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Mecene Investment's Newsletter
September 2009

Editorial

Social Private Equity - A driver for private sector development

By Wagane Diouf, Managing Partner

As the political landscape of Africa stabilizes over time and investors become aware of the high potential returns of investing on the continent, the amount of capital that they look to invest in Africa will dramatically increase. However, given the informal nature of most African economies and the relative immaturity of African equity markets, the bulk of investment opportunities are in the African small to medium enterprise ("SME") sector.

Due to the fragmented nature of the SME sector, local intelligence is required to effectively deploy capital within Africa. This lack of local knowledge is one of the greatest challenges to the deployment of foreign capital within Africa. Despite the large volume of potential SME investments across Sub Saharan Africa, the lack of local intermediaries to channel pools of foreign capital into African markets still restricts investment and ultimately, the development of African SMEs.

The lack of local knowledge stems from the relatively limited number of competent social capital fund managers that operate across the entire continent. Despite the widespread need for capital and managerial support, there are only a handful of social capital funds with true Pan-African reach.

It is against this challenging investment landscape that the founding shareholders of both the AfriCap Microfinance Fund ("AMF") and the AfriCap Microfinance Investment Company ("AMIC") have achieved such a significant impact both directly through the portfolio outreach and indirectly through the establishment of Mecene Investment. In addition to the double bottom line returns generated by the AfriCap funds, such as the 15.2% IRR generated by AMF from 2002 to 2007, and the 900,000 clients and 1,900 employees currently reached by the AMIC portfolio, the AfriCap funds have led to an expected accomplishment through the creation of an instrument for social capital investment in Mecene.

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Editorial

Social Private Equity - A driver for private sector development (continued)

Prior to the establishment of AMF, there was no existing channel for social capital investment into Africa. However, through the creation of AMF and later AMIC, which led to the foundation of Mecene Investment, private and development finance investors now have a preferred channel for social capital investment within Africa. As a bridge between the vast pools of foreign social capital and the local African SMEs that have the greatest need for capital, Mecene's establishment has filled a void that has restricted African development since the introduction of foreign direct investment within the continent.

As an African social capital fund manager, run by Africans, in Africa, Mecene is uniquely positioned to identify, invest in and assist local companies through a network that spans the entire continent. Like all private equity funds, AMIC will eventually see its funds redistributed to shareholders. When this occurs, AMIC investors will have helped to build both sustainable MFIs throughout the continent and a sustainable management company that can effectively channel additional social capital into Africa.

Wagane Diouf

Fund Updates

Africap Microfinance Fund

Portfolio Companies

AfriCap, along with Nordic MicroCap, agrees to invest $1.5 million in Birima, Senegal

In the search of a Microfinance strategic partner to penetrate the market in Francophone West Africa, Birima, has been identified in Senegal.
Having in mind the building of a sustainable business in financing the poor, and being aware of the needs for the product, Mr. Youssou N'Dour, a well-known Senegalese artist, took the decision to create a Microfinance institution that can attract more expertise and institutional investors.
The idea came to reality in 2008, when with the support of a local consultant, Mr. Youssou N'Dour launched a cooperative, named Birima. AfriCap was chosen to pursue the venture and Birima S.A will be created to meet that objective.

Birima's vision is to be a leader and a profitable full financial service provider to urban and rural entrepreneurs. Birima will target the high end market segment, which fits with the bank's downscaling mode, recommended in the AfriCap Fund strategy.

Sofipe, Burkina Faso has just obtain its license From the Central Bank

Sofipe, soon to be "Banque Agricole et Commerciale du Burkina's" (BACB), is a microfinance institution, involved in the industry since 1993, via its Linkages Program. SOFIPE will spin off the Banque Agricole et Commerciale du Burkina's (BACB) microfinance lending activities.
Its objective is to leverage its relationship with BACB and provide first-rate financial services to Burkina Faso's informal sector, particularly micro-enterprises and SMEs that are too small to be served by the banking sector, but too large to be well-served by the microfinance sector.
Sofipe will begin by offering a group loan product and will expand its product offering to a micro-entrepreneur loan and a very small enterprise loan. The license has just been issued by the Central Bank and therefore operations will start shortly.

