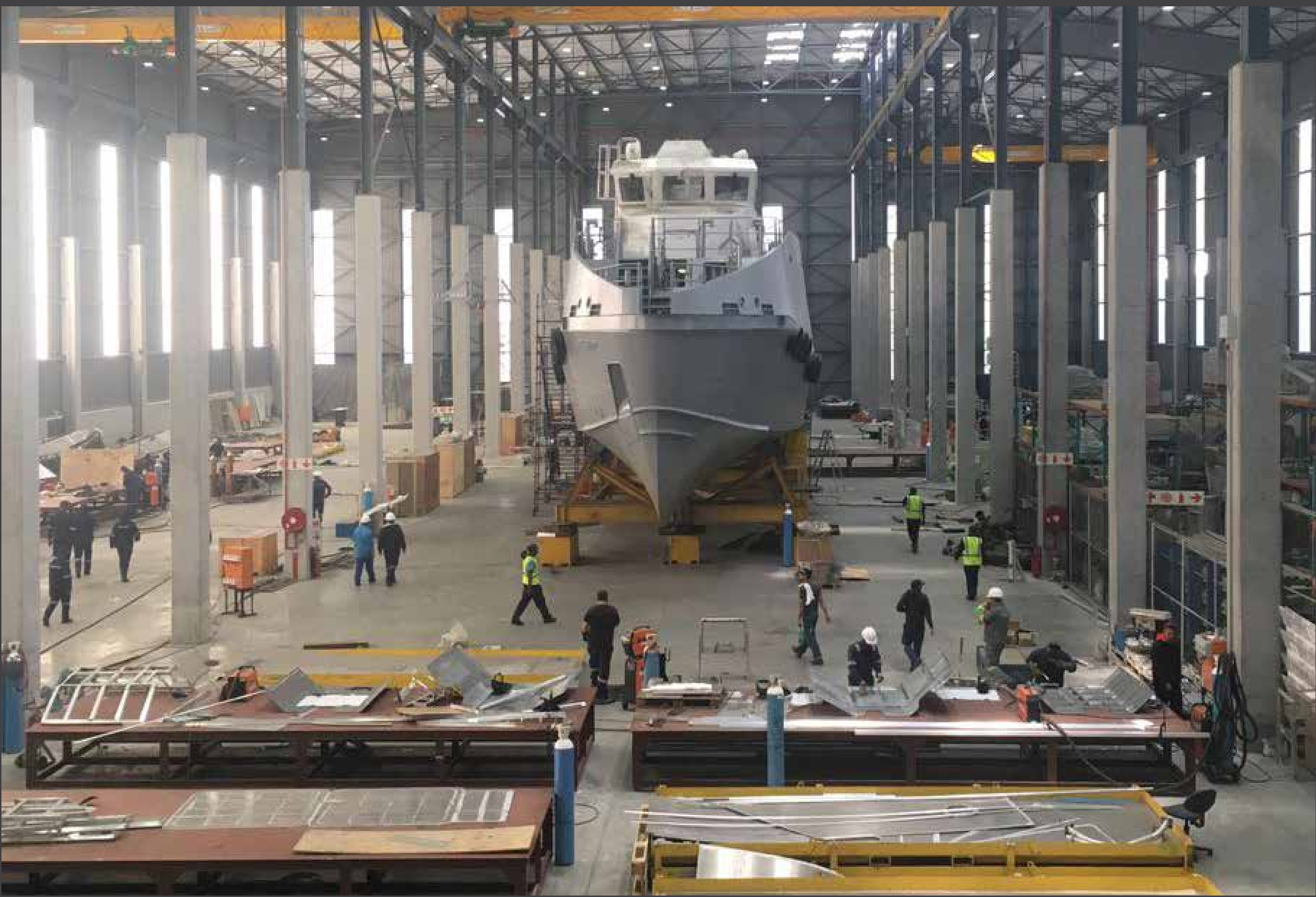
Barak
Quarterly Report - Q1 2018



BARAK
FUND MANAGEMENT

Quarterly Report 1 - 2018

Introduction

... the pressure to grow is persistent and unwavering: a company must constantly evolve to stay innovative, relevant and competitive...

SOUTH AFRICA
Raisins | Export Financing

The release of the **Q1 2018 Quarterly Report** comes at an important time of Barak's business activities in Africa: the previous Barak Fund Management Quarterly Report focused primarily on Barak's particularly strong growth experienced in 2017, with a growth in Assets in Management (AUM) reaching levels that few saw possible given the business' position some three years' ago. As at end of December 2017, Barak's firm AUM reached the USD1 billion mark and had firmly placed itself as the leader in alternative credit financing in African commodity markets (and beyond). This growth presented a 100% increase from USD500 million at the start of 2017, and the year absolutely opened a host of new avenues for the business' expansion. However, what the previous Quarterly Report did not focus heavily on was consolidated growth for Barak; where opportunities arise with this growth, so do potential challenges from both a borrower as well investor scope.

Forbes released an article in November titled *The Best-Kept Secret of Business Growth*, with the underlying theme being that in today's business world, the pressure to grow is persistent and unwavering: a company must constantly evolve to stay innovative, relevant and competitive. Given the niche market in which Barak plays and has grown to become a well-known name in Africa, this sentiment has been felt throughout all aspects of the business. The *Forbes* article mentions an interesting angle, that being that in almost every individual/company's mind, growth is the definition of success. The psychological reality: if a company is not growing, it is declining.

The underlying message from the *Forbes* article is somewhat obvious, but at times may easily be missed in rapid growth: with companies under this pressure to expand and grow, it is sometimes pursued with little forethought and strategy planning. Risks associated with little preplanning can include failing to realise the full potential of the core business, diversifying too far (and too quickly) and not redefining the core competencies once growth has commenced. Not planning a strategy appropriately raises one major potential red flag: not developing an approach for long-term growth. Immediate growth can be very enticing, but growth itself will peter out over time unless there is an effective and competitive long-term growth plan in place. As highlighted below and in the remainder of the Q1 Report, Barak has been working hard on ensuring long-term sustainability has been identified and acted upon.

