
Investment Return: TBD
- *Cable Fin (Pvt) Ltd*
Harare, Zimbabwe
Cable Fin is a financial services firm that provides micro-loans to working people whose financial needs are not served by traditional banks. Vavaki provided a 12 month amortising term loan to Cable Fin, which was repaid in 9 months and yielded an IRR of 36%.
Investment Return: 36% IRR

The Vavaki Group: What is Next?

We expect to work on the following items this quarter. Some of these opportunities may result in investment opportunities.

- Continue to grow financing relationships with existing partners and seek new partners.
- Improvements in our existing equipment leasing operations and related small-scale mining partners.

Mukana Global: Existing Projects

- *Mukana Growth Pty Ltd*
Johannesburg, South Africa
Mukana Growth is a multi-product financing and trading platform in South Africa. We are dedicated to empowering SMEs, resolving trade dislocations, and funding long-term growth in valuable markets. Mukana Growth operates in niche environments, with partners that cannot obtain capital through traditional channels. Mukana is looking to interact with high-growth firms and entrepreneurs that operate primarily in the new age “knowledge economy”. By using a range of financial instruments, we are able to structure creative solutions for our partners. Though size is not a determining factor, we help to fill a critical gap in the market by considering investments in the sub-500 000 Rand segment.
Investment Status: Fully funded, operations underway.
- *Mukana Imobiliaria, Limitada*
Maputo, Mozambique
Mukana Imobiliaria is a diversified real estate and construction business operating in Mozambique. By all accounts, Mozambique’s recent macro-economic growth has been formidable. With one of the largest hydrocarbon finds of the last decade, this is unlikely to change any time soon. It will take time but history has shown that the biggest beneficiaries of extractive-industry investment are the land owners. Along with this comes a massive need for construction, real estate development, and brokerage. Our business is a direct corollary to the country’s oil and gas play. If we can add to that by doing things in the right way and by building the right team, we will be able to contribute to Mozambique’s success.
Investment Status: Fully funded, operations underway.

Mukana Global: What is Next?

We expect to work on the following items this quarter. Some of these opportunities may result in investment opportunities.

- Mukana Imobiliaria to finalise its construction subsidiary – Mukana Construcoes, Limitada.
- Mukana Growth to continue building a pipeline of investment opportunities.
- Potential exploratory trips to Namibia and Zambia in 2014.

What Has Worked?

- Cut your losses early. It is easy for people to make promises and just as easy to break them. Also, people cannot control exogenous market factors.
- Be persistent, not patient. Things can take a long time in Africa, and they can take forever if you don't push them.
- Go out of your way to complete your own due diligence: You cannot rely on hearsay. Do your empirical research yourself, on the ground.
- There is an amazing appetite for new solutions: whether dealing with small-scale African farmers or commercial entrepreneurs, there is a formidable reception for new ideas. Economic actors are generally tired of traditional counterparties, such as banks or charities.
- Keep your amicable relationships strong: the continent is blessed with some of the warmest, most generous, most friendly individuals on the planet. Let those friendships blossom.

What Lessons Have We Learned?

- Exogenous market factors are real: Education levels, global awareness, infrastructure, political stability are all legitimate concerns. They impede growth at a macro-economic level and make your life harder on a micro-level. We have to deal with each of these issues on a direct, personal level.
- “Emerging market” risk is real: Ukraine, Russia, Turkey, Venezeula, South Sudan. Need we say more?
- Lead times: it can sometimes take 18 months or longer to close on a new investment.
- Choose your legal advisors carefully: as a rule of thumb, reliable legal advice in this part of the world is lacking. In too many instances, you will be disappointed by the services offered by large, reputable firms. At the same time, using smaller, less experienced lawyers may not be an adequate solution. Pick your battles carefully.
- There are two types of firms that can effectively compete in this part of the world: this is a broad generalisation, but it is useful. Either (i) you are a one-man show with few resources and you can afford to cut corners or (ii) you are large, very well-funded, can afford to hire a large team, and can afford to sustain operations for many years.