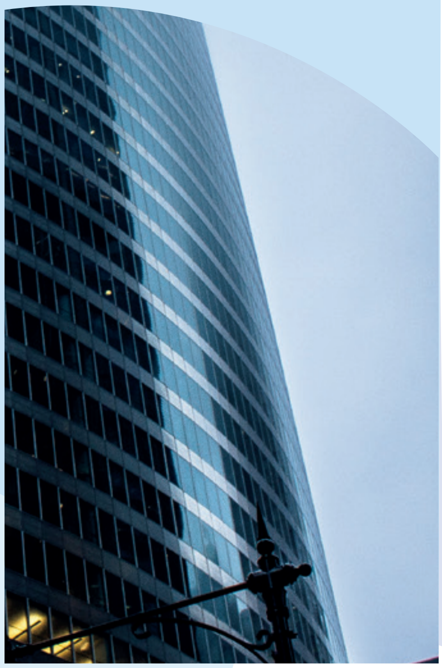
MONTER
CAPITAL PARTNERSHIP LIMITED

July 2023

Q2 NEWSLETTER



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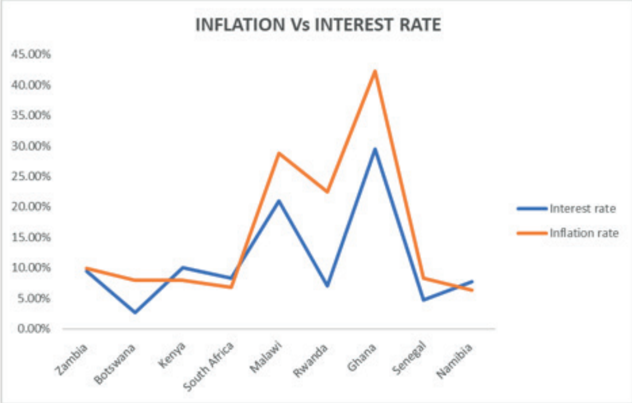
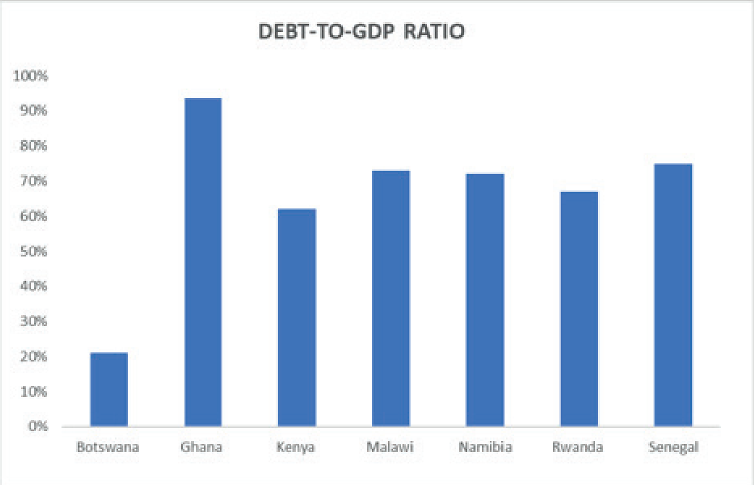
Country	Interest rate	Inflation rate	Exchange rate/ USD
Zambia	9.50%	9.90%	19.35
Botswana	2.65%	7.90%	13.24
Kenya	10%	8%	140.15
South Africa	8.25%	6.80%	18.16
Malawi	21%	28.80%	1026.28
Rwanda	7%	22.40%	1142.83
Ghana	29.50%	42.20%	11.32
Senegal	4.75%	8.30%	600.63
Namibia	7.75%	6.30%	18.69





Country	Debt -to-GDP ratio
Botswana	21%
Ghana	93.50%
Kenya	62%
Malawi	73%
Rwanda	67.08%
South Africa	71%
Zambia	119%