In setting the tone for the **Barak Q1 2018 Report**, strategy planning for Barak for the end of 2017 and into Q1 of 2018 has been a critical focus in moving the business activities and operations in Africa forward. For some 12-18 months now, Barak has worked on a strategy to launch the Barak Mikopo and Asha Funds, which will look to complement Barak's historical short-term African credit strategy. The result – both Funds are up and running (detail to be provided later in the Report), and are generating particularly strong deal pipelines to attract the interest from a global capital-raising focus for Barak for this year. The respective deal pipelines, across all lending tenor profiles in Africa, will be discussed in detail in the Report, as this essentially forms the core of Barak's success; how strong (as well as the risk-adjusted gross returns) the deal origination capabilities remain in the business that has built up such a strong and durable track record within challenging jurisdictions. Although these medium and longer-term opportunities have been on Barak's radar for some time from a strategic growth and development business phase, the majority of the firm AUM remains short-term capital and accordingly, short-term transactions are highlighted in the deal pipeline section of the Q1 Report.

The **Barak Q1 Report** will provide some insights into recent announcements for expansion as well as team growth across various aspects of the business, and will then move on the Q1 2018 Funds' performance overview, as well as mentioned above a strong focus on deal and project pipeline. The Report will then provide a Barak Q1 and into Q2 2018 Macroeconomic climate and outlook for the continent and trade in general, as well as a country and commodity African-focused yearly outlook (utilising some content from Coface Handbook Africa Country & Sector Risks 2018). It will then end off with some concluding remarks and steps to be addressed and taken for the remainder of 2018.

As the *Forbes* Article concludes, *"with a true understanding of the business comes the ability to step out of your comfort zone and seek new yet appropriate growth opportunities"*. A company that succeeds in growing brings flexibility as well as experience in its growth strategy. What Barak has learned over the past few quarters is that contrary to what anyone may say, there is no single defined way to move forward.

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Announcements & Team Update

GHANA

Fruit Juice Concentrate | Export Financing

BARAK IMPACT & ESG STRATEGIC PARTNERSHIP:

Barak Fund Management is proud to announce its strategic ESG partnership with *EBS Advisory*, head office out of South Africa. *EBS* is a leading ESG & Impact Modelling consultancy in Africa and other Emerging Markets. EBS operates from Johannesburg, Cape Town, Nairobi, Harare, Lagos, Accra, Casablanca, Dubai, Brussels, Lima and London and has, since its inception in 1999, performed over 700 studies for more than 120 Private Equity and Financial Institution clients in 34 countries, spanning four continents.

EBS will apply this ESG experience to support Barak to raise funds, implement Management Systems, comply with monitoring and reporting requirements, enhance risk management and efficiencies at portfolio company level and more effectively model and report on the impact the relevant Barak funds. Importantly, *EBS* shares Barak's philosophy of taking EGS beyond risk identification and compliance to the positive realm of value-added practical solutions.

Barak looks forward to this partnership developing in 2018 and beyond, and welcomes them to the team. For more information please contact investor@barakfund.com. Barak, in its first report done in conjunction with *EBS*, will release the Q1 2018 Barak Impact Report in the latter part of April 2018. The objective of the Report is to highlight Barak's 2017 year in impact measurement and reporting, as well as to importantly pave the way for a successful framework for the remainder of 2018 and beyond for all Barak's impact and ESG-related business activities.

NEW BARAK TEAM UPDATE

Barak has had a busy last two quarters with team and office location expansion in conjunction with the strong growth in firm AUM. Outside of South Africa on the continent, the origination team added a new member and opened a new office in Accra, Ghana, and Yaw Keteku heads up the operations in the region. Ghana has been a rapidly expansion location for Barak's financing activities, in an array of different sectors ranging from juice concentrate to power generator equipment. An extract from the *All Africa Public Agenda* reads as *"The macroeconomic outlook was largely positive based on the 2017 performance. GDP growth for 2017 is estimated to have almost doubled from the 3.7 percent in 2016, and is expected to stay at that elevated level through 2018. The external position has improved as the trade balance has shifted to a surplus. Ghana has made good progress in macro-stabilization in 2017"*. Locally in South Africa, the Cape Town team moved into new premises in the FNB Portside building nearby to the stunning V&A Waterfront. The Barak team update has been particularly strong over the last two quarters from 2017 into 2018, and primarily focused on five key aspects of business operations that have been highlighted as areas to address for successful expansion:

1. Metals & Mining activities
2. Ghana and West African expansion
3. Deal Workouts
4. Barak Credit team
5. Legal & Compliance focus
6. Barak UK Office

1. METALS & MINING ORIGINATION NEW MEMBERS

Sariel Polatinsky (Africa Head: Base Metals & Mining – South Africa)
Sariel has over 10 year experience in the Commodity trading sector, having worked for global trading houses - Glencore and Noble Group, and is responsible for deal origination and marketing of off takes that stem from the fund activities. Prior to joining Barak, Sariel spent over 2 years as a Director of Global Base Metals at the Noble Group. He formed part of the executive team responsible for creating Noble's global strategy, building strategic relationships with global suppliers/consumers and helped adjust Noble's Base Metals business.

Before that he spent 8 years with Glencore, as a Physical Metals Trader based in the D.R. Congo, responsible for Glencore's regional activities. He was responsible for setting up various strategic regional flows and joint ventures in the Metals, Warehousing and Fuel Space in Southern/Central Africa for Glencore. Sariel holds a Bachelor of Arts in Economics and Management from the Academic College of Tel-Aviv.

Sariel Polantinsky

Chris Tonkin (Fund Advisor: Mining – South Africa)
Chris joined Barak in a consulting role in early 2016 where he was responsible for reviewing the technical aspects of deals related to the mining and metals industry. He subsequently joined Barak full-time in June 2017 and has broadened his role to include origination. Prior to joining Barak, Chris worked at Goldfields Ltd West Rand operations where he completed a number of continuous improvement projects and subsequently joined Glencore's Katanga Mining operations in DRC as a mining engineer.

Chris has a B.Eng Honours (Mining) from the University of Pretoria and is currently completing his CFA.

