

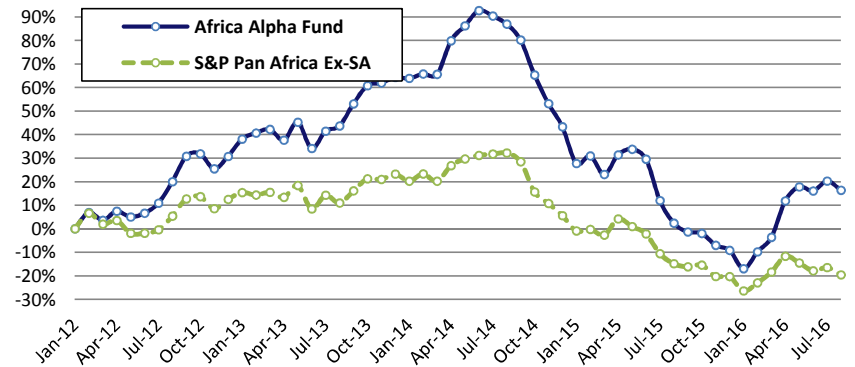
**Fund Description**

The Africa Alpha Fund invests in African listed equities (ex-South Africa). The fund aims to outperform the African markets using bottom-up research process with an emphasis on detailed, company-specific due diligence. Buy-sell discipline is led by valuation using a long-term investment time horizon. Stock selection is informed by fundamental research conducted in-situ in Africa.

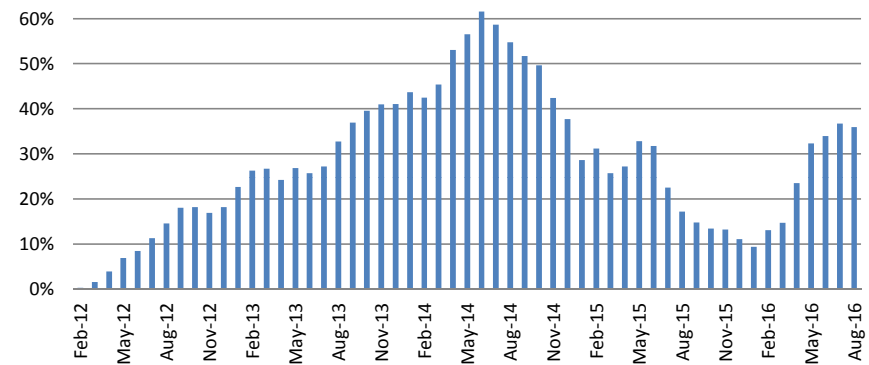
**Fund Information**

|                     |  |
|---------------------|--|
| Launch date:        | February 1, 2012   |
| Fund AUM:           | USD 79.1m  |
| Firm AUM:           | USD 111.3m   |
| 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:          | SUCAFAA MP Equity  |
| ISIN:               | MU0343S00014   |
| GIIN:               | KDIPCD.99999.SL.480  |
| Reporting currency: | USD  |
| Base Fee:           | 1.5%   |
| Performance Fee:    | 20% above hurdle   |
| Total Fee cap:      | 4.0%   |
| Hurdle:             | SPPAXSCN Index   |
| High water mark:    | Perpetual  |
| Crystallisation:    | Annual   |
| Contact:            | <a href="mailto:info@sustainablecapital.mu">info@sustainablecapital.mu</a> |

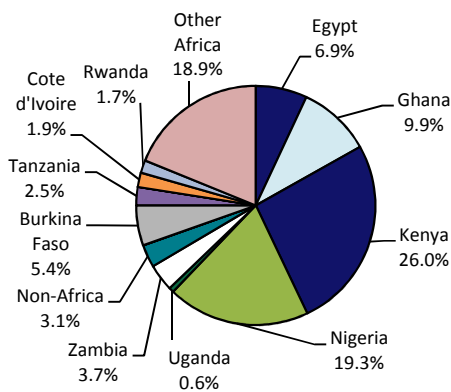
**Fund Performance (USD, GIPS\*, Since inception)**



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



**Geographic Spread (% Economic Footprint)**



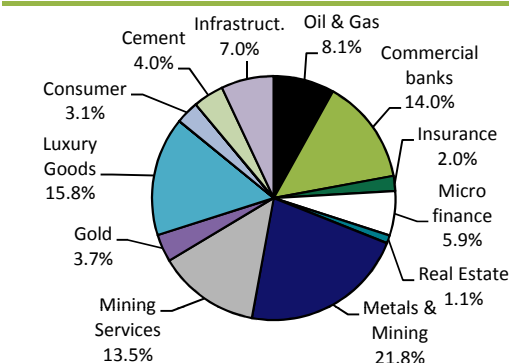
**Monthly Performance (% USD, GIPS\*)**

|      | Jan   | Feb | Mar  | Apr  | May  | Jun  | Jul   | Aug  | Sep  | Oct  | Nov  | Dec  | Calendar |
|------|-------|-----|------|------|------|------|-------|------|------|------|------|------|----------|
| 2012 |       | 6.9 | -3.1 | 3.7  | -2.3 | 1.5  | 4.0   | 8.2  | 9.0  | 0.8  | -4.8 | 4.2  | 30.7     |
| 2013 | 5.6   | 1.9 | 1.1  | -3.2 | 5.5  | -7.7 | 5.5   | 1.6  | 6.5  | 5.0  | 0.7  | 1.5  | 25.7     |
| 2014 | -0.2  | 1.1 | -0.1 | 8.6  | 3.5  | 3.5  | -1.2  | -1.8 | -3.6 | -8.2 | -7.4 | -6.4 | -12.8    |
| 2015 | -10.9 | 2.5 | -6.0 | 6.7  | 1.8  | -3.2 | -13.6 | -8.6 | -3.6 | -0.6 | -5.1 | -2.3 | -36.6    |
| 2016 | -8.6  | 8.6 | 6.9  | 16.0 | 5.3  | -1.5 | 3.6   | -3.3 |      |      |      |      | 28.1     |

