

MATIN

LA PLÉNIÈRE

CONFÉRENCE OFI





LA PLÉNIÈRE

QUELLES SONT LES PISTES DE RÉFLEXION
QUI VONT VOUS PERMETTRE D'INVESTIR
DE FAÇON SEREINE ?

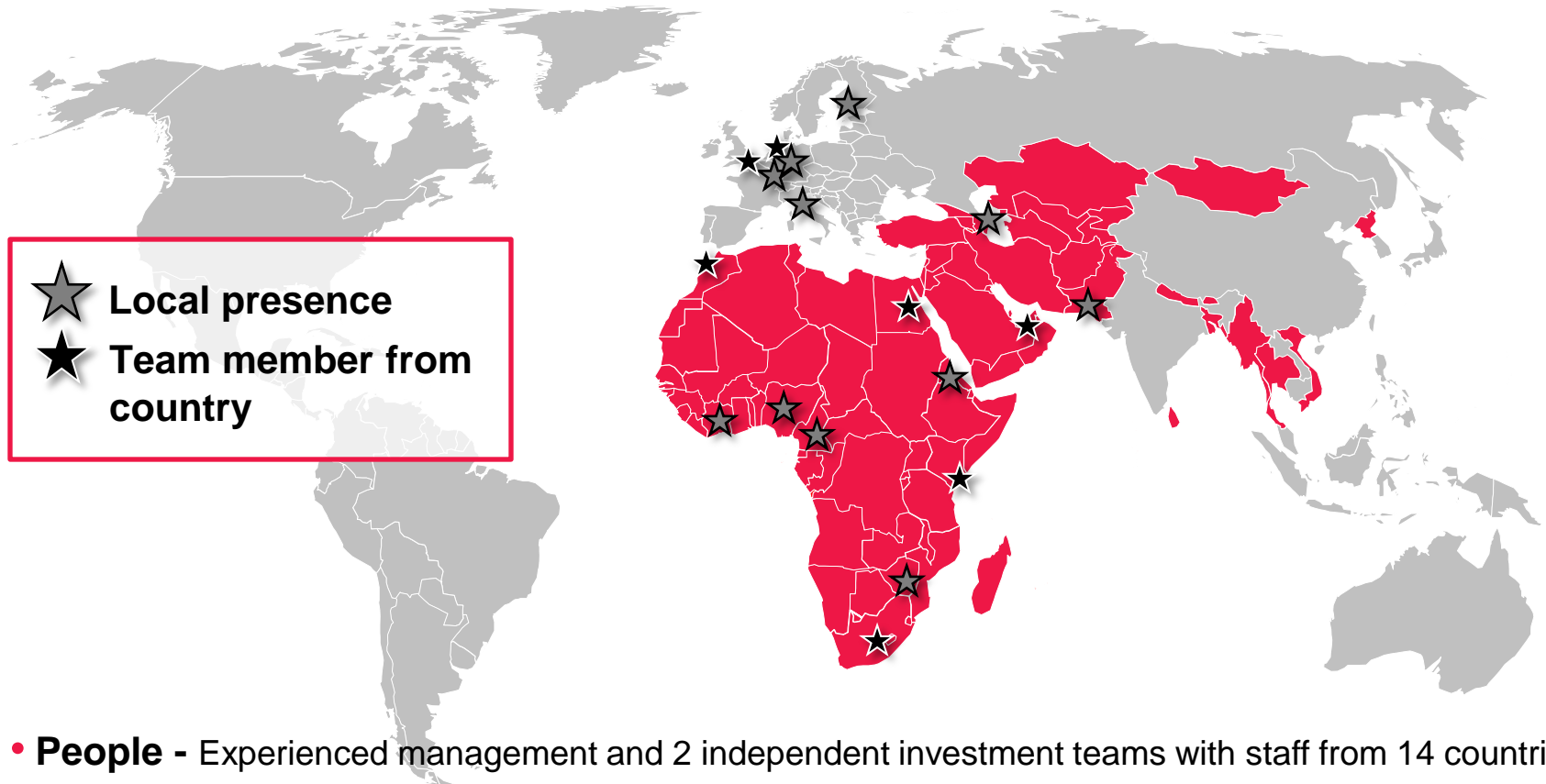
Les émergents 2012 Outlook

» Zin BEKKALI

CIO, SILK INVEST

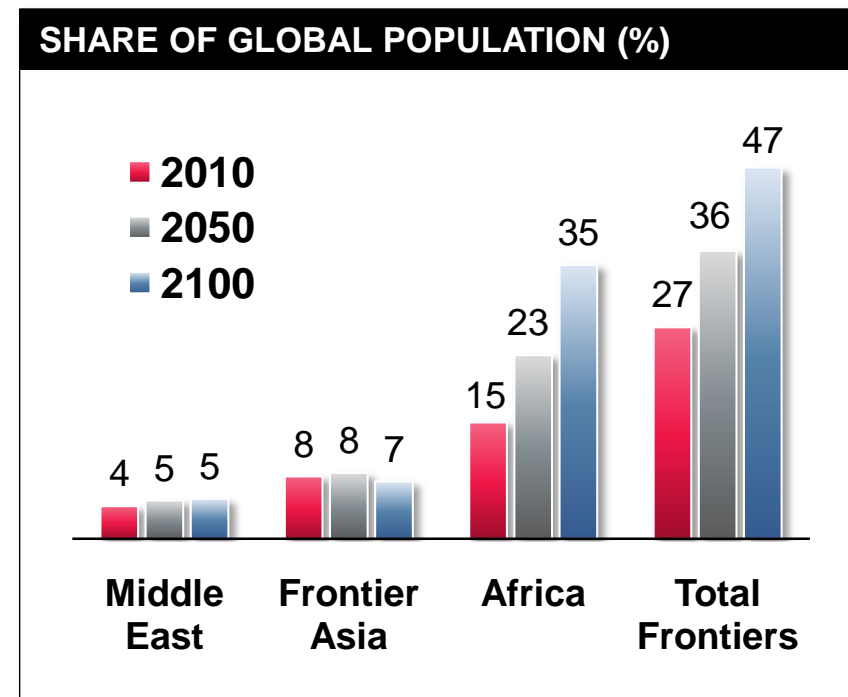
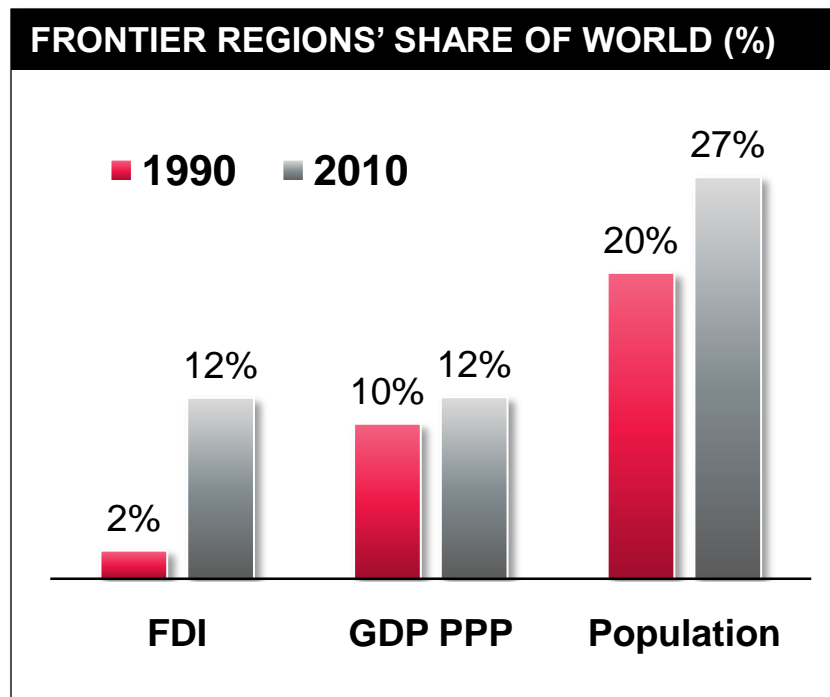


Silk Road Frontier Regions & Silk Invest



- **People** - Experienced management and 2 independent investment teams with staff from 14 countries
- **History** - Founded by management in '08 to provide access to Africa, Middle East and Frontier Asia
- **Set-up** - Infrastructure customized to frontiers with regulated entities in the UK & UAE and 7 offices
- **Alignment** - All key staff are equity holders and firm had no turnover among its key staff since start
- **Public markets** - Diverse products including African fund, frontier equities and frontier fixed income