2. GHANA AND WEST AFRICAN EXPANSION

Yaw Keteku (Fund Advisor – Ghana)
Yaw focuses on senior debt and mezzanine investment opportunities across Africa. Prior to joining Barak, Yaw was an Associate Partner at Vantage Capital in South Africa where he made several mezzanine investments in middle market companies.

Prior to Vantage, he was an investment banker in the Global Energy and Project Finance Group at Credit Suisse in New York, involved in the origination and execution of M&A, debt, equity and leveraged finance transactions. Prior to that, he was a manager in the Corporate Finance Group at American Express in New York, where he was focused on pricing activities for the company's corporate card and travel businesses. Yaw holds an MBA from the Ross School of Business at the University of Michigan, and a BA in Economics from Dartmouth College.

3. DEAL WORKOUTS

Jo-Anne Marais (Corporate Structuring Specialist – South Africa)
Jo-Anne is a Chartered Accountant with International corporate distressed restructuring & turnaround experience, both from an advisory and executory perspective. Jo-Anne is considered to be a Business Rescue industry expert, with in excess of 12 years' experience and is a frequent speaker at conferences and industry events.

Jo-Anne joined Absa in October 2012 in the Investment Bank Credit Restructuring team as a specialist case manager, where she successfully restructured businesses in the retail, mining and financial institution sectors. In late 2014, Jo-Anne was approached to lead the Business Support team, reporting into the Business Bank CRO.

The team serviced clients in the Commercial, Agri, Wealth, CPF and Regional Africa Wholesale divisions. Jo-Anne's role was to lead and drive the performance of the Business Support team in developing turnaround and workout strategies; lead complex negotiations – particularly in a consortium environment; lead strategic development of the department; manage impairment across all divisions; and stakeholder management at a senior level.

4. BARAK CREDIT TEAM

Vishlyn Naidoo (Head: Credit Risk – South Africa)
Prior to joining Barak Fund Management, Vishlyn was Head of the Infrastructure Credit team at Rand Merchant Bank, having been with the organisation for 6 years. Prior to that, Vishlyn was a Director in Investment Banking in the Corporate & Investment Banking Division of Standard Bank. His 17 years' experience in investment banking includes experience in Credit; Project Finance; Leveraged and Acquisition Finance; Structured Trade and Commodity Finance; and Black Economic Empowerment financing.

Vishlyn has worked in the USA and London and has been involved in many landmark deals on the African continent, in countries like Nigeria, Ghana, Mozambique and South Africa. Vishlyn is a CA (SA) with the South African Institute of Chartered Accountants as well as a CFA Charterholder with the CFA Institute.

Chris Tonkin

Yaw Keteku

Jo-Anne Marais

Vishlyn Naidoo

BARAK EXTERNAL CREDIT COMMITTEE: Barak has also recently expanded its external credit committee team, with the respective additions of Katinka Schumann and Craig Lyons. Biographies are available upon request. The Barak external credit committee now consists of three members, and is headed up by Johan van Rensburg.

5. LEGAL & COMPLIANCE FOCUS

Gary Anderson (Head of Legal – South Africa)
Gary is an admitted attorney of the High Court of South Africa and has over 10 years of experience in private practice where he specialized in banking and finance transactions including project, leverage and acquisition finance.

He has acted for both local and international lenders and borrowers across a broad range of finance and commercial transactions in Africa and the Asia-Pacific region, and across a number of sectors including infrastructure finance, renewable energy, mining, telecoms, biomass and others.

Gary has been recognised as a "Next Generation Lawyer" by Legal 500 in 2017 and co-authored the Project Finance chapter of the 2013 edition of "Getting the Deal Through – South Africa". Prior to joining Riparian Advisory (Pty) Ltd and Barak, Gary practiced at a number of leading commercial law firms both in Johannesburg, South Africa and Sydney, Australia.

Ayesha Aullybux (Legal Officer – Mauritius)
Prior to joining Barak Fund Management Limited, Ayesha started her professional career as a trainee at Axis Fiduciary Ltd, which is a management company in Mauritius, before joining Seeneevasen Chambers, where she worked as a paralegal, under the tutelage of various reputable barristers and attorneys.

Ayesha holds a Bachelor of Law Degree (LLB) from the University of London and is currently completing her Masters in Law (LLM), with specialisation in Commercial and Corporate law, from the same institution.

6. BARAK UK OFFICE

The Barak UK office has added two additional members to the energy and metals & mining team located in the region. This team is primarily responsible for deal sourcing and structuring for the sector, and both new individuals hold a wealth of knowledge and experience to complement Barak's growing AUM and deal footprint in Africa.

Jason Joannou (Deal Origination: Metals & Energy – UK)
Jason joined the Barak London team on the 1st of February to focus on Energy deal origination as well as advising on a number of Metals related transactions. Prior to joining, Jason was a partner at Engelhart Commodities, trading energy. He was also responsible for originating and structuring oil and metals transactions in Africa and the Middle East.

Jason previously worked at Deutsche Bank, JP Morgan, and Macquarie on the commodities trading desks. Jason received a BA from Duke University. In his spare time, he practices mix martial arts.

Neal Kumar (Deal Origination: Energy – UK)
Neal joined the London team on the 1st of March as an Energy Originator. Prior to joining, Neal was a partner at Engelhart Commodities, trading energy. He was also responsible for originating, structuring and execution of the firm's strategy in physical oil.

Neal previously worked at Klesch, Select Energy and TNK BP. Neal received a BA from Northwestern University. In his spare time, he rules the basketball court.

Gary Anderson

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Q1 2018 Performance

> Barak's firm AUM reached the USD1bn mark at the beginning of Q1 2018.

GHANA

Power Generator Equipment | Import Financing

Barak continues to focus on six core funds within its portfolio of mandates, each adding value across the spectrum of short, medium and long-term commodity and alternative financing approaches. Bar the Barak Shanta Commodity Fund which focuses its strategy on OTC commodity trading on open-ended markets, primarily in the US, the five remaining Barak funds have continued to assert themselves within the African alternative credit space and have each contributed to Barak's firm AUM reaching the USD1bn mark as at the beginning of Q1 2018.