Fund Updates

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AfriCap Microfinance Fund

Women World's Banking Ghana (WWBG)

On September 4th, 2009 the shareholders of WWBG approved the reconstitution of the Board to reflect the new ownership structure characterized by AfriCap and Nordic, holding together a 78% majority stake. Following an approval by Bank of Ghana, three appointees of Nordic and AfriCap will be joining the board of WWBG.

Anders Schönning: Anders is the Chairman of Nordic MicroCap since 2006. He is bringing to WWBG extensive governance experience, having sat for many years on boards in various industries (Audit, Investment funds, Construction, hotels, church). Anders started his career four decades ago in Finance and audit in Sweden. For 17 years, he held CFO positions in governmental and para-statal institutions involved in Energy, Export Credit and Asset Management. He later headed a real estate company for 4 years before setting up his own real estate brokerage firm in Sweden. Anders has a Masters degree in Business Economics from the University of Upsala, Sweden.

Francis Kpogo-Diaba: Francis set up earlier this year INTESOL, a consulting firm, where he is Partner in charge of Financial Advisory and Management Consulting. Previously, he headed the Management Consulting department of Deloitte and Touche, Ghana for eight years. He has been advising the government of Ghana on various subjects. More recently he helped the country to secure financing for the $1.5 billion Mass Transport System project. Francis comes to WWBG with a thorough understanding of the Ghanaian Financial sector. He conducted several feasibility studies for merchant, commercial and Islamic banks in Ghana and has helped local actors develop their long-term strategies. Francis holds an MBA from the University of Ghana.

Hubert Hourizene: Before becoming CFO of Mecene Investment, Hubert was Vice-President and Financial Controller at Standard Chartered Bank in Cote d'Ivoire. WWBG seeks to benefit from Hubert's experience in operational improvement programs, such as the one he is currently spearheading as interim CEO of Socremo (Mozambique). Hubert holds a Master in management from CERAM Business School in France.

Fintech Projects

Appointment of Cristina I. Sapsezian-Flett, Partner Fintech Executive

As of September 1st 2009, Cristina Sapsezian-Flett has been appointed to manage the Fintech Africa Facility. In this role, Cristina will be driving Fintech's mandate to identify, evaluate and deploy Technical Assistance opportunities for the benefit of the Africap microfinance institutions, particularly with regard to increasing their operational efficiency, and outreach to the working poor.
Cristina is an experienced professional, with over 20 years of experience in financial and operational management within the financial services sector, largely spent enabling financial services access in underserved markets via ATMs, POS and mobile banking channels. Cristina has extensive Africa experience, and is fluent in English, French and Portuguese. Cristina holds a MBA from INSEAD, Fontainebleau, and an MSc. in Commercial & Industrial Sciences from Geneva University. The Mecene Investment team welcomes Cristina in her new position.

The IT project

The Fintech project covering the Bankers Realm review is progressing well, and Cillion Consulting has submitted the Banker's Realm assessment report to the Fintech board.The next phase is the formulation of the IT Strategy for the Africap MFIs. To present the strategy, Fintech plans to invite the CEOs of the MFIs that are implementing the software, together with Craft Silicon, for a 2-day IT Strategy session in South Africa. In this session, an IT strategy will be presented and portfolio companies will be encouraged to engage in collaborative debates. In conjunction with the IT Strategy session, Fintech will also invite the Africap Academy Advisory Committee to participate in a 1-day Vision Building workshop led by Ayani Consulting, who have been retained by Fintech to drive the Africap Academy feasibility study.

The AfriCap Resource Center

Dc. Tidiane Sow, an international consultant, has been retained to provide consulting services to Mecene in relations with the Fintech agreement on assessing the feasibility of setting up an African Resource Center. M. Sow has more than 25 years of experience in information technology, strategy and planning, process management and operations.

Good Governance Assessment Tool for AfriCap Portfolio Companies

Fintech has invested in a 2-years subscription to a Governance Assessment Instrument provided by the Institute of Directors for Southern Africa.

The purpose of this web-based tool is to enable Africap MFIs to improve corporate governance, by facilitating the evaluation of good governance structures, policies and practices, as well as assisting with the implementation thereof.
Fintech encourages the Africap Microfinance Institutions to make use of this tool, and to provide their feedback, on its relevant and helpfulness to each organization.