- **Private Equity** - Silk African food fund which invests in mid-sized FMCG firms in Africa

47% of world population in 2100 will live in frontier regions



- Increasing relevance with share of FDI at 12% in 2010 mainly driven by intra regional transactions (e.g. MTN), M&A deals (e.g. Wal-Mart) and infrastructure investments
- Frontier regions account for 27% of world population and will reach close to 47% mainly driven by Africa

Convergence is driven by people & politics

» PEOPLE – Consumer demand

- Young population
- Increase in GDP by Capita
- Increasing urbanization
- Education
- Communication
- Consumer patterns

» PEOPLE – Local entrepreneurs



ALIKO DANGOTE - NIGERIA

- Built up close to \$20B wealth
- Cement & Food



NAGUIB SAWIRIS - EGYPT

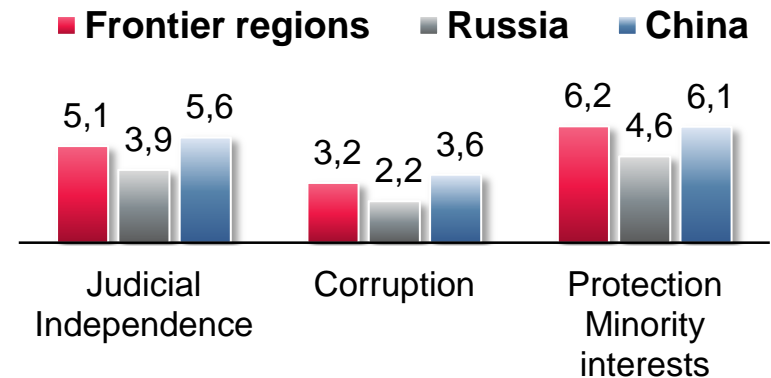
- Controls with his family Orascom
- Telecom & Construction