Some key considerations to take away from Barak's Q1 2018 performance have been:

- Continued growth of Deal Origination Team to build a healthy deal pipeline for remainder of 2018
- New general provision of credit funds: IFRS 9 Principle and impact on Barak Funds' NAV performance
- Cash position within the STF Fund for Q1 2018
- Growing average size of Barak's portfolio of deals: maintaining this growth versus yield expectations

BARAK STRUCTURED TRADE FINANCE FUND

KEY STATS

- AUM: USD 800M
- QUARTERLY RETURN (NET): 1.63%
- 12-MONTH ROLLING RETURN (NET): 7.63%

OUTLOOK

Positive given full Fund portfolio utilization at end of the quarter. The Fund Manager is now actively able to gauge full portfolio yields for the Fund given zero cash drag on performance, and to compare portfolio yield across all transactions to Q2 2017.

COMMENTARY

The Barak STF Fund achieved a net performance of 0.55% for the month of March, ending Q1 2018 at YTD of 1.63%. Although this is slightly below the Q1 target of 2% for the Fund as set out at the beginning of the year, the Fund Manager is confident that recent deal deployments and pipeline will coincide with a stronger Q2 2018. The Fund's cash position dropped some 200 basis points to 5.60% for the month indicating strong deal outflows, and to date at writing the Fund is fully utilised on its portfolio AUM.

For the first time this year the cash position leaves the Fund in a strong position to take full advantage of deal yields that are currently being achieved. The STF Fund AUM remains a discussion point internally for Barak, and Q2 2018 will be a telling month going forward to monitor whether at full utilization the portfolio yields seen in 2017 can be maintained. New transactions for the quarter have stemmed from a variety of regions in Africa, including South Africa, Ghana, Kenya, Ivory Coast, Botswana, Tanzania and the new addition to the portfolio of Guinea Conakry.

South Africa maintains the largest position at almost 30% of the STF Fund, followed by and Kenya in the mid-teens. A key country to note, although not a large position for the Fund at less than 5%, is the Democratic Republic of Congo, and the Fund's continued bullish stance for mining in the region. A relevant point to note is President Kabila's revising of a new mining code into law, which largely stipulates an across-the-board increase in royalties on minerals, including a levy of up to 10% on minerals deemed "strategic" by the government. This is presumably copper and cobalt, which together account for more than 80% of the country's exports and in which Barak is investing strongly.

Other notable mentions on the continent for the month include Zimbabwe's strong approach on mining sector policy ameliorations, South Africa's handling (physically as well as in the media) of the potential land expropriation discussions, as well as Zambia's strong quarter driven by higher international copper prices and ramped-up domestic mining production. In the Wall Street Journal's African Index of Economic Freedom Report released March 8th, 4 out of the top 5 countries remain a strong exposure to the Fund (in order): Mauritius, Botswana, South Africa and Ivory Coast. The Fund Manager is confident of an uptick in yields for Q2 2018 as the portfolio sheds any signs of a cash drag and is able to focus on its current portfolio companies' strong yield performance.

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Performance (continued)

BARAK IMPACT FINANCE FUND

KEY STATS
- AUM: USD 12.5M
- QUARTERLY RETURN (NET): 1.70%
- 12-MONTH ROLLING RETURN (NET): 7.31%

OUTLOOK
Very Positive. The Barak short-term Impact Finance Fund has seen a significant performance improvement from Q1 2017 testament to both full cash deployment within the Fund as well as the Fund Manager sourcing the correctly risk-adjusted yielding transactions for the impact-oriented portfolio.

COMMENTARY
The start of Q2 2018 will see the release of the Barak 2018 Impact & ESG Report, outlining some key aspects of the Fund for 2017, as well as importantly the necessary drivers that Barak will strive to achieve for the remainder of the year and beyond. This Report will be drafted alongside Barak's strategic ESG advisory firm EBS, which has built up an impressive track record in impact fund management and monitoring, data gathering and report distribution in Africa. Given the relative strong growth experience by Barak over the last 18 months and the attraction of various institutional investors into the company, impact investments and ESG-related discussions have become a point of focus for the Fund Manager into the new year.

South Africa maintains the largest position at 25% of the Impact Finance Fund, followed by Zambia and Ghana (which S&P affirmed during the month in its country credit rating to "B-" with a positive outlook, and prompted Barak to open a rep office in the country late 2017) at 18% and 16% respectively.

Capital raising will be a key focus for the Fund for 2018 as impact investing on a global scale continues to gain traction, and the Fund Manager firmly believes that the African-focused underlying nature of the Funds naturally lends itself to a successful and sustainable product in the alternative investment asset class. The targeted return (net) for the Fund remains at the 7% mark for 2018, and targeted AUM will be to get to the USD30 million level.

BARAK IBDAR SHARIAH TRADE FINANCE FUND

KEY STATS
- AUM: USD 41.5M
- QUARTERLY RETURN (NET): 0.62%
- 12-MONTH ROLLING RETURN (NET): 6.94%

OUTLOOK
Positive as the Shariah Fund continues to be fully deployed across its portfolio. The Top Fund country exposures are Zambia (which remains in high demand for Shariah principle financing), South Africa (into which the Fund Manager recently deployed USD13 million into a strong agriculturally-focused transaction) and Tanzania.

Active capital raising steps are being taken for the Shariah Fund as further Shariah-compliant transactions are being sourced for African borrowers. The Fund Manager is working closely with the Fund's South African based scholars, CIEFSA, to ensure the underlying deals are all structured in the most practical and compliant manner, and will continue to work closely with counterparties in the Middle East for capital raising from a few key countries in the region.

GHANA

Power Generator Equipment | Import Financing

BARAK MIKOPO DEVELOPMENT FUND

KEY STATS:
- AUM: USD 90M
- QUARTERLY RETURN (NET): 1.84%
- 12-MONTH ROLLING RETURN (NET): 8.27%

OUTLOOK
Very Positive. The pipeline will be further mentioned in the below commentary section, but there are numerous term-related deals being brought to credit committee which fit the Mikopo Fund's portfolio perfectly from a risk-adjusted return and tenor perspective. Together with discussions with several banks to introduce leverage into the Fund, the prospect for the remainder of 2018 to see an uptick in net returns is high.

