

# Barak

Definition: Prosperity, Lightning, Cast forth, Blessed. Pronunciation: /baw-rak/

## Mikopo Structured Credit Fund Offerings: Share Class A - Unleveraged | Share Class B - Leveraged



### Investment Objective

A Short & Medium Term Structured Trade Finance and Capex Fund with a focus on **Development in African SME growth sectors**, targeting 4-6% return on Senior Secured Debt, and a target leveraged return on equity of 13-16%, per annum respectively. In the case where no gearing is applied, the equity return targeted is then 10-12%. **Semiannual distributions** (optional for equity in both share classes) for yield accruals will be optional.

### Risk Profile

Medium

The manager employs an active portfolio construction strategy to maintain a diversified country and sector exposure. Alternative credit has **low correlation to traditional asset classes**. Asset-backed lending secures all transactions; loan-to-value ratios provide a first-loss credit enhancement. With discretion, the manager's strategy which preserves capital, targets returns commensurate with the investor risk profile **whilst maintaining liquidity**.

# Barak Mikopo Structured Credit Fund

Unlocking Africa's Potential



## INTRODUCTION

Barak Fund Management was founded in 2008 and has built up a portfolio of USD510m assets under management. The fund currently performs the role of fund manager to the flagship and award-winning **Barak Structured Trade Finance Fund**, the **Barak Impact Finance Fund** and the **Barak Shanta Derivative Fund**. The demand for medium-dated credit has led to the launch of the **Barak Mikopo Structured Credit Fund**.

## THE BARAK MIKOPU STRUCTURED CREDIT FUND: UNLEVERAGED AND LEVERAGED SHARE CLASSES

**Barak Mikopo Fund** is an unlisted open-ended African alternative credit fund providing qualified investors access, via equity or debt, to a portfolio of credit investments with underlying maturities ranging from short term trade finance (30 days -1 year) to a maturity in excess of a year. The fund will seek exposure to high growth sectors, focusing on development.

Barak Fund Management is an Africa-based asset manager with a successful track record in structured short-term trade finance in agriculture and commodities sectors.

One Concept, two share classes: An unleveraged share class targeting 10-12% p.a and a leveraged share class, catering for a maximum of 2 times senior debt to equity, targeting equity returns of 13-16%. The underlying investments are secured loans to African SMEs, characterized by strong operational cash flows.

## FUND OBJECTIVES

- Expanding the Fund Manager's offering to the medium-term credit space with commensurate return expectations;
- The investment manager will enhance equity returns, providing consistent and regular income, through senior secured debt (leverage) and thereby appeal to varying degrees of investor appetite though privy access to returns generated from deal flow
- To promote short- and medium-term growth and development;
- **To create and promote access to markets for borrowers** through the provision of developmental finance in partnerships with commercial banks and DFIs;
- **To enable producers and supply chain managers to optimise their distribution and sales by managing cash flow** more effectively;
- **To lower transaction costs** and deepen local financial markets which primarily serve the agricultural sectors;
- To increase the ability for African countries to earn foreign currency as a means of enhancing their ability to access traditional finance;

## INVESTMENT STRATEGY

### Risk-Adjusted Yield-Enhanced Returns

Investments into the fund provide yield-enhancing collateralised loans through bridge, trade, working capital funding and term lease solutions to qualifying borrowers. Candidates must display strong financial performance capable of servicing such debt in addition to sound corporate governance. The short-term loans will likely be associated with the medium-term capital expenditure loans on the basis of limiting exposure to 75% medium-term allocation. The latter may alter based on liquidity requirements.

### Collateral

Collateral will be taken as security in the form of tradable inventory, trade receivables and/or certain tangible assets such as property, plant and equipment.

### Portfolio and Liquidity Diversification

Strict counter-party and industry sector limits will be applied, supported by an active liquidity management strategy to maintain a balance between short- and medium-term loans allocated are provided in line with the above-mentioned mandate.

### Credit Enhancement

To ensure an alignment of interest, investments are structured with the borrower providing up to 20% 1st Tier Capital with the Fund providing the mezzanine (or 2nd Tier Capital) of 60-80% (the remainder of the LTV), contingent on gearing.

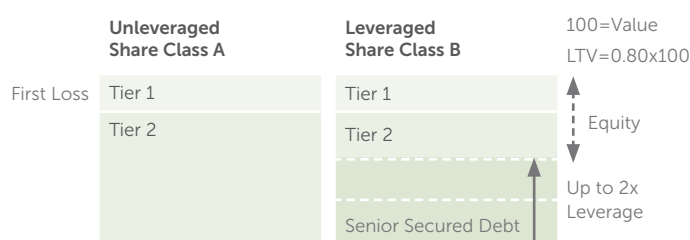
Gearing of Equity through Senior Secured Debt. Senior Debt will be raised against investments up to 200% of the total equity.