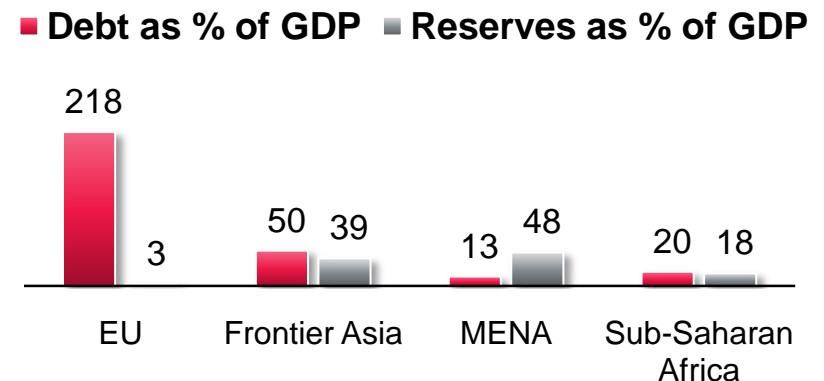
NASSER AL-KHARAFI - KUWAIT

- Built up close to \$10B wealth
- Telecom, Finance & Food

POLITICS – RISKS IN LINE WITH BRIC

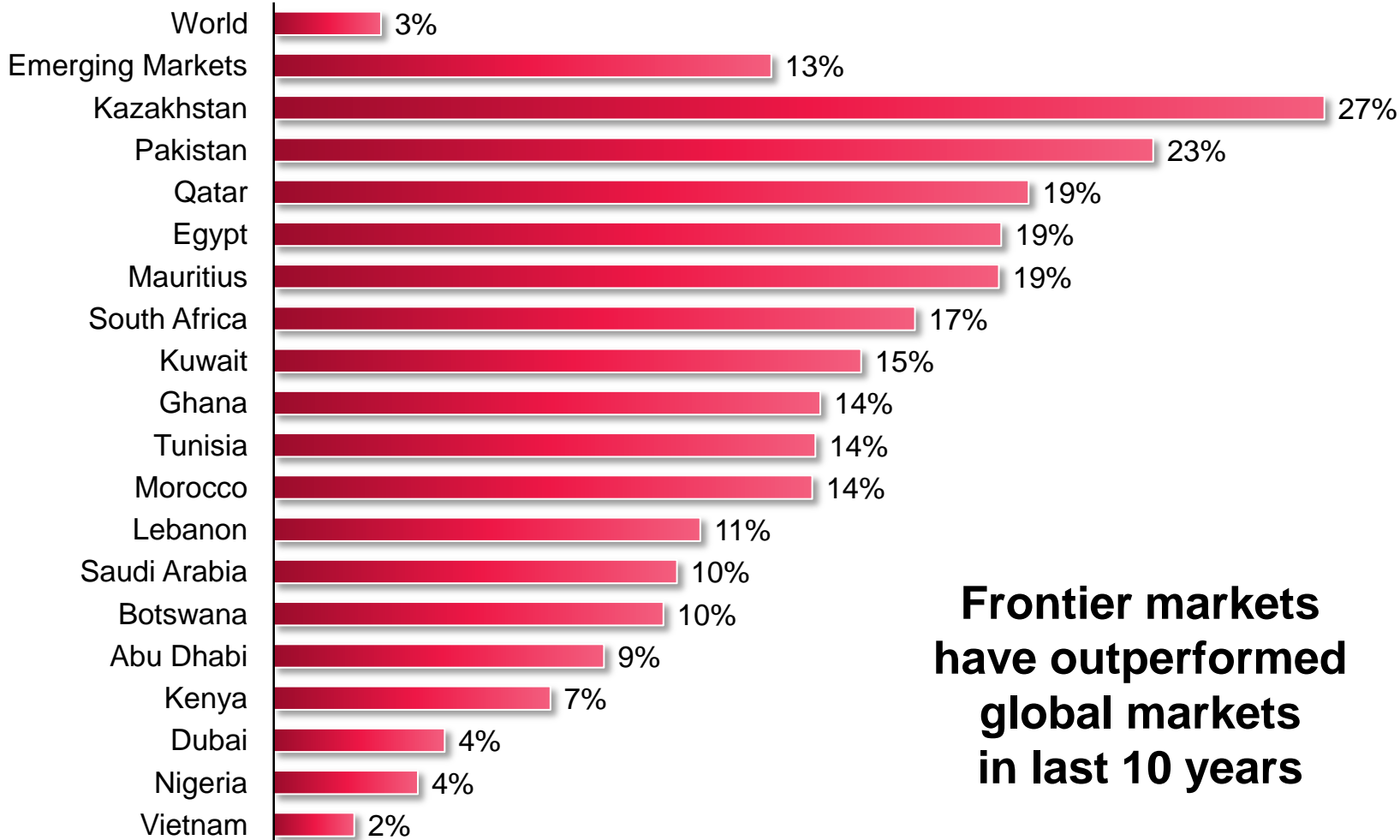


POLITICS – STRONG BALANCE SHEETS



Strong long term returns

10 YRS ANNUALIZED RETURNS USD (%)



**Frontier markets
have outperformed
global markets
in last 10 years**

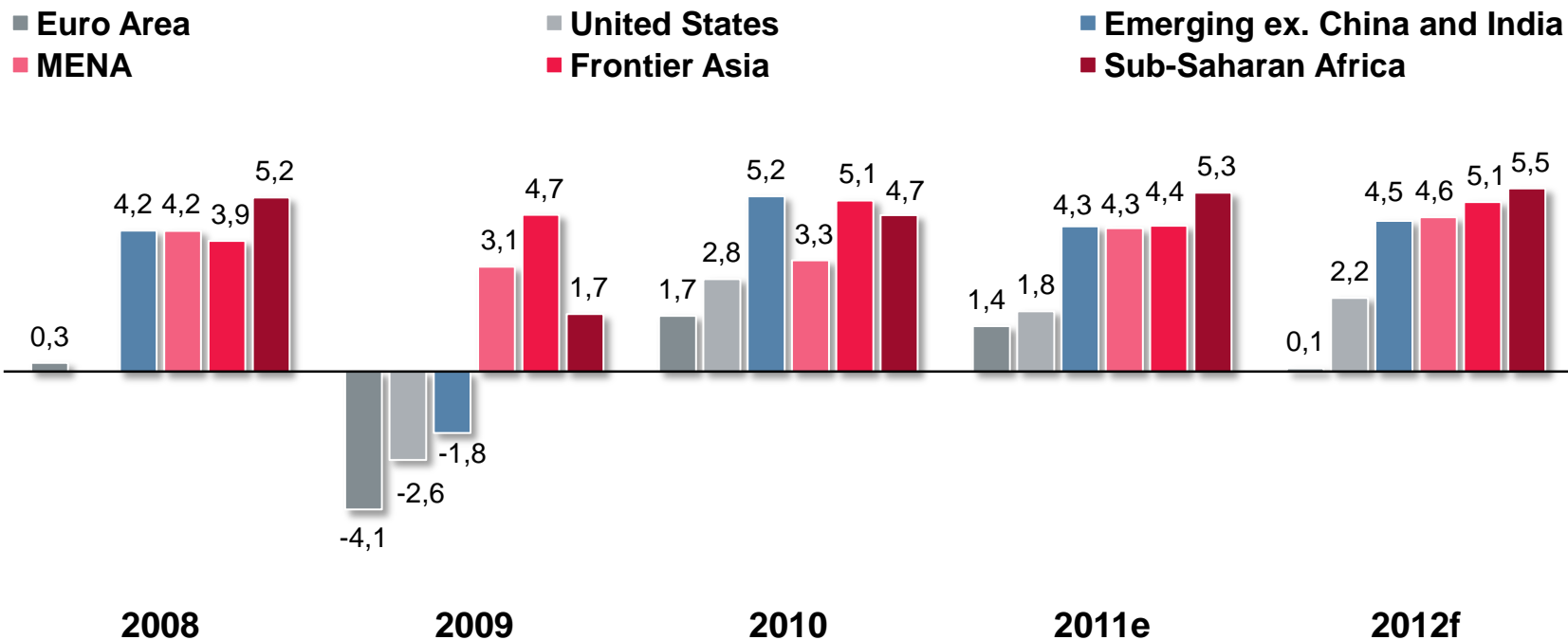
Source: Silk Invest; Bloomberg - Note: Data as of November

2012 – The year of the Silk frontier regions