COMMENTARY
As will be seen in the pipeline section of the report below, the medium-term tenor of transactions for Barak's Deal Origination Team is an area that has been particularly active over the past two quarters. Given Barak's relative size in alternative financing in Africa and the drive to be able to provide access to credit for both short-term as well as longer-term development to the SME market across the continent, the deals that fit the Mikopo-type underlying strategy are frequent and prevalent.

Although the Fund Manager acknowledges that Barak's STF Fund does remain the flagship product for the foreseeable future and focus from both a strategy and deal deployment is priority, the landscape in Africa for development and infrastructure growth is an area that cannot go unnoticed by any stretch of the imagination. Barak is actively looking to raise both equity and debt for the Mikopo Fund (gearing can go up to a maximum of 2:1) and is confident that it can grow the Fund to a realistic size of USD250 million by the end of 2018. This will be needed to match the medium-term deal pipeline that has been created.

Performance (continued)



BARAK ASHA IMPACT FUND

KEY STATS
- AUM: USD 10M
- CLOSED-ENDED $100M ASHA FUND 1
- PIPELINE FOCUSED ON PURELY IMPACT-RELATED AGRI DEALS

OUTLOOK
The Portfolio Manager, Justin Murray, is particularly confident that investor capital will flow strongly for Q2 2018, and thus project IRR's will be able to be executed upon across a strong portfolio pipeline of agricultural projects in Africa.

COMMENTARY
The Barak Asha Fund, which although has been in existence now since May 2016, has recently really started the active drive of establishing itself as one of the up can coming leading longer-term agricultural impact development credit (and mezzanine) funds in Africa. With a focus on certain countries and sectors as outlined in the pipeline below in the report, the Portfolio Manager Just Murray has been working hard to ensure that Barak can actively talk to and demonstrate a 'live' pipeline of deals that are ready for deployment once inflows are seen.

The Fund Manager is also in the process of converting the Asha Fund to a Shariah-compliant structure, primarily as a result of the interest shown out of the Middle East (particularly in Saudi Arabia) and demand for such a longer-term, higher IRR-yielding agricultural product. The Fund will remain a closed-ended vehicle, and is targeting first close of USD100 million by end of 2018.

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BARAK SHANTA COMMODITY FUND

KEY STATS
- AUM: USD 15M
- QUARTERLY RETURN (NET): 0.15%
- 12-MONTH ROLLING RETURN (NET): 29.77%

OUTLOOK
Neutral - the market is still favouring a long bias as we head into the Northern Hemisphere Spring planting season.

COMMENTARY
One key announcement for Q1 2018 for the Barak Shanta Fund which, entering its fifth year with Barak, was the new appointment of Fund Portfolio Manager. From February 8th 2018, Neil Macaskill, previously from Rand Merchant Bank (RMB) where he was managing the agricultural and base metals derivative portfolio, will be taking over the responsibilities of managing the Shanta Fund from the previous PM, Anton Wienand. Anton will continue to be involved with the Fund's trading, and will ensure a smooth handover in the coming months.

Neil has a particularly strong background in physical trading, market making (flow) and relative value portfolios and has been with RMB since July 2010. Prior to RMB Neil spent 2.5 years on the fair value accounting team at Credit Suisse in London, working on fair valuing Structured Notes issued by the company.

The Fund had a strong 2017, returning a 20.79% net performance for the year amidst tough global agricultural commodity conditions. The Fund was launched in March 2014, and to date has achieved cumulative returns in excess of 145%, with three out of the past four year achieving positive returns (the only one not being 2016, which was minimally below zero at -1.68%). The Fund's strategy, research and analysis has remained consistent during the life of the Fund, and there is no immediate plan to alter the Fund's current mandate.

End of Q1 2018 led to an increase in volatility in grain and oilseed markets as dry weather continued to weigh heavily on the South American corn & soybean supply, with Argentina soybean crop estimates as low as 37MMT- 40MMT, almost a 30% reduction YoY, as well as on the quality of the US wheat crop. The USDA Quarterly Stocks Report saw large bullish moves in corn & soybean as Spring planting acreage was reduced for both. This could lead to added pressure on the supply side in the upcoming weather period given the existing losses in Argentina.

Macro trade concerns played a role in price volatility with the US-China tariff complications, which remain open-ended as the portfolio moves into April - the US announcing $60bn of tariffs on Chinese imports, and China opting to include US grain imports in its proposed list of tariffs on $3 billion of US products. The Fund Manager will continue monitoring weather & Chinese demand closely over the next period as a driver to further upside in the grain complex.

Performance (continued)


SOUTH AFRICA

Blueberries | Export Financing

NEW UPCOMING VENTURES

BARAK EUROPEAN CREDIT FUND

The Fund Manager is currently actively working on the setting up and implementation of a Barak short-term credit fund which will be domiciled in Europe. The intention is to provide the ability to look at a potentially wider range of assets within the Fund's underlying portfolio, both from a structural as well as jurisdictional perspective. This Fund will look to be set up once the Barak STF Fund has implemented its hard close of AUM. Some key aspects proposed for this new Fund will be:

- Target of institutional investors across Europe (however, not limited to this exposure)
- Semi-annual distributing share class
- Reliance on shorter-term, liquid transactions
- Reliance on emerging markets agricultural transactions
- Targeting higher credit quality underlying portfolio of borrowers
- Portion of portfolio allocation to outside of Africa emerging markets
- Target launch date: Q3 2018

BARAK CO-INVESTMENT OPPORTUNITIES

Given the below pipeline of Barak deals, the Fund Manager is actively seeking growing its co-investment book to free up some liquidity, as well as to continue to grow partnership opportunities in active African deals. Different discretionary mandates are available for discussion, as well specific deal-specific risk-participation deals. Please be in touch with Barak directly to discuss further opportunities in this space at investor@barakfund.com.