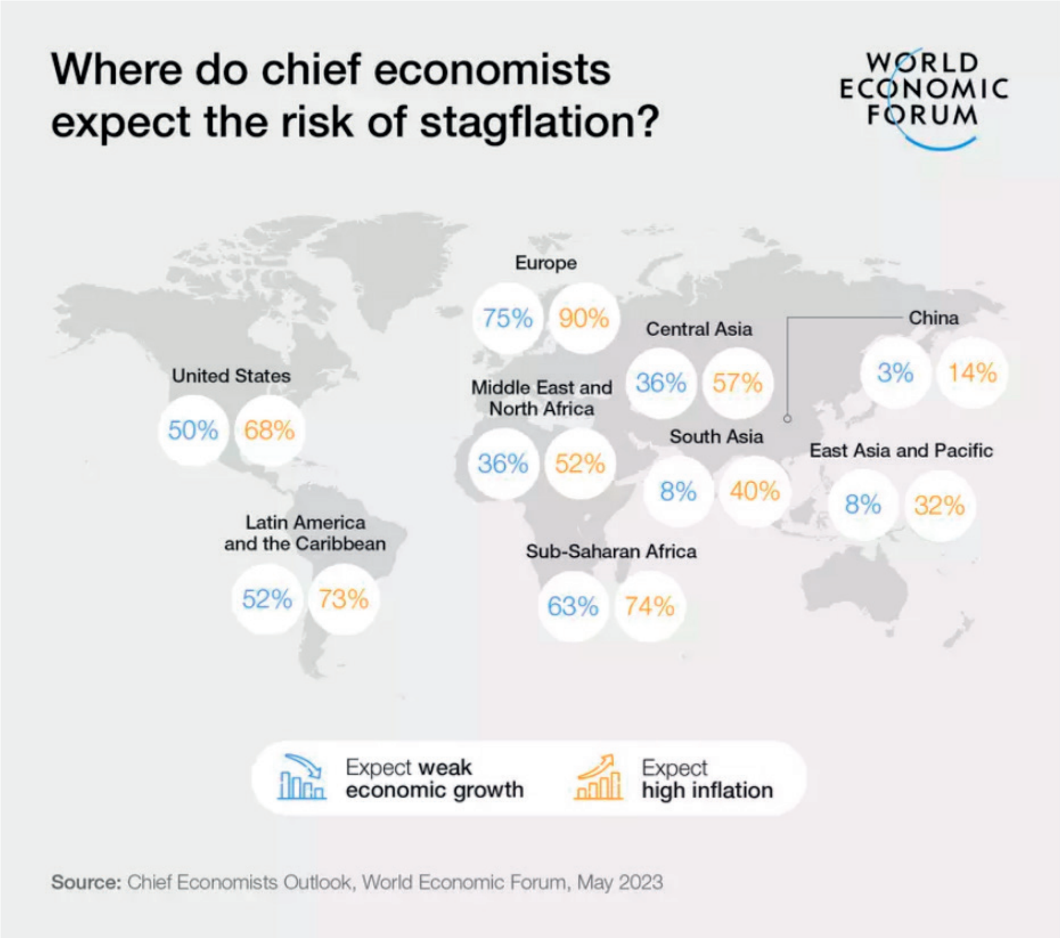
Global Overview:

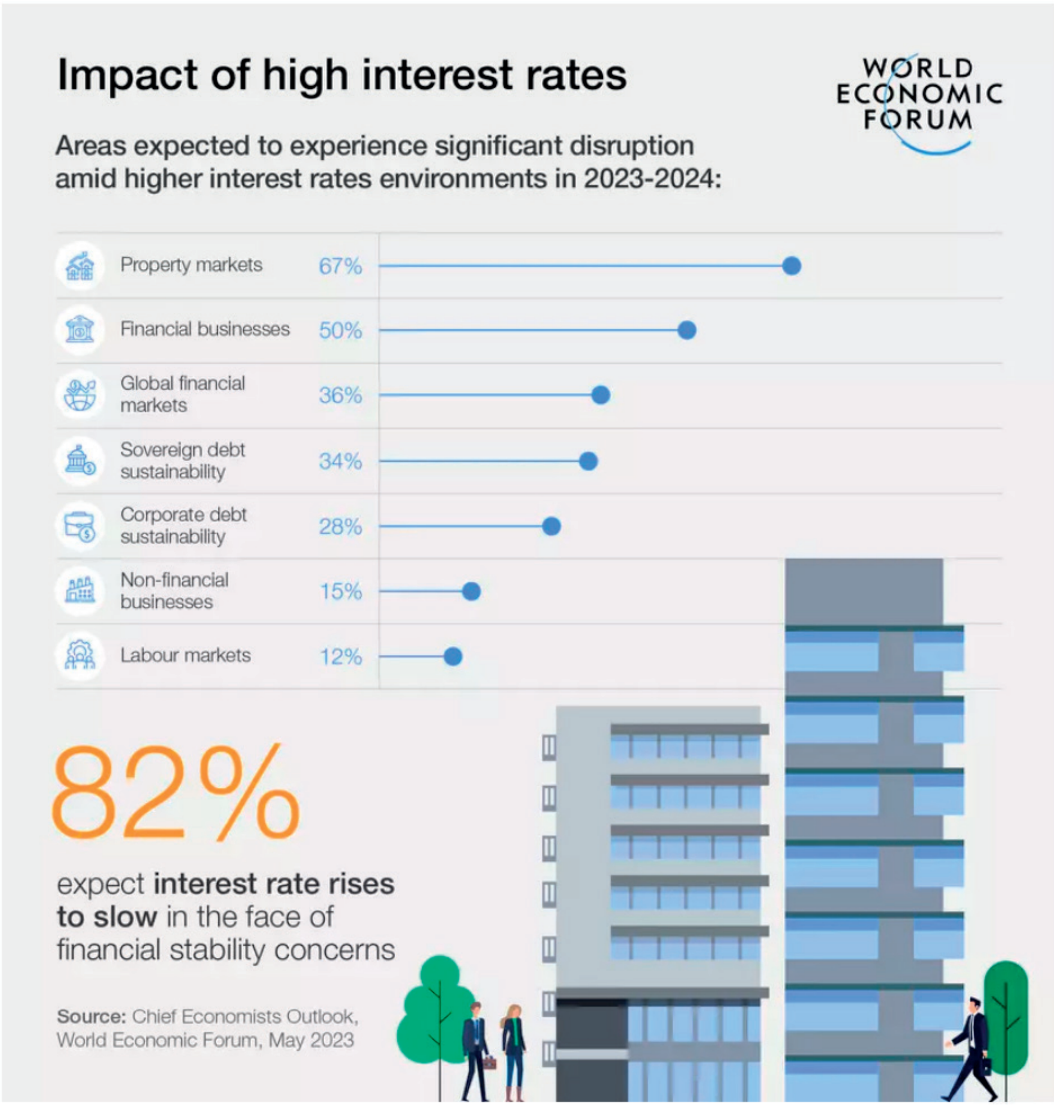
The global economic landscape of 2023 presents a challenging outlook for worldwide growth. Global growth is anticipated to witness a significant decline below trend in 2023, reflecting the multifaceted challenges faced by economies worldwide. The underlying factors behind this downturn can be traced back to the repercussions of higher interest rates, resulting in reduced consumer and investment activity. The instability experienced by the US and European economies has consequently weakened global economic activity, creating a ripple effect throughout the world.

On-going geopolitical tensions, particularly the Russia-Ukraine conflict, continue to foster uncertainty in commodity prices and dampen investor confidence therefore hindering global economic activity.

Advanced economies are expected to experience a pronounced slowdown, with growth rates plummeting from 2.7% in 2022 to an estimated 1.3% in 2023. However, in an alternative scenario where financial sector stress persists, global growth could decline even further to approximately 2.5%, and growth in advanced economies may dip below 1%. The economic performance of the United States and European economies holds significant influence over the global stage. Consequently, the prevailing instability in these regions has had a cascading effect on the overall global economy. The resultant weakening of economic activity worsens the challenges faced by businesses, policymakers, and households across all regions. As a result, there are few signs of nascent optimism, and the growth outlook remains uncertain.