- 1** Continued two-speed world
- 2** Frontier equity Markets are expected to recover lost ground
- 3** Frontier markets are attractive and show good value
- 4** Painful de-leveraging has limited impact on Silk Regions
- 5** Year of political clean-up
- 6** A year with low inflation
- 7** Continued low volatility profiting from low correlation
- 8** Flows are at historical minimums

1 Continued two-speed world

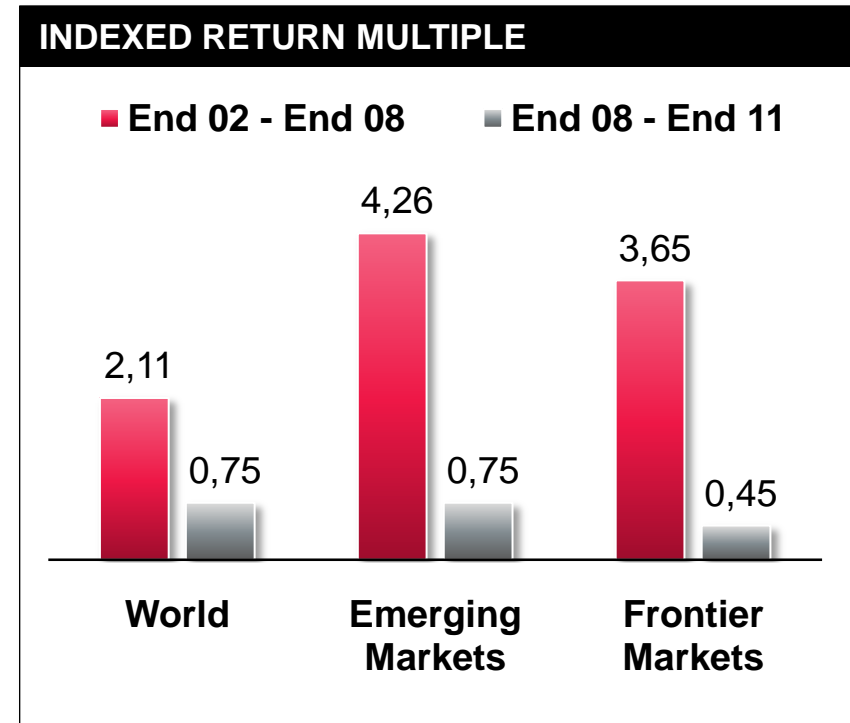
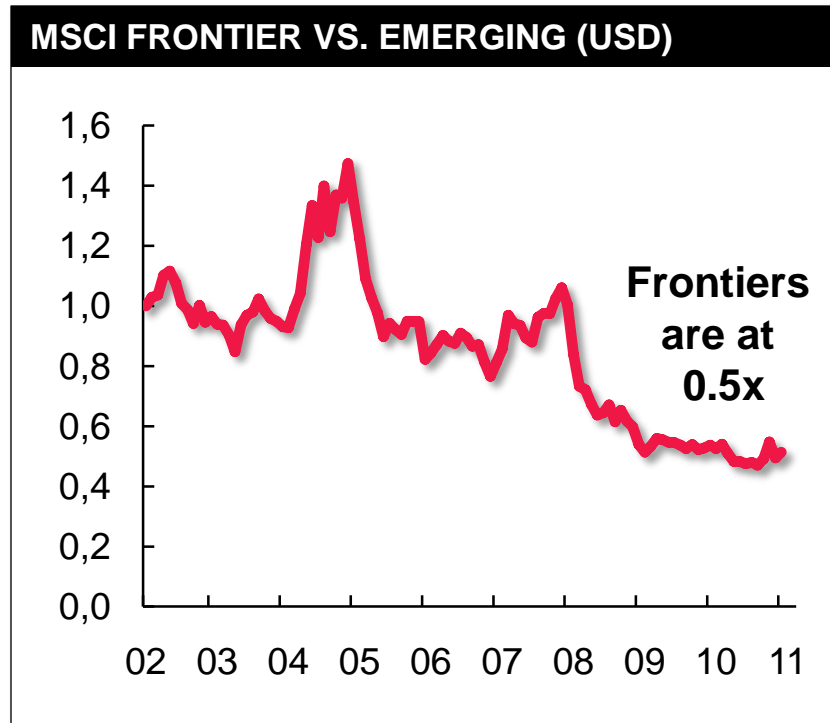
ANNUAL GDP GROWTH (%)



Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- Convergence of developing economies has proven to be painful for developed countries and especially the Euro region will continue to struggle in 2012
- Frontier markets including Sub-Saharan Africa and MENA are expected to show strong growth number in 2012

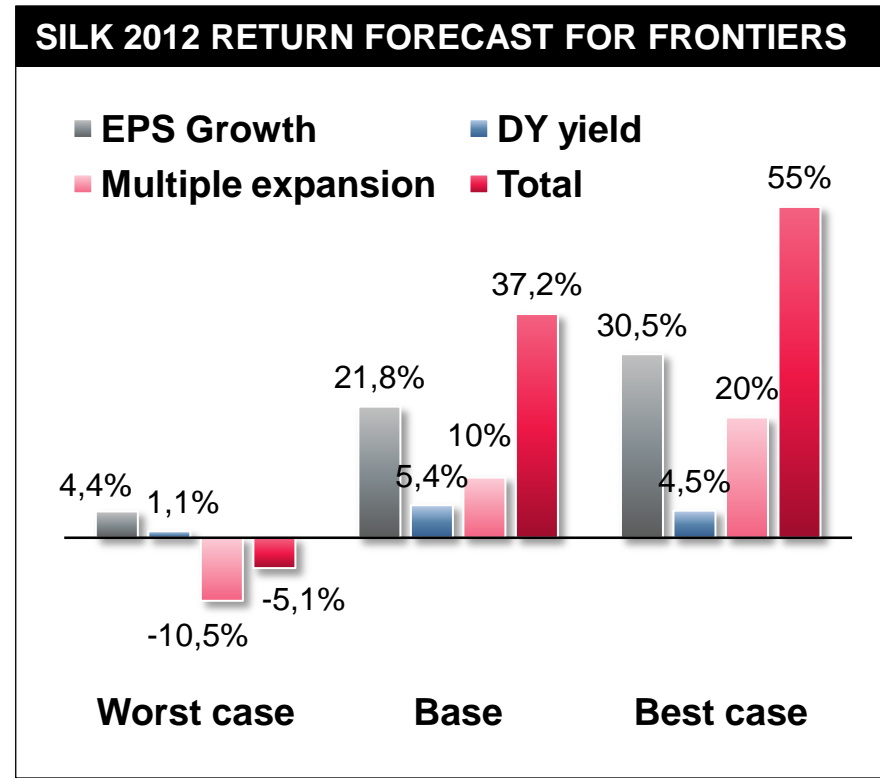
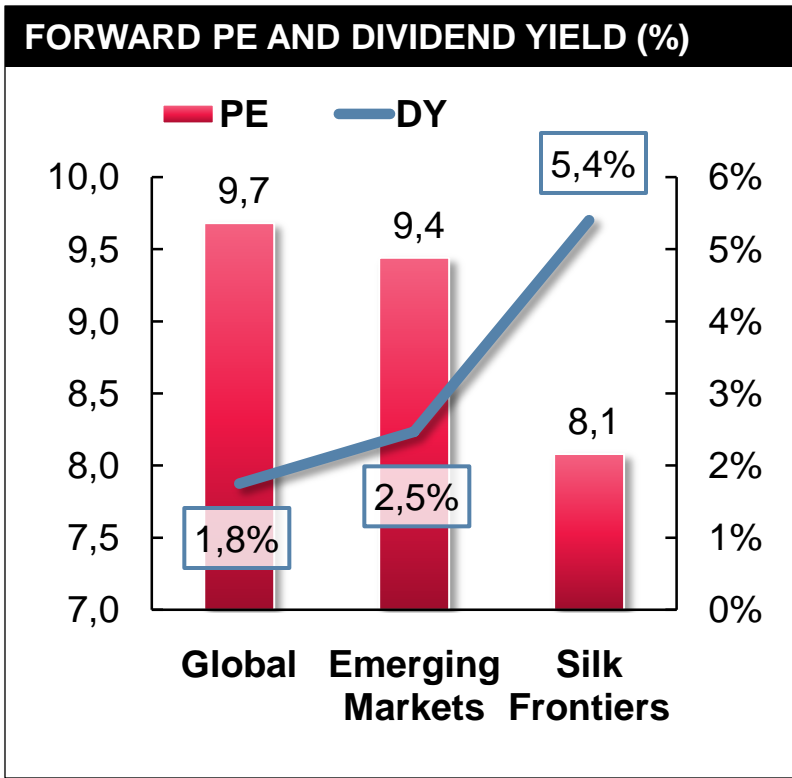
2 Frontier markets are expected to catch-up



Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- Frontier markets have historically tracked or outperformed emerging and global markets but they are currently selling at a discount of around 50%
- In the period '03-'08 frontier markets delivered around 4x their start point but they lagged since 2008 in comparison with both global and emerging markets