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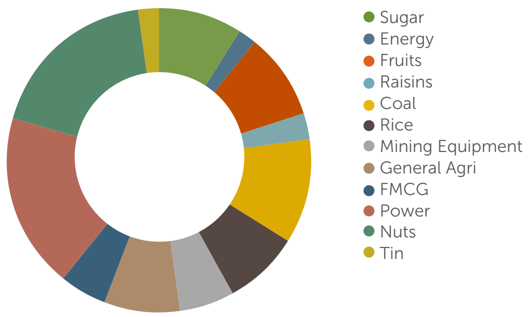
Q2 Pipeline & Beyond

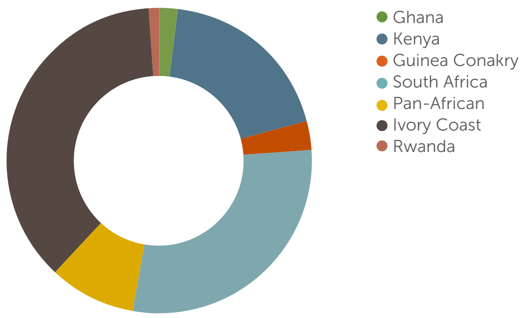
Barak has worked hard over the last two quarters to develop a deal pipeline that caters for all Barak tenor buckets; short-term (STF, Impact & Shariah Funds), medium-term (Mikopo Fund) and long-term agri (Asha Impact Fund). Below is an indication of the countries and sectors that are being actively targeted on the continent.

SHORT-TERM TRADE BARAK DEAL PIPELINE

% OF PIPELINE - COMMODITY

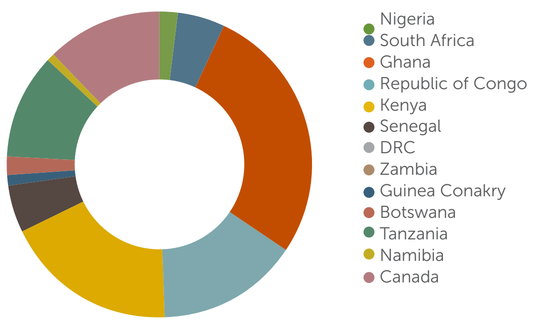


% OF PIPELINE - COUNTRY

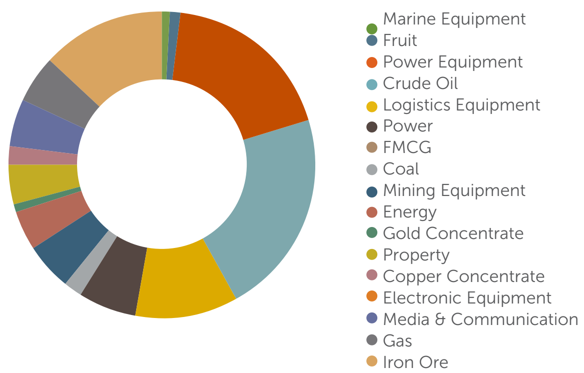


MEDIUM-TERM MIKOPO DEVELOPMENT DEAL PIPELINE

% OF PIPELINE - COUNTRIES



% OF PIPELINE - SECTOR



LONGER-TERM AGRICULTURAL IMPACT BARAK DEAL PIPELINE:

						SOCIAL IMPACT				
Longer-Term Deal Pipeline	Value ($)	Industry Sector	Country	Project Tenor	IRR	Job Creation	New Product Access	Access to New Markets	Food Security	Skills Training
Project 1	7,7M	Blueberries (Fruit)	South Africa	6 years	21%	x	x	x	x	x
Project 2	2M	Almonds (Nuts)	South Africa	7 years	16%	x	x	x	x	
Project 3	13,3M	Juice Concentrate	Ghana	6 years	15%	x	x	x	x	x
Project 4	3M	Row Crops	Tanzania	3 years	48%	x		x	x	x
Project 5	21,5M	Grain Milling	Zambia	5 years	16%	x			x	x
Project 6	4,5M	Blueberries (Fruit)	Zambia	5 years	15%	x	x	x	x	x
Project 7	15M	Roses & Avocados	Kenya	7 years	17%	x	x	x	x	x
Project 8	20M	Sugar	Zambia	6 years	15%	x			x	x

Macro Outlook Q1 2018

> Emerging Markets (EM) have been the welcome recipients of fund flows...

The serenity of synchronised global growth, recently punctured by financial market volatility, has remained intact. Looming far above the Sino-U.S. trade spat remains LIBOR, the trajectory of which is set. Emerging Markets (EM) have been the welcome recipients of fund flows, barring recent credit outflows, almost unabated in the most recent business cycle expansion.

Signs of deceleration in both China and global trade, the above-mentioned trade conflict between the U.S. and China as well as elevated equity valuations, renders EM stocks somewhat vulnerable. Numerous indicators point to a peak for EM risk assets and commodity prices, while several leading economic indicators herald a global trade slowdown.

U.S. inflation is up, as the economy has reached full employment. The potential for upside surprises in U.S. wages and a still-large fiscal stimulus implies the bar for the Fed to turn dovish will be somewhat higher this year. A large equity market correction and possibly, appreciation of the USD, may cause Fed intervention. The Chinese authorities had already been managing the requirement for structural reforms and achieving robust growth, well before the trade with the U.S. appeared on the agenda.

Measures of industrial activity in China such as total freight volumes and electricity output growth continue to decline; structural imbalances remain acute in the real estate market, and a downturn is deemed very likely. With the liquidity tightening working its way into the economy, growth may be less stellar than expected. This is ultimately bearish for commodities and EM risk assets. With respect to trade, it is unclear as to how this episode may play out however, the U.S is likely concerned about its geopolitical hegemony, with the unavoidable having reached ahead. The tensions are likely to dissipate however, timing thereof remains to be seen.

Regarding EM sovereign credit, the Bank Credit Analyst[1], *"... EM sovereign U.S. dollar bonds are a credit market, and vastly differ from local bonds and equities in terms of volatility, risk-reward trade-off and many other parameters. In short, EM credit markets should be compared to Developed Market (DM) credit markets and EM equities to DM equities. EM local currency bonds are a separate, unique asset class."*

The strategists are underweight EM sovereign and corporate credit versus U.S. and European corporate bonds. Thus, investors are cautioned given the stage of the U.S. business cycle, the increase in interest rates, Chinese liquidity tightening and the more recent trade flare. 2018 has remained a prosperous year for Barak with returns largely reflecting provisioning. The business does not foresee any immediate risk to the downside with respect to the global and African continent's macroeconomic landscape and forecasts.