In view of committing to enhancing the standard of corporate governance within the group, Fintech believes that this tool will assist AfriCap portfolio companies to achieve better governance.

Mecene Investment Updates

Mecene Investment shortlisted for "Best Africa Fund Manager"

On August 26th, 2009 Mecene Investment, the exclusive advisor to the AfriCap Microfinance Fund proudly announced that it has been nominated for the "Best Africa Fund Manager" category of the Africa investor Index Series Award 2009. The other nominees for this category include Investment Asset Management, South Africa, EFG Hermes, Egypt, Insparo Asset Management London, Cadiz Pan African, South Africa, Silk Invest, London and Coronation Fund Managers, South Africa.

Africa investor (Ai) is a leading international investment research and communication group, which organizes each year Africa investor Index Series Awards, the only international pan-African awards recognizing and rewarding Africa's institutional investors, stock exchanges, best performing listed companies, stockbrokers and capital market regulators.

This year's event will be held at the New York Stock Exchange (NYSE) on September 21. High profile members of the African business world, investors, CEOs, and capital market professionals exploring investment partnerships will attend the event.

As a team, we are crossing our fingers and hope that our Managing Director, M. Wagane Diouf comes back from the event in New York, with the award for "Best Africa Fund Manager".

Former AfriCap Portfolio Company, Equity Bank wins African business leader award

In July 2009, Equity Bank Chief Executive, Dr James Mwangi has emerged as African Business Leader of the year, after his Bank won the 2009 African Business Award. The Awards are an annual event to recognize those who have showed special skills in driving Africa's rapidly transforming economy through excellence and best practices in African businesses.

The African Business Awards are a demonstration of the strong business interest in Africa and the enthusiasm of investors and business leaders on the continent.

M. Mwangi was quite happy to receive the African Business award, which is in line with the mission of Equity Bank in making banking accessible and affordable to the majority of Africans, excluded from financial systems.

The competition, which was organized by IC Publications - the publishers of African business magazine, is an initiative by the Commonwealth Business Council and African Business to boost the sector through the provision of better services to clients on the African Continent.

Equity Bank recently expanded to cover Uganda, as its first move to the whole of East Africa after gaining firm roots in Kenya.

Mecene Advisory Services

Equity and debt offers at mecene-dealflow.com

Aqua-In Limited- *Looking for Approximately USD 2 million in common shares for 50% ownership in the company*

Aqua-In Limited (“Aqua-In”) is a mineral water production company based in Ghana, established in 2001. The company processes and distributes mineral water in 500ml sachets, 0.5 liters bottles, 1.5 liters bottles and 20 liters bottles across Greater Accra and the Eastern and Central Regions of Ghana. Since 2008, the company has expanded into the untapped Volta Region. Following the implementation of its expansion program, Aqua-In expects to become the second largest mineral water production company in Ghana after Voltic Ghana Limited.

Circle Capital Developments Limited - *Looking for $2-6 million in preference shares with 20% semi-annual interest payments*

Circle Developments (Proprietary) Limited is a company incorporated in South Africa and Botswana with its production facility in Cape Town (S.A.). It manufactures construction inputs and utilizes an innovative, cost effective and efficient construction technique and steel-framing technology, referred to as “Frame-Tech” to build houses, schools, hospitals and commercial structures. The company outsources construction to subcontractors, but remains involved throughout the process, supervising construction as the general contractor and building skills among its local sub-contractors.

Ferlo Senegal – *Looking for approximately USD 1 to 2 million in common stock or convertible preferred shares*

Ferlo Senegal (“Ferlo”) is an electronic payment platform provider based in Senegal, which was established in February 2004 as a joint project between ByTech and AfriCap Microfinance Investment Company (“AMIC”). The objective was to create a shared payment platform for the microfinance industry and test its potential as the basis for a sustainable payment services model. Ferlo has since evolved from a limited liability company into a share company. MFIs use Ferlo’s platform in their branches and outlets to offer clients card-based services. Ferlo’s platforms also support transactions between consumers and a range of transacting parties such as financial institutions, employers, merchants, individuals and the government.

