

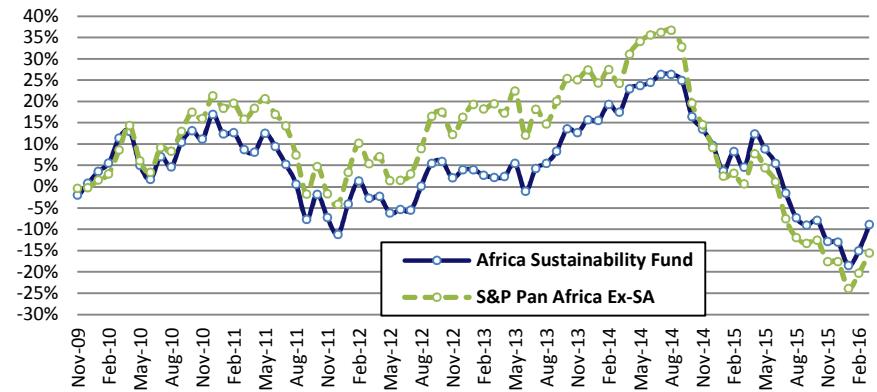
**Fund Description**

The Africa Sustainability Fund invests in the top-40 sustainable listed companies in Africa (ex-South Africa). The fund aims to provide investors with active equity exposure to African markets within a sustainable investment framework at relatively low cost. Stock selection is informed by detailed in-situ company due diligence with an emphasis on financial quality, robust corporate governance, and environmental and social operating environments.

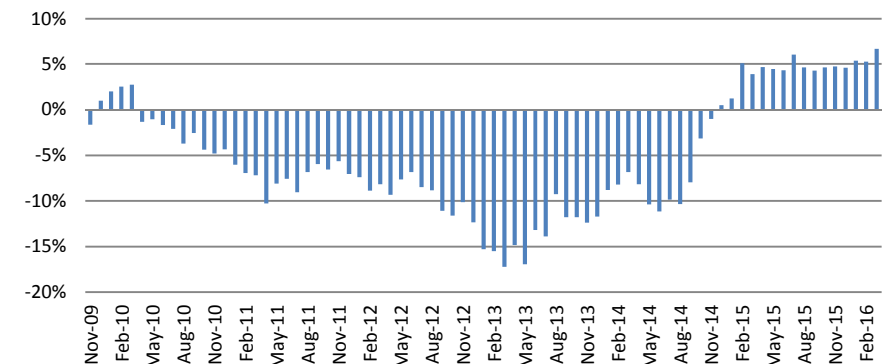
**Fund Information**

Launch date:	01 November 2009
Fund AUM:	USD 15.6m
Firm AUM:	USD 98.2m
Structure:	Open-ended, Expert Fund
Domicile:	Mauritius
Regulator:	FSC Mauritius
Fund Manager:	Sustainable Capital Ltd
Administrator:	Apex Fund Services (MU)
Global Custodian:	HSBC Bank Ltd (MU)
Auditor:	Ernst & Young
Dealing frequency:	Monthly
Bloomberg:	AFRSUST MP Equity
ISIN:	MU0272S00015
GIIN:	9UUK80.99999.SL.480
Reporting currency:	USD
Base Fee:	1.5%
Performance Fee:	None
Contact:	<a href="mailto:info@sustainablecapital.mu">info@sustainablecapital.mu</a>

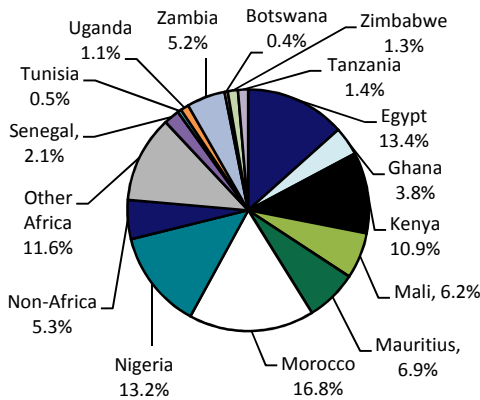
**Fund Performance (USD, GIPS\*, Since inception)**



**Cumulative Relative Performance (USD, GIPS\*, Since Inception)**



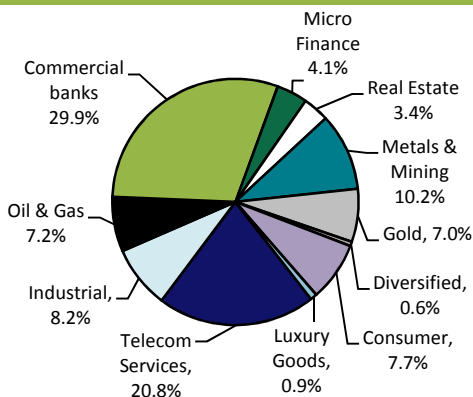
**Geographic Spread (% Economic Footprint)**



**Monthly Performance (% , USD, GIPS\*)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calendar
2009											-2.0	2.8	0.8
2010	2.8	1.9	5.5	1.4	-7.0	-3.2	5.2	-2.3	5.5	2.4	-1.7	5.2	16.0
2011	-3.9	0.3	-3.5	-0.5	4.1	-2.8	-3.8	-4.4	-8.2	6.4	-5.6	-4.2	-24.0
2012	8.0	5.6	-4.1	0.5	-4.0	0.9	-0.2	6.0	5.3	0.4	-3.6	1.8	17.0
2013	0.1	-1.2	-0.5	0.2	3.0	-6.2	5.4	1.2	2.7	4.9	-0.8	2.7	11.3
2014	-0.2	3.3	-1.6	4.7	0.6	0.6	1.5	0.0	-1.2	-6.8	-2.5	-3.4	-5.2
2015	-5.4	4.4	-3.4	7.5	-3.2	-3.1	-6.6	-5.9	-1.8	1.2	-5.3	-0.2	-20.7
2016	-6.4	4.3	7.2										4.7