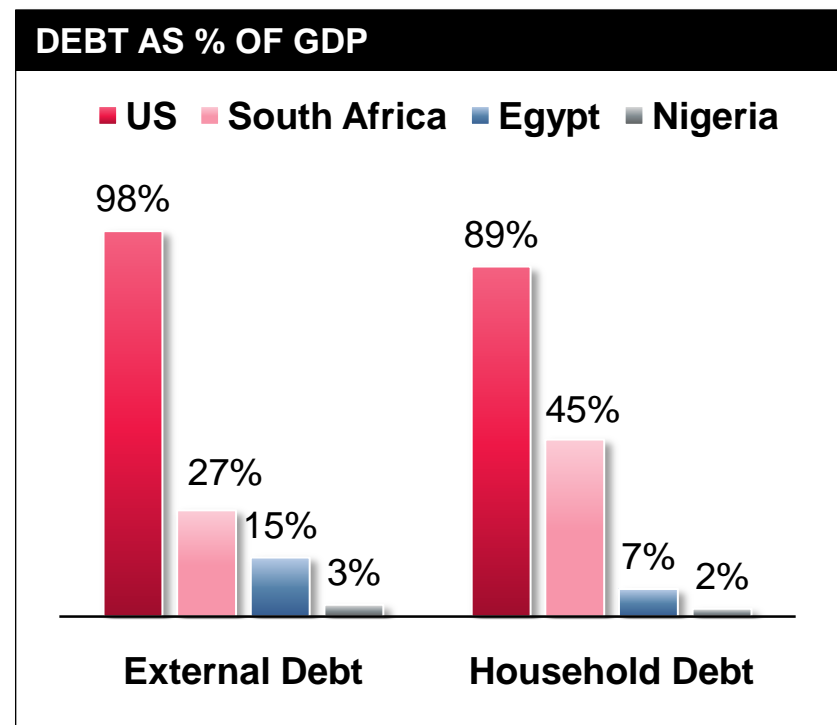
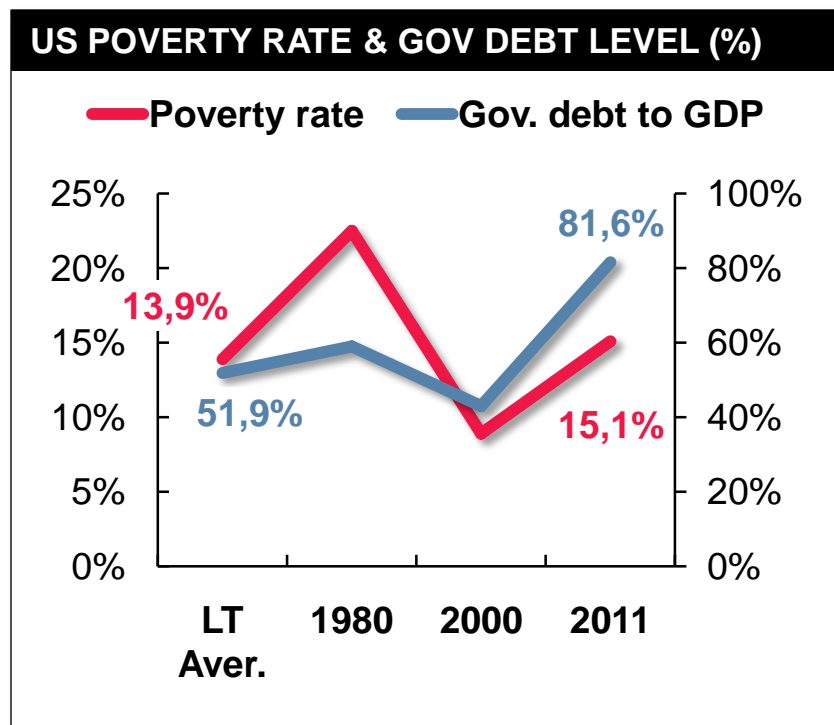
3 Frontier equity markets show value



Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- Frontier markets are selling at deep discounts based on both PE and DY multiples
- Worst case scenario for frontier markets is expected to be around -5% while base case is close to 40% returns driven mainly by high EPS growth and attractive dividend yields

4 Global deleveraging has low impact on frontiers



Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- US poverty is with 15.1% above the long term trend of 13.1% and the government debt has reached a level above 80% GDP, far higher than the 52% LT average
- African and frontier markets have both low internal and low external debt ratio's which allows them to avoid being affected by the continued interest rates volatility