While recent turbulence in the financial sector does not indicate systematic vulnerability, further disruption is considered likely this year.


Where do chief economists expect the risk of stagflation?
WORLD ECONOMIC FORUM
Europe
75% 90%
Central Asia
36% 57%
China
3% 14%
United States
50% 68%
Middle East and North Africa
36% 52%
South Asia
8% 40%
East Asia and Pacific
8% 32%
Latin America and the Caribbean
52% 73%
Sub-Saharan Africa
63% 74%
Expect weak economic growth
Expect high inflation
Source: Chief Economists Outlook, World Economic Forum, May 2023


Impact of high interest rates
WORLD ECONOMIC FORUM
Areas expected to experience significant disruption amid higher interest rates environments in 2023-2024:
Property markets 67%
Financial businesses 50%
Global financial markets 36%
Sovereign debt sustainability 34%
Corporate debt sustainability 28%
Non-financial businesses 15%
Labour markets 12%
82%
expect interest rate rises to slow in the face of financial stability concerns
Source: Chief Economists Outlook, World Economic Forum, May 2023

Botswana

Botswana's economy grew by 5.8% overall in 2022. This expansion is primarily attributed to the resurgence of the diamond market and the implementation of consumption-supportive policies by the government. Notable amongst the key developments is the mining sector where the resumption of local copper mining activities played a pivotal role in driving Botswana's economic growth.

It is anticipated that the mining sector will continue to serve as the primary driver of Botswana's economic development. The government's commitment to supporting this sector, coupled with the anticipated uplift of the revival of copper mining, is expected to contribute significantly to sustained growth. Botswana's monetary policy rate currently sits at 2.65% and has exhibited notable stability, showcasing the prudent approach undertaken by the country's central bank. Additionally, the country's inflation rate is currently 7.90% and it is expected to improve to a 7.5% level by December, 2023.

The USD/BWP exchange rate stands at 13.24 moving from 13.12 at the beginning of the second quarter, indicating a notable degree of stability in the currency pair. In June 2023, the USD/BWP reached its highest point ever recorded at 13.38/USD and this recent performance suggests a favorable position for the Botswana pula in relation to the United States dollar. The South African rand (ZAR) and the Special Drawing Rights (SDR) have remained consistent since 2017. Specifically, the pula basket maintains a 45% weighting towards the ZAR and a 55% weighting towards the SDR. This allocation reflects Botswana's historical trading patterns with its principal trade partners.

Zambia

Zambia recently secured a deal to restructure $6.3 billion in debt owed to governments abroad. This milestone is a breakthrough for indebted nations around the world that have faced lengthy negotiations with their creditors. Under the terms of the agreement, Zambia is expected to repay $6.3 billion in debt over a period of 20 years, with a three-year moratorium during which only interest payments shall be made. Consequently, the Zambian kwacha recorded a sharp appreciation to K17.07/US$ relative to K20.06/US$ at the beginning of the second quarter. While other factors were at play, this movement was largely due to positive sentiment and expectations of economic progress on the back of the highly anticipated debt restructuring agreement.

Given the foregoing progress and the plans put in place by the government, Zambia's economy is forecast to grow by about 4.2% in 2023. This can be attributed, in large part, to the robust performance of non-traditional sectors, including transport and logistics, wholesale and retail trade, ICT, and education. These sectors have admirably counterbalanced the setbacks faced by the mining and agricultural sectors, which experienced contractions. In response to the prevailing economic conditions, the Bank of Zambia recently implemented an upward adjustment in the Monetary Policy Rate, effectively raising it to 9.5% from its previous level of 9.25%. There is a possibility of a further hike in the policy rate in the next few months in order to stem inflation. The annual inflation rate eased for a second month to a four-month low of 9.8% in June 2023. This reflects a marginal reduction from a 9.9% level in the prior month. This movement is mainly attributed to the appreciation of the kwacha over the period. The persistent elevation in food inflation has emerged as a consistent challenge, while transport inflation has notably contributed to the non-food inflation basket. With the harvest season gathering pace, we anticipate the prices of certain key food commodities to move subject to the government's participation in the market especially regarding their influence on the export side.