## INVESTMENT UNIVERSE

**Small and Medium African Enterprises.** The businesses are to be supported by a **strong track record of successful production, processing and supply chain management** with the need for external funding. Businesses should preferably operate in growth environment, participating in defensive sectors.

The Fund's borrowers typically have a financial profile of one or the other:

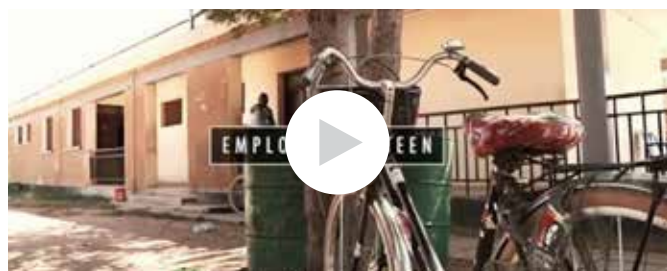
- Turnover of USD 5 million to USD 50 million and/or
- Assets of USD 5 million to USD 50 million and/or
- Equity of USD 1 million to US\$ 25 million
- Borrowers typically employ staff of 5 to 250.



## KEY FACTS

<b>Fund Category</b>	African Alternative Credit
<b>Target Equity Returns (Leveraged)</b>	13 - 16% p.a.
<b>Target Equity Returns (Unleveraged)</b>	10 - 12% p.a.
<b>Target Senior Debt Yield</b>	4 - 6% p.a.
<b>Leverage</b>	The Fund can employ leverage of up to 200%
<b>Hurdle Rate</b>	UK London Inter Bank Offer Rate (LIBOR) as published by Bloomberg. If hurdle rate is exceeded, then the performance fee is based on the full performance.
<b>Redemptions</b>	Equity lock-in period 3 years with annual renewal thereafter; one years notice is required for redemption.
<b>Management Fee</b>	2% p.a. (payable monthly)
<b>Performance Fee</b>	20% p.a. (payable quarterly)
<b>Underlying Assets</b>	Moveable and immovable fixed assets, working capital and development finance, secured.
<b>Auditor</b>	PricewaterhouseCoopers
<b>Legal Counsel</b>	Werksmans Attorneys
<b>Independent Compliance Officer</b>	Geoffrey Carter Attorneys
<b>Independent Administrator</b>	Maitland or Independent Data Services

## INVESTOR VIDEO



Disclaimer: This data sheet is a private publication for private circulation and may not be distributed to any other person than the recipient. It is for information purposes only, reflecting the outcome of decisions taken by the fund managers prior joining the fund. Past results are not necessarily indicative of future performance and no assurance can be given that profits will be achieved.

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## Mikopo Structured Credit Fund

Unlocking Africa's Potential



“ In Africa today, we recognise that **trade and investment**, and not aid, are pillars of **development**. ”

Paul Kagame

### The Fund Managers

#### JEAN CRAVEN

##### Joint Chief Investment Officer

Standard Bank | Team Leader | Structured Commodity Finance, Physical & Derivative Agri-Trading  
RMB | Commodity Securitization  
BCom Accounting | University of Stellenbosch



#### PRIEUR DU PLESSIS

##### Joint Chief Investment Officer

RMB | Commodities Trading Desk and Structured Commodity Finance  
Standard Bank | Head of Soft Commodities team  
Absa | Head of Structured Trade and Commodity Finance  
PricewaterhouseCoopers | CA Articles (SAICA)



#### DEREK POSTMA

##### Fund Advisor

Stanlib | Tax Specialist  
Liberty Group | Tax Consultant  
Moore Stephens | Auditor | Agri Sector  
BA Accounting (Honours) | UNISA



### New Business Development

#### LISA MAJMIN

##### Executive Assistant to CIO

Trium Capital, London | Quantitative Strategist  
International Finance Corporation, USA | Portfolio Officer  
Gemstar Capital LLP, London | Quantitative Strategist  
Imperial College Business School | MSc, BSc (hons) & PhD in Advanced Mathematics of Finance.



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Marbella Road, Pellegrin, Trianon, Quartre Bornes, Mauritius  
contact@barakfund.com | [www.barakfund.com](http://www.barakfund.com)  
Investor Relations: investor@barakfund.com

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