5 The year of political clean-up

2011

The year of good bye to the leaders of the Mediterranean



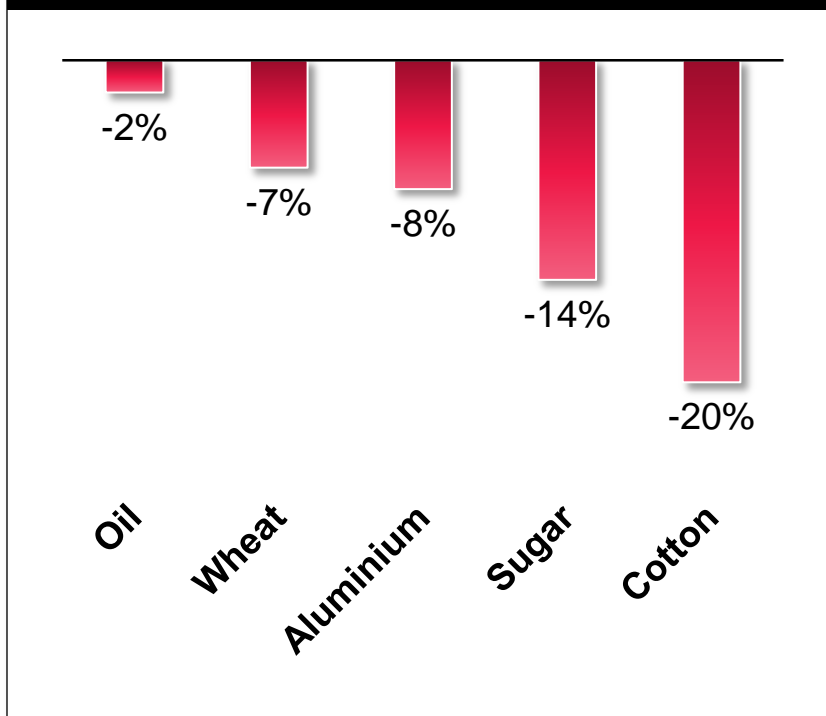
2012

The year of cleaning up and less disruptive changes

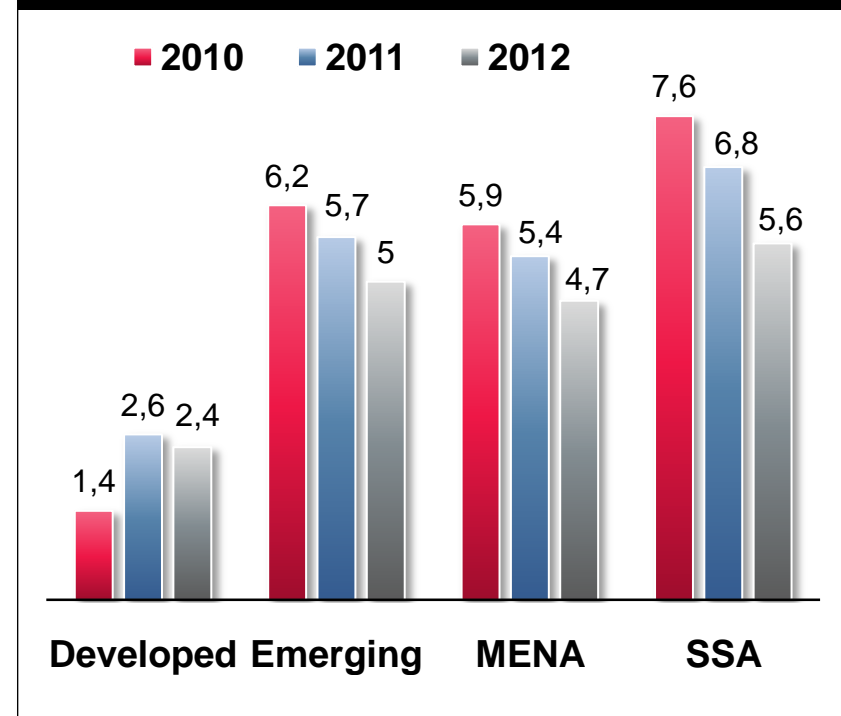
- Leaders are adapting their tactics to avoid full scale escalation as has been witnessed in the Arab world in 2011
- New elections are scheduled in both developing and developed countries including US, France and Russia
- The main focus for 2012 will be on tackling the challenges that the various countries are facing

6 Year of lower inflation pressures

2012e MOVEMENT IN COMMODITIES



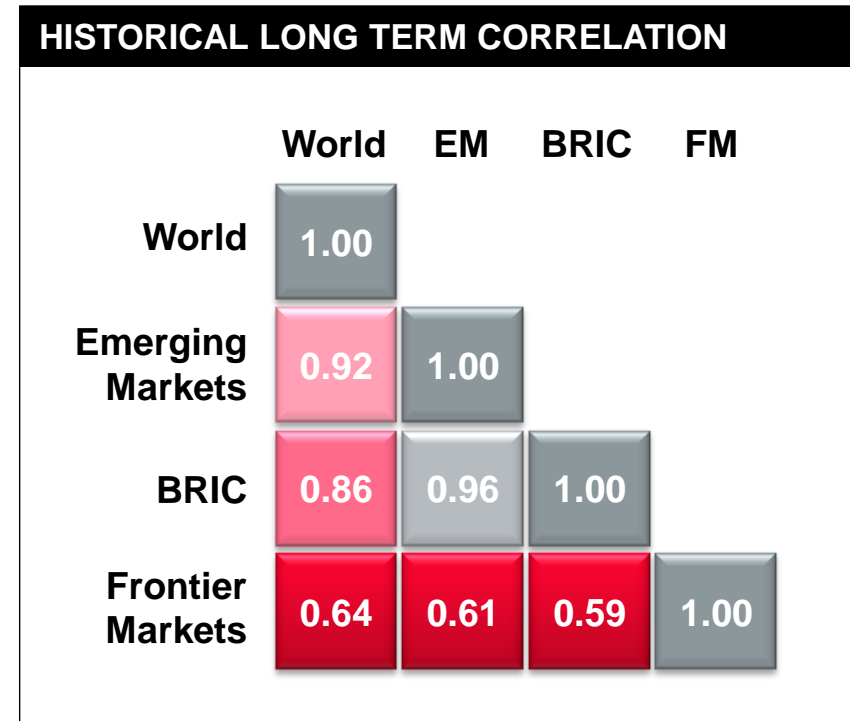
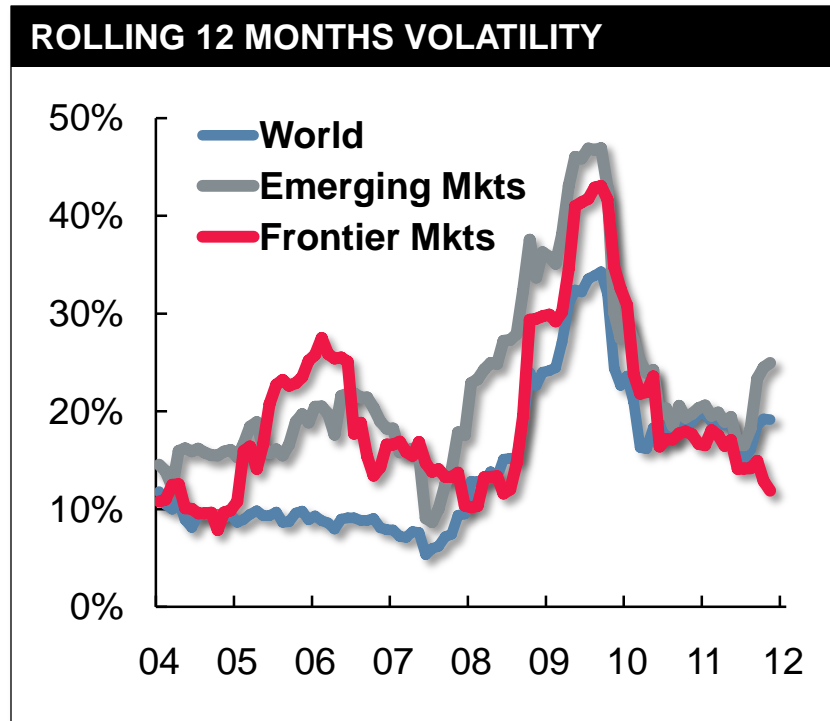
YOY INFLATION LEVELS



Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- Commodity prices are expected to stabilize or to decline in 2012 driven by more supply, subdued demand and less speculation
- Inflation rates are expected to fall across the board with frontier markets showing the biggest decreases in inflation rates

7 Lower volatility profiting from low correlation

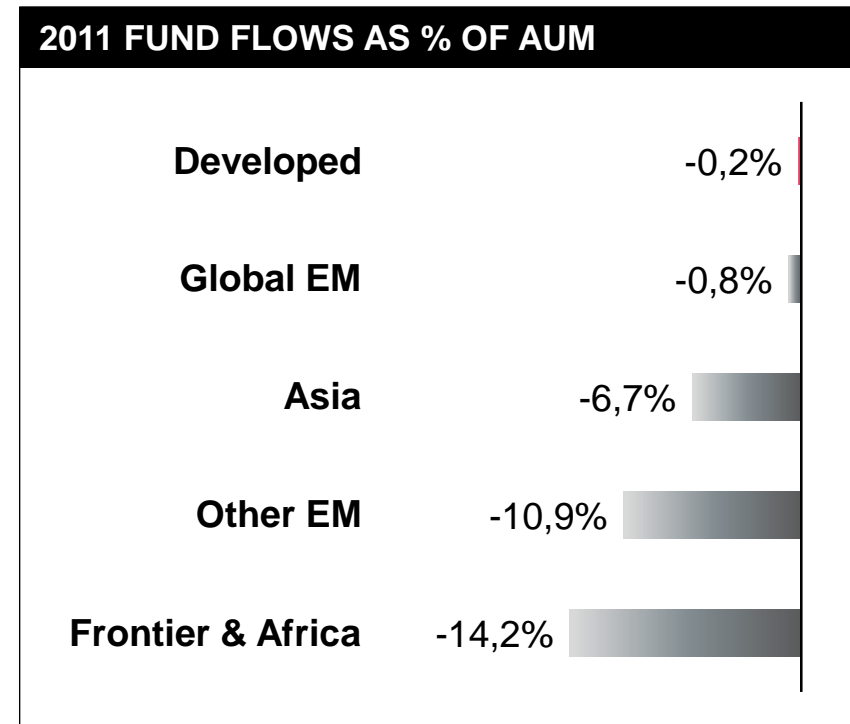
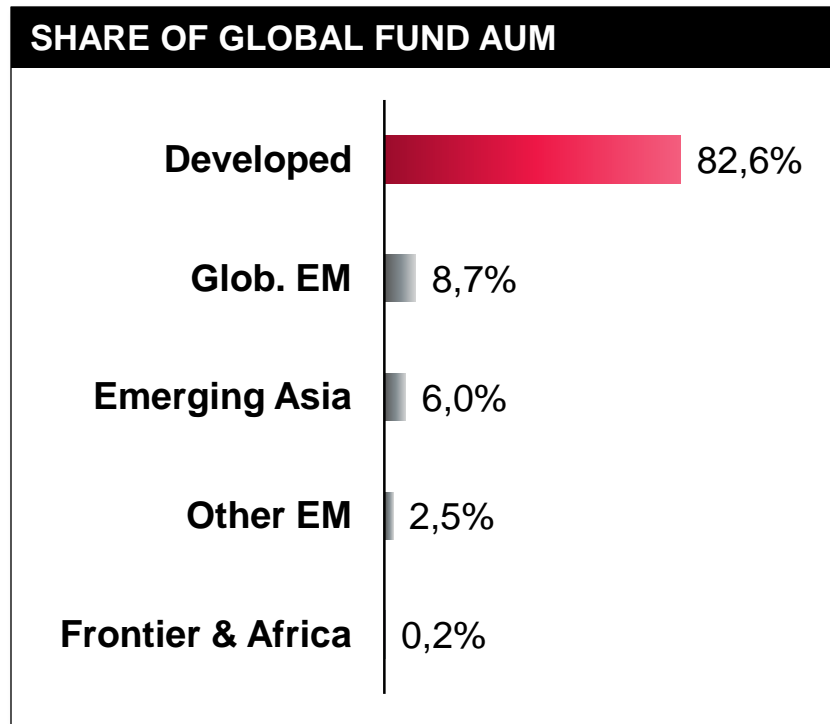


Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- Rolling annualized volatility in frontier markets went down in 2011 in contrast to developed and emerging markets where volatility spiked up
- Frontier markets have returned to their long term correlation levels where they can help investors to reduce their overall portfolio risks



8 Fund allocations have reached historical lows



Source: Silk Invest, IMF, DB, CS, JPM, HSBC, MS and regional research houses

- Frontier and African markets only receive around 0.2% of total fund allocation to equity funds in comparison with 6% to Emerging Asia
- These markets have been the most affected by the lower allocation to “risk” and frontier markets are now almost exclusively driven by local investors

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