NZI Lodge – *Opened to debt or equity investment for 2 million Euros, representing up to 49% ownership in NZI.*

N’ZI River Lodge Company (“NZI”) is an 800 ha private wildlife reserve located in central Côte d’Ivoire that was established in 2000. The current reserve lodge accommodates 25 guests, across 11 free-standing structures, and boasts two outdoor pools, two bars, and a restaurant that offers both Ivorian and Western cuisine. Following the implementation of its expansion program, NZI expects to become the first five-star Safari lodge in the West African sub-region.

For more details on these offers, please visit us at www.mecene-dealflow.com

Leadership Profile

Natasha Kofoworola Quist

Natasha Kofowprola Quist, Regional Director WWF Central Africa – World Wide fund for Nature - Advisory Board Member at Mecene Investment

While I was at business school in the USA, I had the opportunity to work with the Small Business Development Agency on a part time basis. The US government funded this agency. I was immensely impressed by how much funding the US government was providing to support small businesses. The list was impressive: low interest rate loans, consulting, business planning support and access to certain government contracts – to name a few. For decades, the US government has recognized that even if 1 out of 8 new businesses failed, the small and medium enterprise was the backbone of the US economy. Even though the US is know for its huge multinationals - the reality is that more than 80% of Americans work for small and medium size enterprises.

Even thought, many successful businesses never pass through the SBDA in the US, no one can doubt that America is a paradise for Entrepreneurs especially in comparison to Africa. After leaving business school I worked for two major US multinationals in Europe and Africa (Walt Disney and Nike) and realized that my real passion was to participate in the development and growth of Africa. Five years ago, with growth rates of most African countries in excess of 5%, I had the opportunity to work in West Africa as the regional Director for Oxfam GB.

It quickly became apparent to me that the governments of the region were decades away from being able to provide basic services to the people, so desperately in need of schools, hospitals, roads, clean water - never mind support to new businesses. It was also apparent that despite the millions of dollars of aid in food, technical assistance and development projects there was little impact or change being made.

More than ever, I am convinced that the major catalyst for development in Africa will happen through the development of private sector companies – particularly small and medium size enterprises. I have started several small businesses in West Africa to test Oxfam's ability to support such business development. I have helped to set up a woman's Small Business Fund and foundation that links up women entrepreneurs in the USA with West African women entrepreneurs.

In 2007, while attending the World Economic Forum for Africa in Cape Town, I met with Wagane Diouf. I was delighted when he asked me to join his Advisory board. Mecene's focus on a holistic approach to developing businesses is exactly what entrepreneurs in Africa need – finance alone is not enough, skills and "know how" are equally important. It is an approach that I truly believe in and am pleased to be able to participate in a small way to supporting the development of the Mecene portfolio. I believe that Mecene is pioneering an approach that will eventually become the norm in Africa.

Natasha Kofoworola Quist

Market Updates

African market sensitive news

U.S. Secretary of State, Hillary Clinton, visited seven African nations during an eleven days tour to affirm the Obama administration's commitment to addressing the continent's problems.

South African foreign currency reserves benefit from $2.2 billion IMF injection.

Zimbabwe will receive $500 million in IMF loans to buy its foreign currency reserves, the first IMF loan to the country in a decade.

Addax Petroleum, recently acquired by China's Sinopec, begins drilling for oil in Sao Tome and Principe

South African inflation eases to 6.9% in August, marking the sixth consecutive monthly decline.

African telecom leader, MTN Group, seeks increase of $1 billion to Bharti Airtel merger breadth and depth of experience.

African MFIs continue to cope in a difficult operating environment with some bright spots

3 August 2009 – International venture capital firm, Advans SA, announces the launch of Advans Banque Congo in the Democratic Republic of Congo. The new MFI will provide a full range of financial services including SME and micro- loans, savings accounts, foreign exchange, and money transfers. Advans Banque Congo is thefourth microfinance institution launched by Advans SA since the firm's creation in August 2005.

10 August 2009 – Grassroots Capital, a microfinance private equity firm, receives a $60 million contribution from PGGM for its Global Microfinance Private Equity Fund. The fund's capital will be shared out globally throughout India, Africa, and Latin America. PGGM is the second largest pension fund in The Netherlands and has committed a total of €200 million to its recently announced microfinance investment program.