Kenya

Kenya’s GDP is anticipated to exhibit robust growth in the coming years. It is expected to achieve a growth rate of 5.6% in 2023, followed by a slightly higher growth rate of about 6.0% in 2024. This positive trend can be attributed to the notable expansion in the services sector, as well as increased household consumption and investment. The overall economic growth will heavily rely on the flourishing service industry and a thriving tourism sector throughout the year.

On the FX side, the Kenyan Shilling's performance against the US Dollar has not been favorable, witnessing a significant movement from an initial exchange rate of USD/KES 123.40 to the levels of USD/KES 140.50 as of June 2023. Looking ahead, it is anticipated that the Kenyan currency will continue to depreciate against the dollar to the end of 2023. This is attributed to various factors including the increasing economic imbalance between imports and exports within the Kenyan economy, thereby rendering it more vulnerable to external shocks. The elevated global oil prices also exert a considerable amount of pressure on the Kenyan Shilling, further contributing to its expected depreciation in the near term.

The country’s monetary policy is poised to adopt a stance of rigidity. The Central Bank of Kenya is anticipated to abstain from further interest rate hikes, keeping the policy rate steady at its current position of 8%. This strategic move was driven by the projection that inflation would escalate towards the upper bound range by the end of the second quarter (2Q23). It is anticipated that inflation will experience an upward trajectory, reaching 8.6% in 2023 and subsequently moderating to 5.9% in 2024. This inflationary trend is primarily propelled by the persistent pressures arising from food and energy inflation. The prevailing core inflation rate stands at 8%, showing a marginal increase from the previous reading of 7.9% recorded during the months of April and May 2023.

South Africa

South Africa's economy experienced a slowdown in growth from 4.9% in 2021 to 2.0% in 2022, primarily due to a combination of factors including the repercussions of Russia's conflict in Ukraine, tightening global monetary policies, devastating floods, and an unparalleled energy crisis. The manufacturing and finance sectors played a significant role in driving economic growth, contributing to the supply side of the economy. On the demand side, exports played a crucial role, with smaller positive contributions from household, government, and investment spending. Looking ahead, the projected real GDP growth for 2023 is forecast to be around 0.3% while over the medium term, annual growth is expected to hover around 1.5%.

The recent decision made by the South African Monetary Policy committee to raise the country's policy rate to 8.25% exemplifies a prudent and strategic move in response to the prevailing economic conditions. With the interest rate climbing from 7.75% in the previous month, this decision aimed to effectively stabilize monetary policy and restore price stability in the face of persistently high inflation. This rate hike represents the most substantial increase since 2009 and can be primarily attributed to an upward trend in food inflation, which has emerged as a prominent factor influencing overall price levels.

The recent surge in headline inflation in South Africa can be attributed to the notable increase in food and energy prices. While this development has led to a slight uptick in inflation expectations, it is important to note that overall inflation remains contained within the target range. Currently, South Africa's inflation rate stands at 6.8%.

The depreciation of the South African rand by approximately 1% in late June against a strengthening U.S. dollar and several other currencies can be attributed to a confluence of factors, notably the series of interest rate hikes implemented by various central banks. These developments have instilled concerns regarding global economic growth, consequently exerting downward pressure on the rand. It is worth noting that the rand had experienced a period of robust appreciation since the onset of June, primarily driven by improved investor sentiment resulting from the alleviation of power cuts. However, being an emerging market currency, the rand remains vulnerable to shifts in global dynamics, particularly the performance of the dollar, in the absence of significant domestic catalysts and fundamentals.

Rwanda

The National Bank of Rwanda recently convened its May meeting, during which it decided to maintain its key interest rate at 7%. This decision followed a prior increase of 50 basis points in February, reflecting the bank's vigilance in managing inflationary pressures. Despite some indications of alleviating inflationary factors, inflation rates have remained elevated. Nevertheless, there is an expectation that annual inflation will gradually decelerate, eventually converging towards the targeted range of 2% to 8% by the end of this year. This outlook is contingent upon the anticipated improvement in the agricultural sector's performance during the latter half of the year, which is expected to positively influence the inflationary trajectory.