[1] BCA, Emerging Market Strategy, March 2018.

Africa Outlook: Countries & Sectors

SOUTH AFRICA

Mobile Tablets & Devices |

The below African outlook is primarily extracted from the *Coface Handbook*: Country & Sectors Risks 2018, located at: **http://www.coface.com/News-Publications/Publications/Analysis-and-forecasts-for-160-countries-and-13-sectors**. The Handbook provides useful data and analytical forecasts on a global level. Barak will focus on the African region and relevant sectors to which financing is provided.

BARAK'S TOP 12 COUNTRIES AND TOP 6 SECTORS WILL BE ADDRESSED

COUNTRIES	COUNTRIES	SECTORS
South Africa	Senegal	Agribusiness
Ghana	Democratic Republic Of Congo	Energy
Kenya	Zimbabwe	Mining/Metals
Republic Of Congo	Madagascar	Retail
Mauritius	Uganda	Chemicals
Zambia	Botswana	Transport

SOUTH AFRICA

POSITIVES

New President, Mr. Cyril Ramaphosa. Mr. Ramaphosa replaced the outgoing South African President Mr. Jacob Zuma in February and is expected to have a significantly positive impact on the country's economy, currency and foreign direct investments. Mining industry remains particularly bullish in the country for Barak, as the demand from Asia remains intact. Forecasted GDP growth is expected to be seen for the remainder of 2018 and although Barak may see fewer higher-yielding deals, the partnerships and relationships that have been forged will likely to maintain a high country exposure for Barak.

Points to watch out for: ANC (ruling political party in the country) weighing in on the decision of potential land expropriation for non-utilised agricultural farming regions. This is still far out in the legislation process but will be a point to note on Mr. Ramaphosa's new position.

SECTOR FOCUS | Metals, Fertilizer, Coal, Fruit & Raisins (including strong stance on Blueberries), General Agri-business

Africa Outlook (continued)

GHANA

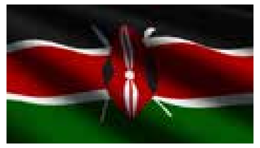
POSITIVES
Launching of new Barak Origination Rep Office in the country with the placement of Yaw Keteku. Exposure to the country is significant and expected to diversify further, as current reliance remains on power generation turbine equipment and fruit juice concentrate (citrus).

Off the back of a strong 2017 for the Ghanaian economy, 2018 is forecasted to continue its strong growth as increased production at the oil and gas hydrocarbon fields will lift growth in the respective sectors. S&P has affirmed during the month of March its country credit rating to "B-", with a positive outlook for 2018.

Points to watch out for: Relatively high levels of public debt and dependent on commodity prices (metals, oil, cocoa). Relatively weak banking sector which impacts both public and private sides of the country.

SECTOR FOCUS | **Power Generator Turbine Equipment, Fruit Juice Concentrate (Citrus), Petroleum Products (Gas & Oil)**

KENYA



POSITIVES
Kenya remains East Africa's leading economy, as well as the hub for import and export out of its busy coastal ports. Logistical infrastructure if key to the country's presence in the region, and hence the decision for Barak to finance a relatively large trucking operation for a well-known company in the region. Importantly, the country is leading the way in Africa's mobile technology (particularly strongly in the banking sector), and will remain a pivotal role in the continent's technology development and registering on a global level.

Points to watch out for: Heightened tensions towards the end of 2017 and into 2018 between the two leading presidential parties, with accusations of corruption and numerous requests for recounts in the country's 2017 elections. Although Kenya remains the leader in East African sovereign circles, numerous cases of political tensions hampering country progress have been recorded across the developing continent.

SECTOR FOCUS | **Cement, Logistics Equipment (Trucks), Metals**

REPUBLIC OF CONGO

POSITIVES
Abundant natural resources remain prolific throughout the country, particularly in the oil, iron ore, potash, phosphates and wood sectors. This presence of crude oil prompted Barak to look at and finance a transaction in the country with a particularly strong off-taker in the latter stages of 2017, and remains a key country to note for the Barak portfolio. The potential for economic diversification with the recent opening of free-trade zones is also a big step for the country and its relationship with surrounding regions.

China is the Republic of Congo's biggest international investment partner and remains critical from an energy and infrastructure development perspective.

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Points to watch out for: Relatively weak governance in the country has made it fairly difficult at times to do business, as well as the country's lack of transparency in terms of its debts and uncertainties about interest repayments. Current rounds of negotiations with the IMF are busy unfolding.

SECTOR FOCUS | **Crude Oil**

MAURITIUS

POSITIVES
Mauritius remains one of Barak's key countries in terms of compliance and finance for the business, and economic stability remains of paramount importance, particularly the upholding of the country's very strong banking system.

Points to watch out for: The country's growing lack of skilled workers is a concern that needs to be monitored in moving forward, as well as some recent infrastructural developments declining in certain regions.

SECTOR FOCUS | **Coal, Metals, Petroleum Products, Locomotive Equipment**

ZAMBIA

POSITIVES
Although exposure to Barak has declined somewhat in recent months, Zambia remains a vital country to the portfolio, particularly in the agricultural and fertilizer sectors, as well as a range of petroleum products. 2018 economic growth should accelerate, spurred by higher copper prices which in turn should lead to greater investments in the mining sectors, with a number of mines expected to expand for the rest of the year.

The agricultural sector is also expected to contribute to this growth, with more favourable weather and rainfall conditions enabling the core higher maize output. Growth in these two sectors should spread to the economy as a whole.

Points to watch out for: The dependence on copper needs to be monitored as leads to a relative level of an undiversified economy. Given the importance of trade, the country has relatively unreliable transport networks and needs to focus on this for expansion.

SECTOR FOCUS | **Fertilizer, Petroleum Products, Metals**

SENEGAL

POSITIVES
The country has recently undertaken an array of major investment projects, and has created a strong sense of economic momentum for the region. This together with the country's strong track record of political stability makes it an attractive investment proposition for global investors, and why Barak has started financing in the energy sectors of the region. Furthermore adding to these points, the country retains significant offshore oil and natural gas reserves.

Points to watch out for: Relatively inadequate infrastructure for the energy and transport sectors as well as poor employment numbers may have foreign investment inflows into projects and people.

