

Performance... Delivered!



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As worst global financial crisis since the Great Depression, seems to be drawing to an end with the global economy crawling out of recession, we at IPRO Botswana are quite excited by the prospects ahead. As we enter the last quarter of 2009, we look back upon the months gone by and remember with great satisfaction how we helped our clients reduce their losses in their portfolios during the downturn, and now have positioned their portfolios to participate in the upside opportunities that the markets present!

Excellent performances by both the IPRO African Market Leaders' Fund and IPRO Managed Client Portfolios

The **IPRO African Market Leaders Fund (IAMFL)** has delivered a sterling performance; both YTD and over the last quarter. It has appreciated by 25% YTD with a last quarter return of 18%! Prudent selection of markets and stocks has enabled our fund to outperform better known and larger peers both on a YTD basis and over the last quarter. Currently the fund is invested in South Africa, Botswana, Kenya and Zambia. The fund is almost fully invested now and we are in the process of raising money from new investors.

The table below shows the performance of the fund holdings vs the broad market indices in specific markets as well as the MSCI Emerging Frontier Market (EFM) Africa Index. Our Botswana portfolio was by far the best performer over the last quarter with excellent gains posted by Letshego and Sefalana, two of our major holdings. The increase in share prices has been well supported growth in earnings and we continue to be bullish on these stocks over the medium to long term.

July'09 - Sept'09

	Local Index	IPRO Africa Fund
Botswana	13.95%	30.09%
Kenya	-6.32%	16.79%
South Africa	18.66%	10.08%
Zambia	11.90%	10.56%

Note : returns in US Dollars

MSCI EFM Africa	11.60%
IAMLF	17.82%

IPRO Managed Portfolio Service (IPMS)

The performance of our managed client portfolios has been in line with the BSE DCI, with some of them outperforming the index over the last quarter. However, the major objective for most of our clients is to have a more steady appreciation of portfolio value and good dividends while taking medium risk. With this objective, we have also been able to achieve adequate diversification in portfolios of clients who have been with us for more than 6-9 months. This has led to more steady returns clearly evident in the performance of their

portfolios. This has increased the clients' confidence in our abilities which is very encouraging for us.

Increase in risk appetite globally

The liquidity situation in global markets has improved and stock markets globally have seen a lot of money sitting on the sidelines, come back into the markets. We continue to see an increase in risk appetite amongst investors which has fuelled the quick rise in the stock markets since March this year. On a YTD basis, the MSCI World Index has gone up by 22.5% while the MSCI Emerging Markets Index has gone up by 61.20%. This clearly shows the relatively higher optimism surrounding most emerging markets (like India), which were not directly exposed to the Global Financial crisis. It is also becoming increasingly clear that it is the emerging markets, which will drive future global economic growth as developed economies continue to struggle to get out of the red.

Regional update

The optimism in the emerging markets like India and China, and the increase in risk appetite seen globally is starting to have a positive impact on the regional markets. As the global economy slowly emerges from the claws of recession, we see demand creeping back for some commodities along with an increase in prices. This should help local currencies in the region strengthen vs the USD (which is anyway under a lot of pressure) as exports slowly pick up. The Zambian Kwacha has appreciated by almost 10% over the last quarter vs the USD. However, at large it is not going to be an easy road to growth for most African economies.

Major blue chip stocks in specific sectors, having good fundamentals, have shown handsome gains in share prices in the recent months. However, recent company results have been a mixed bag. Most of the banking stocks have shown an increase in impairments or non-performing loans, which was to be expected. Other sectors such as retail and FMCG have displayed better resilience and posted good results, with handsome growth in earnings.

Our plans and outlook for the next quarter

In the coming months, we would be offering our clients a wider exposure to various markets, both regional and international, within their portfolios. We would use such exposure to gain additional diversification both regionally and globally, including currency diversification.

At IPRO Botswana, we expect the markets in which we are invested regionally to be range-bound, with earnings and valuations holding the key to share price movement. We would continue to stick to fundamentally sound stocks with long term growth potential, without being too concerned about short term fluctuations or volatility in the markets.

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