It is anticipated that the Rwandan economy will experience a growth rate of 7.6% in the year 2023. This growth rate represents a moderation from the robust expansion of 8.2% witnessed in the previous year, primarily attributed to the deceleration of global demand. Recent data reveals a deceleration in the annual inflation rate, which has dipped from the previous month’s level of 28.4% to 22.4% as of June 2023. This represents the lowest inflation rate observed since August 2022. The primary factors contributing to this favorable development are the moderated upward trajectory of essential commodities, including food, transportation, and alcoholic beverages. Looking ahead, it is forecast that the rate of inflation will further decline to approximately 21.8% by the end of the current quarter. In June 2023, the Rwandese Franc reached an all-time high of 1180/USD followed by an appreciation to a 1142.83 level against the US Dollar. We however anticipate the Rwandese Franc to trade at approximately 1161.10 against the US Dollar by the end of the current quarter.

Ghana

The Ghanaian economy surpassed initial expectations by registering a growth rate of 3.1%. This economic expansion was primarily propelled by the mining, information and communication, as well as education sectors, which played critical roles in driving overall growth. Going forward, Ghana's economic trajectory appears promising, with a positive outlook anticipated for 2023. Significant improvements in business confidence further bolsters this positive sentiment. Ghana is actively engaged in debt-restructuring efforts and recently secured the IMF Executive Board's approval of SDR 2.242 billion (about US$3 billion), a 36-month Extended Credit Facility (ECF). This decision enabled an immediate disbursement equivalent to SDR 451.4 million (about US$600 million). It is anticipated that Ghana's Gross Domestic Product (GDP) will reach a US$ 80.23 Billion level by the end of 2023.

Ghana's prevailing policy rate stands at 29.5%, a carefully determined figure that reflects the country's current economic landscape. Considering the ongoing disinflationary trends observed, this rate is forecast to remain unchanged throughout the remainder of the year. In the medium term, the likelihood of any additional upward adjustments appears minimal, given the persistent disinflationary forces at play. Ghana's economic landscape witnessed a notable surge in the annual rate of inflation, soaring from a six-month low of 41.2% as of April to 42.2% year-on-year by the end of June 2023. This uptick can be primarily attributed to a significant acceleration in food prices, which escalated from 48.7% to 51.8%. Additionally, the prices of beverages and the imposition of new taxes also played a contributory role in propelling the overall price levels upwards. The FX rate between the US$ and the Ghanaian Cedi ended the quarter at 11.51GHS / US$.

The Bank of Ghana reversed the foreign exchange control measures that were introduced in the previous year which were initially implemented in response to the devaluation of the Cedi and the declining foreign exchange reserves.

Malawi

Malawi's economy has encountered a series of external shocks and persistent macro-fiscal imbalances, leading to significant weakening. The real GDP growth rate in Malawi decelerated to 0.7% in 2023, a decrease from the estimated 1.0% in the previous year, 2022. This downward trajectory can be attributed to the adverse effects of Cyclone Freddy in March 2023, which resulted in crop damage and posed substantial challenges for the crucial agricultural sector. In response to these challenges, the government is striving to restructure its debt with the objective of obtaining an Extended Credit Facility (ECF) program in collaboration with the International Monetary Fund (IMF). Forecasts indicate that the current account deficit will narrow to 11.7% of GDP in 2023 and 12.3% in 2024 due to the combination of sluggish growth and weakened domestic demand. However, a rebound in GDP growth is expected from 2024 onward if the ECF funding lines open, coupled with a recovery in the mining and agricultural sectors. This anticipated improvement will drive GDP growth to a projected rate of 2.0% in 2023 and 3.5% in 2024. Key factors contributing to this recovery include the resurgence of agriculture, growth in tourism and exports, as well as increased foreign direct investment.