17 August 2009 – The National Bank of Rwanda (BNR) liquidates Urunana Microfinance after the Rwandan MFI's bankruptcy filing. BNR officials announce they are in the process of liquidating three more failed MFIs in addition to Urunana. Names of the failed institutions have not yet been released pending ongoing evaluation.

20 August 2009 – Nigeria's $315 million microfinance fund continues to experience delays in commencing operations. The fund was launched by President Umaru Yar'Adua on February 12, 2008, but still lacks clear guidelines on operating procedures. Many Nigerian microfinance practitioners believe that the fund is merely on paper and that the Central Bank of Nigeria will never follow through on its promises.

31 August 2009 – Two microfinance institutions operated by Advans SA, a Luxembourg-based venture capital firm, in Ghana and Cameroon report capital increases of €1 million and €2.3 million respectively. The investments bring Advans Ghana's share capital to €1.75 million and Advans Cameroun's to approximately €3.8 million.

Microfinance deal Updates - The month of July saw $29 million of direct investment in African microfinance

Soros Economic Development Fund, OSIWA, Omidyar Network & Humanity United invested $15,000,000 in equity in BRAC, Sierra Leone.

Hivos-Triodos Fund & Triodos- Doen invested $5,000,000 in equity in Leapfrog Financial Inclusion Fund.

Standard Chartered Bank invested about $5,900,00 in debt in Faulu Kenya.

Grameen Credit Agricole Microfinance Foundation invested about $1,345,00 in debt in Soro Yiriwaso, Mali and another $897,00 in debt in Miselini, Mali.

Triodos-Doen & Hivos-Triodos invested $875,000 in debt in Small enterprise Foundation, South Africa.

Internship Program

Mecene has attracted significant interest from prospective interns, and is taking advantage of this interest by bringing talented individuals both to its offices in Johannesburg and to AfriCap portfolio companies. Profiles of several of these interns follow. Over time, Mecene will explore various ways to expand its intern program in productive and cost-effective ways.

Spencer Cole

Spencer has been working with Mecene since March 2009 and will remain with the company until November 2009. Over the past few months Spencer has been assisting with the creation of an automated asset-liability duration management module for Socremo (Mozambique). Spencer also continues to assist with building valuation models, conducting due diligence on new investments, creating financial reporting templates, and analyzing strategic fund decisions.

Spencer is a graduate of the University of Melbourne and prior to joining Mecene worked as an auditor at Price Waterhouse Coopers and as a Junior Analyst at UBS.

Colin Sloand

Colin joined Mecene in September 2009 and will be with the company for one year. Colin recently graduated from Lehigh University, where he cofounded the Lehigh Microfinance Club. While at Mecene Colin will be primarily responsible for financial management, including budgeting, cash flow management and Mecene financial reporting. Colin graduated with a degree in Finance and Economics and previously worked as a summer analyst with Dresdner Kleinwort.