**Sector Spread**



**Annualized Performance (% , USD, GIPS\*)**

	-1 yr	-3 yr	-5 yr	Since Inception
Africa Sustainability	-12.9	-3.7	-3.5	-1.4
S&P Pan Africa Ex-SA	-16.1	-10.9	-6.1	-2.6
Relative Perf.	3.3	7.2	2.7	1.2

**Relative Risk and Return (USD, GIPS\*, Since Inception)**

Portfolio Beta	0.80
Correlation	0.82
Tracking Error	7.1%
Information Ratio	0.16
Relative Downside Std. Deviation	4.2%
Sortino Ratio	0.28

## Fund Manager Comments

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The Africa Sustainability Fund returned 8.7% (on a NAV basis) for March 2016, ahead of the African market's return of 6.0%. The fund's recent performance has been driven by a nascent recovery in the fund's positions in natural resource companies, which continue to trade at distressed valuation levels. It is too early to assess whether we have reached an inflection point in the negative market cycle that has prevailed since mid-2014. However, recent fundamental evidence from the financial results of the fund's holdings provides further support for our conviction in the investment case for these companies. This is epitomised by the business performance of some of the fund's financial services holdings, namely Access Bank (a tier-1 Nigerian commercial bank) and Equity Bank (a leading East African microfinance/SME bank):

**Access Bank** released full-year results for 2015 showing earnings per share growth of 42% to N2.65/sh. Loan growth was 25% for the year, deposit growth was 16% and shareholder's equity grew by 33%, resulting in a closing book value per share of N12.58/sh. The company declared a total cash dividend for the year of N0.55/sh. Based on the current market price of N4.00/sh, this implies a PE ratio of 1.50, a PB ratio of 0.32 and a cash dividend yield of 13.8%. The company recorded ROE of 20.4% in 2015 and our longer-term estimates suggest a justified price to book ratio of 1.5, implying an expected return of over 350%. Even if we assume a Nigerian Naira devaluation of 25-30% (our base case) or a worst case scenario of 50%, the local currency earnings hedge offered by Access (41% of loans in USD) and the extent of the mispricing overwhelms the currency risk factor. The 2015 results were supported by material gains on the company's derivative positions (fully covered currency swaps and forwards with the Central Bank of Nigeria), which drove non-interest income growth of 89%. These gains are clearly unsustainable beyond 2016. However, the key point is that this non-interest income will be partly replaced by a combination of rapidly growing fee and commission income and an expansion of net interest margins (the current cost of deposits for 2016 is 3.5% year-to-date, 33% lower than the 2015 level of 5.2%). Net interest income growth will be supplemented by cost deflation.

**Equity Bank** reported pre-tax profit growth of 12% and flat accounting earnings of Ksh4.63/sh for 2015, disguising a very strong underlying operating performance (we estimate normalised earnings growth of 25%). Net loan growth at a group level was 26.0% for 2015 (similar to the 25% recorded in 2014 and 26% in 2013, with 20-25% is expected for 2016). Based on its current market price of Ksh40.0/sh, Equity Bank is trading on a PE ratio of 8.8 (6.9 based on normalised earnings), a cash dividend yield of 5.0% and a price to book ratio of 2.2 (which we expect to compress to 1.5 in 2016). The company's justified PB ratio from fundamentals (ROE of 30% and cost of equity of 17.5%) is above 3.0, implying a fair value that is double the company's current market value. We expect operating expenses to stabilise in from 2016 onwards (following a period of heavy investment in IT infrastructure), the non-recurring impacts of the 84% devaluation in the South Sudan currency to unwind and continued high growth rates in the company's regional subsidiaries (currently growing loans at 73% y-o-y). Non-interest income growth (currently 39% of total income but targeted medium-term at 45%) is creating a growing, relatively low-risk annuity stream of income (75% based on fees and commissions). It is no overstatement to claim that Equity Bank's digital banking approach has changed the financial services landscape in East Africa, with 78% of all loan disbursements now executed through mobile. Asset quality has improved materially on the core SME loan book (71.8% of total loans - all fully secured by tangible assets), with the gross NPL ratio dropping from 5.2% in 2013, to 4.3% in 2014 and now 3.1% in 2015.

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The information contained herein does not constitute an offer to sell or the solicitation of an offer to purchase the Africa Sustainability Fund (the "Fund"). Any such offer or solicitation may only be made by means of delivery of an approved confidential offering memorandum that contains material information not present herein and which supersedes this information in its entirety. Any offer or solicitation pursuant to such memorandum shall only be in those jurisdictions where permitted by law. The shares in the Fund have not been registered under the U.S. Securities Act of 1933, as amended ("the 1933 Act"). Accordingly, the offer and sale of any of the shares of the Fund is not permitted in the United States except pursuant to an exemption from registration under the 1933 Act and other applicable U.S. federal and state securities laws, rules and regulations. Any decision to invest in the Fund or any other strategy managed by Sustainable Capital should be made after reviewing such definitive offering memorandum, conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment.

\*Sustainable Capital claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Sustainable Capital has not been independently verified.