Malawi's recent policy rate adjustment has witnessed a notable increase, rising from 18% in March to 22% by June 2023. This deliberate upward shift in interest rates can be attributed to the persistently elevated inflation projections that stem from unfavorable climatic conditions. The adverse weather patterns have exerted significant pressure on the country's overall economic landscape, prompting the need for a measured response in monetary policy. By adjusting the policy rate, Malawi's Central Bank aims to curtail the inflationary pressures and promote macroeconomic stability, thereby fostering a conducive environment for sustainable economic growth and development.

Considering the prevailing conditions of stringent monetary measures, it is projected that inflationary pressures will escalate reaching a peak of 22.8% in the fiscal year 2023, subsequently subsiding to a level of 15.4% in 2024. The persistently high food inflation is predominantly attributable to the surge in maize prices, along with elevated global prices of essential grains and cooking oil commodities. Moreover, non-food inflation has risen to 20.5%, primarily propelled by substantial escalations in transportation and utility expenses, induced by international price dynamics and the corresponding exchange rate adjustments. In May 2022, the local currency experienced a significant devaluation, witnessing a decline from 824.8 Malawi kwacha per US dollar to 1,036.2. Presently, the currency is trading at MWK1,026.28/US$.

Namibia

The Monetary Policy Committee (MPC) recently made a decision to raise the repo rate by 50 basis points, resulting in a new rate of 7.75%, up from the previous 7.25%. This move was implemented with the aim of ensuring the stability and security of the Namibian Dollar while also effectively managing inflation expectations. Namibia's economic outlook for 2023 reflects a projected moderation in growth, with expectations pointing towards a 2.8% expansion compared to the 4.6% growth witnessed in 2022. This deceleration can be primarily attributed to the impact of subdued global demand, coupled with a decline in external demand for mining commodities. It is anticipated that Namibia's real economic growth will attain an average rate of 3% throughout the entirety of 2023. The latest data on headline inflation reveals an unexpected downward trend as it registered at 6.1% year-on-year in June, compared to the previous figure of 6.3% in April. The Namibian government maintains a positive outlook, projecting a further deceleration of inflation, with an average of 6.0% year-on-year for 2023. It is anticipated that inflation will conclude the year at 5.0%, predominantly influenced by the inflationary pressures within the transportation sector.

The exchange rate between the United States Dollar (USD) and the Namibian Dollar (NAD) displayed a modest increase on Thursday, June 29th, with a rise of 0.0584 or 0.31%, reaching 18.6964 compared to the previous trading session's value of 18.6380. It is important to note that currency risk for this particular pair remains classified as BB-rated. While external liquidity metrics have experienced a deterioration, it is crucial to highlight that foreign reserves are currently at an adequate level to sustain the fixed exchange rate of 1:1 between the Namibian dollar and the South African rand. However, it is worth noting that currency volatility has decreased to some extent; nevertheless, it continues to pose a significant challenge, as the South African rand is susceptible to sharp fluctuations due to both domestic and international factors.

Senegal

Senegal maintained its interest rate at a steady level of 5% during the month of June 2023, a decision that is anticipated to persist unaltered until the end of the second quarter. Looking ahead to the remainder of 2023, we anticipate a resurgence in economic growth, with a projected rate of 4.7%. This growth trajectory will be propelled by a rebound in the secondary sector, attributable to the normalization of international commodity prices, a conducive institutional environment, and the utilization of private-public partnerships to finance public investments. Additionally, a strengthened inflow of foreign direct investment in the exploitation of hydrocarbons is expected to contribute to the positive outlook.

Notably, Senegal's economy is poised to excel in the coming years, with a growth rate of 8.0% expected in 2023 and a remarkable surge to 10.5% in 2024. This places Senegal at the forefront of Sub-Saharan African growth rates for the next two years, outperforming the regional average projected at 3.6% in 2023 and 3.9% in 2024, as forecasted by the World Bank. The recent economic developments in Senegal indicate a slight moderation in the annual inflation rate, as it eased from 9% in April 2023 to 8.3% in June 2023. This adjustment demonstrates a favorable trend towards stabilizing price levels within the country. The decrease in the inflation rate suggests that the overall price pressures in the economy have somewhat alleviated during this period. Such a development can have implications for various economic sectors, including consumer purchasing power, investment decisions, and monetary policy considerations.