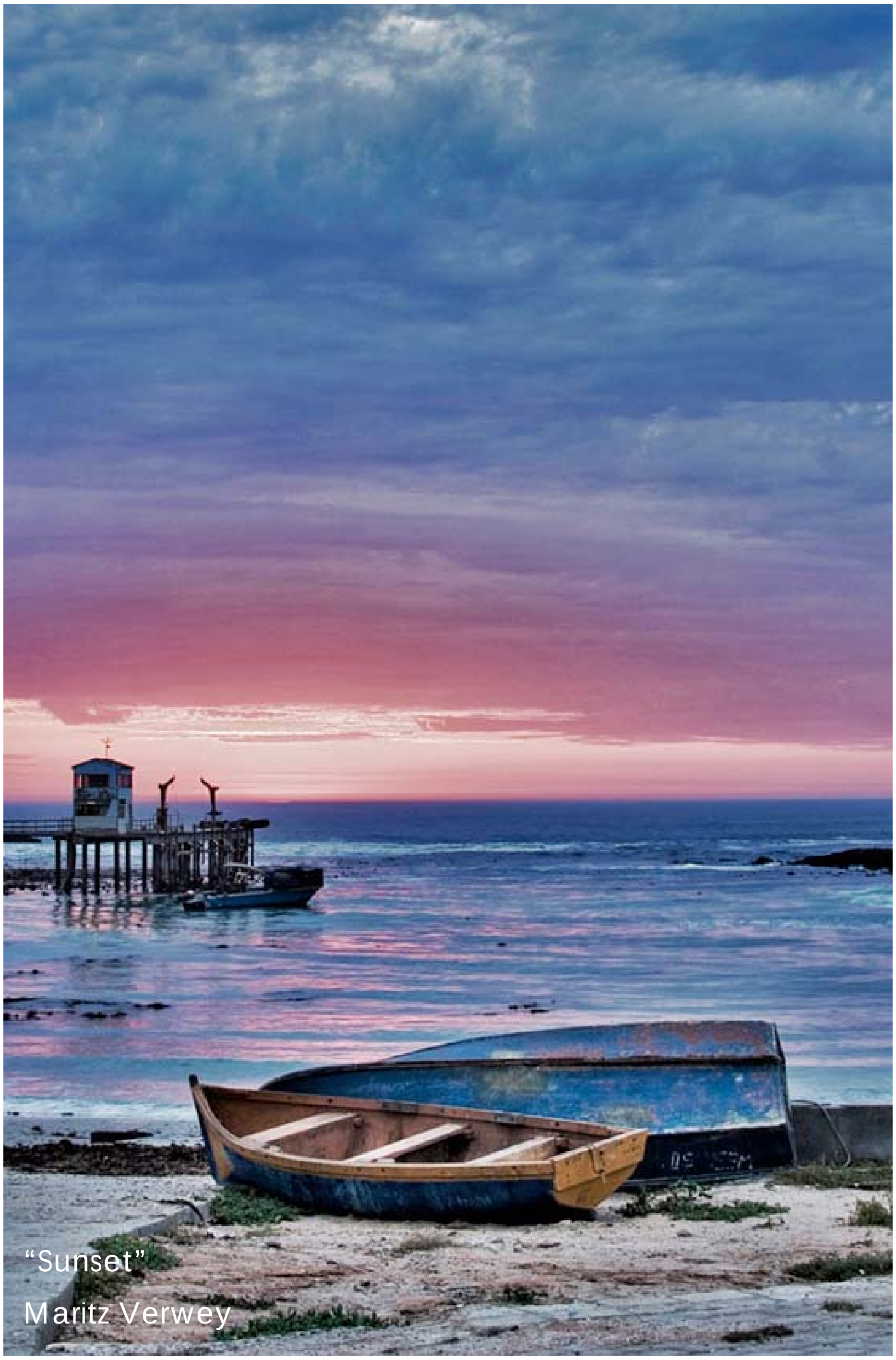
Michael Awori

Michael has been with Mecene since July 2009 and will be with the company until the end of September 2009. While at Mecene Michael worked primarily on developing the business plan for Mecene Technology, a new subsidiary of Mecene that seeks to provide financing solutions to enable low income consumers, businesses and schools to purchase leading computer technology. Michael was also able to establish a partnership with Intel South Africa, who will be a key vendor going forward.

Oteng Sebonego

Oteng rejoined Mecene in August 2009, after completing his MBA at the Kellogg School of Management. Oteng also interned with Mecene for 3 months in 2008. While at Mecene Oteng will assist with building valuation models, creating presentations and analyzing fund strategic decisions.

Spencer Cole, Intern at Mecene Investment


“Sunset”
Maritz Verwey

Featured Photographer on our website

Maritz Verwey

After studying in 2001, I decided that a change of scenery would do me the World of good and so set off to do photography on the Cruise ships. Photographing countless amounts of people in different circumstances enabled me to anticipate certain reactions from people.

I’ve come to love the reportage style of photographing people, hence ending up photographing people in Mexico, Puerto Rico, Barbados, Nepal, Tibet and other countries. Although all these other places have ignited my urge to travel, I will always call Africa my home and I would love to explore Africa in more depth.

Maritz Verwey

For more, please visit Maritz at:

www.maritzverwyey.com - Email: info@maritzverwey.com

“My Photography -

The World is interpreted in different ways and each person sees it through different eyes. I simply capture brief moments in time, moments of how I see the World, True Moments!

Photography is my way of giving the World a sneak preview of how I see it. I love the spontaneity of being at the right place at the right time, or the wrong place at the right time, noticing that moment and capturing it.”

Maritz Verwey