SECTOR FOCUS | **Power (Energy)**

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Africa Outlook (continued)

DEMOCRATIC REPUBLIC OF CONGO

POSITIVES

The DRC remains plentiful in an array of mineral resources (particularly copper, cobalt, diamonds, gold and tin). Infrastructure development plans for 2018 look particularly positive for the country: The National Strategic Development Plan (PNSD), with an agreement with the Chinese companies being reached that will entail covering the financing of USD3 billion worth of road infrastructure as well as energy development to lessen the country's electricity deficit at an estimated cost of USD600 million.

Barak, in its continued drive for its metals and mining portfolio expansion, sees the DRC as a key country to target for some strong developmental financing deals. As aforementioned in the report, President Kabila's revision of a new mining code into law, which largely stipulates an across-the-board increase in royalties on minerals, including a levy of up to 10% on minerals deemed "strategic" by the government is critical for the region. This is presumably copper and cobalt, which together account for more than 80% of the country's exports and in which Barak is investing strongly.

Points to watch out for: Political position within the country is fragile and needs to be actively monitored going forward for 2018. Tensions in the East of the country with the recurrence of rebellions does not make the situation any easier.

SECTOR FOCUS | Metals & Mining, Chemicals

ZIMBABWE

POSITIVES

Obvious primary discussion point for Q1 2018 was Mr. Robert Mugabe's departure from his presidential position. Although this was seen as Mr. Mugabe stepping down, and ultimatum was in place and he had little option to not do so. Mr. Emmerson Mnangagwa replaced Mugabe in February, and faces the difficult challenge of getting the country back into global investment recongntion. A major positive is Mr. Mnangagwa's background in business, similar in extent to Cyril Ramaphosa. Foreign direct investment, mining policy reforms and infrastructure development are top of the list going forward. Proactive steps appear to being taken.

Points to watch out for: Barak still maintains a roughly USD16.5 million exposure to Zimbabwe in some legacy transactions, and whilst the deals are still performing and accruing cash returns, getting US Dollars out of the country remains an issue. This will be one major point of reform that the new president will urgently need to address, bearing in mind that Zimbabwe needs to clear nearly USD1.8bn in arrears with the World Bank and African Development Bank before it can get access to other sources of development financing.

SECTOR FOCUS | Locomotive Equipment, Coal, FMCG, Petroleum Products

MADAGASCAR

POSITIVES

The agricultural (and vanilla in particular) sector is a key for Madagascar at more than 25% of country GDP, and after two years of poor harvests, activity in the region is expected to be more productive. New project and infrastructure development for 2018 is expected to rise with the island's membership of the Asian Infrastructure Investment Bank (AIIB), with support being readily available via this medium.

Points to watch out for: High dependence on foreign aid, difficult road, hydraulic and electricity network conditions. 2018 election tensions also needs to be closely monitored.

SECTOR FOCUS | Vanilla

UGANDA

POSITIVES

The agricultural sector remains vital to the country's economic and social growth, and the return of more normal weather conditions into 2018 should enable prolonged agricultural production, for coffee in particular. Lending rates have been cut by the Central Bank from 17% in 2016 to 9.5% for this year, and will increasingly start bossing retail trade (including textiles). This favourable credit condition will also boost foreign private investment, attracted in particular by prospects of tapping into the oil and gas reserves of the country. International support for infrastructure development is also key for increased and continued expansion.

Points to watch out for: Slow progress in terms of governance progress, particularly in corruption cases. There is also heightened insecurity threats in the border regions (DRC and South Sudan).

SECTOR FOCUS | Textiles

BOTSWANA

POSITIVES

One of Africa's most stable and economically sound countries, Botswana remains a key country for Barak's reliable portfolio focus. Minerals remains a key component of the country's positioning in Africa, particular diamonds, and after the drop in global prices late 2015, the new year should see a resurgence in the markets. Botswana maintains a sustainable level of public and external debt, as well as substantial currency reserves.

Political stability and level of governance remains high, and places the country as one of the highest in the international rankings of the business environment. The proximity to Barak's operational, investment and credit activities out of Johannesburg, South Africa, means that the country will always remain high up on the radar for an array of potential investment opportunities.

Points to watch out for: Potential disproportionate reliance on the country's diamond sector (more than 80% of exports), as well at time insufficient infrastructure support.

SECTOR FOCUS | FMCG, Metals & Minerals (Diamonds)

In Conclusion

> Global investor interest has increased substantially over the past 12 months…

As the **Barak Q1 2018 Report** has touched on, the year has started off at a rapid pace and the reaching of USD1 billion AUM has been a key aspect that needs to be actively acted upon. Global investor interest has increased substantially over the past 12 months with this growth, but at the same time the need for continuous deployment in larger, appropriately risk-adjusted deals to maximise investor return has changed the Barak borrower profile somewhat. Although Barak will continue to focus on the African SME space, the focus has shifted to ensuring that adequate security behind all Barak financing is at quantifiably comfortable levels, which often means stronger borrowers coming into the Barak portfolios.

The reaching of USD1 billion has opened a lot of doors for Barak thus far in 2018, and the Fund Manager is confident this will only grow during the course of the year and beyond. The evidence of AUM growth is largely complemented by the growth of the Barak team as touched on in the report, and will remain a focus as new projects and ventures are taken aboard. Barak's historical performance and experience has been in the short-term credit space in Africa and the underlying message is that the focus has not been lost; rather, the strategy is to harness this experience and knowledge so as to take advantage across the credit tenor experience that Africa so richly offers to both borrowers and investors alike.

Barak still strongly believes in the promising transactions that emerging markets, and Africa in particular, are able to generate across a variety of diverse sectors, and is focusing the business' drive on attracting the right investment partners to extract the most efficient yields across these opportunities. Whilst the report has highlighted AUM and team growth and may look a different business to what it was a few years' ago, the underlying strategy and values of all Barak investment personnel remains unchanged: active portfolio monitoring, investing alongside established market participants, creating portfolios diversified across tenor, geography, sector and counterparty, and a focus on underlying deal security and borrower collateral. We hope you enjoy the update, and here's to a prosperous remainder of 2018.

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