Based on the current economic indicators, the Local Currency exhibits a trading value of Fr 600.63 (XOF) against the US Dollar. Considering the prevailing market conditions, it is anticipated that the currency will experience a depreciation trend against the dollar and potentially reach a trading rate of over 646.17 by the end of the third quarter.

MONTER CAPITAL PARTNERSHIP LIMITED
announces the successful First Close of its flagship USD100 Million Fund

Monter Capital Partnership Limited (MCPL) is pleased to announce the successful First Close of its flagship USD100 million Fund. This represents a significant milestone for MCPL and the private equity landscape.

The Monter Capital Fund, launched in 2022, reached its first close on April 30, 2023, demonstrating strong investor interest and confidence in MCPL's investment strategy. The Fund focuses strategically on growth companies in core sectors, including Financial Services, Clean Energy, and Agri-business with a selected supplementary asset class.

Domiciled in Mauritius with a presence in mainland Africa, Monter Capital is focused on investments in businesses within Sub-Saharan Africa.

Dr. Brian Malambo, Chief Executive Officer of Monter Capital, expressed his enthusiasm for this milestone and his optimism about collaborating with a diverse team of distinguished professionals to ensure the Fund's success. He further stated that the Fund benefits from the support of an esteemed Advisory Board comprising reputable, experienced, and qualified global experts in various fields, further establishing Monter Capital as a key market player.

Monter Capital's approach of partnering with a diverse team of global experts aims to foster the emergence of robust and sustainable companies. The Fund places a strong emphasis on Environmental, Social, and Governance (ESG) standards, recognizing their crucial role in the value creation process. Faith Mukutu, a Director at Monter Capital also emphasized the firm's commitment to promoting gender inclusivity and equity within the targeted investment spectrum.

Dr. Gregor Binkert, Chairman of the Board, expressed his confidence in the Fund's trajectory, stating, "Despite the rapidly changing economic environment, the first close of the Monter Capital Fund reflects institutional investors' confidence in Monter Capital being able to identify sustainable investment opportunities on the Continent and create healthy returns for all stakeholders. This achievement is a remarkable milestone for Monter Capital and for the deepening of capital markets in Sub-Saharan Africa."

Monter Capital Partnership Limited remains committed to driving growth, generating value, and contributing to the development of African economies and entrepreneurship.

Analyst's view

Sub-Saharan Africa stands as an exceptional investment opportunity, characterized by a landscape brimming with untapped potential. The region's economic transformation is paving the way for increased financial accessibility, attracting private capital and positioning Africa as a burgeoning hub for private equity (PE) and venture capital (VC) investments. The continent's remarkable GDP growth, bolstered by the robust LP base of Africa-focused PE and VC firms, further fuels the investment appetite for PE in the region.

Although financial integration levels in most parts of sub-Saharan Africa remain relatively low, there has been a significant upward trend since 2010. Despite global economic fluctuations, Sub-Saharan Africa is projected to maintain a stable growth rate of 3.8% in both 2022 and 2023, with a positive revision of 0.1 percentage point for the latter year. As we navigate through the year, it is crucial for market participants to closely monitor the evolving economic dynamics and adapt their strategies accordingly. Policymakers must exercise prudence in decision-making to effectively mitigate risks and foster long-term economic stability.

The potential returns on investments in sub-Saharan Africa are unparalleled. By seizing the opportunity to tap into the region's underdeveloped financial sector, entrepreneurs and investors alike can expect significant rewards. Additionally, the combination of Africa's abundant agricultural resources creates a unique advantage for those looking to venture into the thriving agribusiness industry. Furthermore, renewable energy stands as one of the most rapidly growing segments across numerous African nations, attracting substantial public and private investment.

The last four years have been incredibly challenging globally with respect to the economy and geopolitical horizon which in turn has affected Sub-Saharan Africa. Businesses are in more need of capital now than ever as the region embarks on an economic resurgence riding on the back of good leadership, immense natural resources and prudent economic management.

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