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

|                      | -1 yr | -3 yr | -5 yr | Since Inception |
|----------------------|-------|-------|-------|-----------------|
| Africa Alpha         | 13.6  | -6.8  | na    | 3.4             |
| S&P Pan Africa Ex-SA | -5.5  | -10.2 | na    | -4.6            |
| Relative Perf.       | 19.2  | 3.4   | na    | 8.0             |

**Sector Spread**



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

| Benchmark                        | S&P Pan Africa ex-SA Capped |
|----------------------------------|-----------------------------|
| Portfolio Beta                   | 0.96                        |
| Correlation                      | 0.65                        |
| Tracking Error                   | 12.6%                       |
| Information Ratio                | 0.63                        |
| Relative Downside Std. Deviation | 7.4%                        |
| Sortino Ratio                    | 1.09                        |

## Fund Manager Comments

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**Fund positioning:** Over the past month, Sustainable Capital's investment team has been conducting fundamental research in East and Southern Africa, reviewing the investment case for holdings representing over 40% of the Africa Alpha Fund and concluding our due diligence on several new ideas. A key pillar of our valuation-led investment process is that the revenues, free cash flows and assets that we expect a company to report over the following 3 years must make the company's current market price seem absurdly cheap ('absurdly cheap' in today's market is defined by forward free cash flow yields of over 50%, forward cash dividend yields of over 10% and material discounts to the replacement cost of tangible assets). This premise suggests that even in the absence of any forward-looking catalyst (assuming a perfectly inefficient market), a company's market valuation will ultimately be forced to approach the economic reality of its reported earnings, thereby unlocking value for our fund investors. In our opinion, this hurdle is an important prerequisite for an iron-clad investment hypothesis and helps us to avoid value traps. Several of the fund's core holdings are approaching this 'moment of truth', which makes us cautiously optimistic as we look forward to 2017.

**Kenya scores an economic 'own goal':** A basic tenet of free market ideology is that competitive forces are the most efficient mode of setting prices. There are notable exceptions to this rule, such as monopolies or oligopolies, where industry concentration allows companies to profiteer at the expense of consumers. In these cases, there is clearly a need for regulatory intervention. Kenya's banking industry, with 43 competitors, cannot possibly fall into this category. Nevertheless, public perception is that commercial banks have been ripping off their customers with exorbitantly high loan rates. The reality is that the Kenyan government must bear responsibility for the country's structurally high interest rates, having driven up domestic bond yields through excessive borrowing (ironically, the government issued 10-year sovereign bonds at a yield of 15.0% on the same day that it capped bank interest rates at 14.5%). Populist calls for interest regulation have been a national sport in Kenya, although previous attempts were sensibly rebuffed under the Moi and Kibaki eras. The most recent campaign was opportunistically timed in a pre-election year and President Kenyatta scored an 'own goal' for Kenya's economy by caving into parliamentary pressure by unilaterally approving the law in a move that saw political expediency trump economic common sense.

Kenya's blue-chip commercial banks have declined in value by over 50% from their 2-year highs (and by over 60% on a price to book ratio basis). More than half of this value destruction can be directly ascribed to the recent regulatory surprise. The principal objective of our recent research trip in Kenya was therefore to get a better understanding of the net financial impact of the recently published interest rate regulations, both at a company and an industry (systematic) level. After a week of interviews with the banks and other stakeholders, our assessment of the interest rate regulation is as follows: **a) The good news (long-term):** The law in its current form is clearly unsustainable in the long run and is likely to be repealed or diluted as the full, unintended, economic consequences of the regulations become evident (including small bank failures, job losses, severe credit contraction, SME bankruptcies, capital flight, currency losses and GDP headwinds); **b) The bad news (short-term):** Given the political climate, it will be incredibly difficult for the President to row back on his decision to sign the bill into law in the short-term. It seems foolhardy to bet on a near-term reversal before the conclusion of the national elections.

2017 is likely to be a lost year of earnings growth for Kenyan banks (due to regulated net interest margin compression that will be practically impossible to fully recover through other revenue lines) and this may drag on into 2018 (given the decision-making stalemates that tend to follow elections in Kenya). The lack of material regulatory detail at this stage means that we need to ask ourselves the existential questions pertinent to the longer-term investment case for Kenya's banks: Can the industry itself survive under this law? Is it economically feasible for the regulation to persist in perpetuity? What are the full unintended consequences of the law under this scenario? Which banks are likely to survive and ultimately prosper as a consequence of industry consolidation? In combination with the findings of our detailed company research, the answers to these questions leave us well-positioned to take advantage of any mispricing opportunities that emerge over the next year.

The information contained herein does not constitute an offer to sell or the solicitation of an offer to purchase the Sustainable Capital Africa Alpha 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.