White Paper Presented to:
2009 Emerging Multinational Corporations Congress
Essex House, New York November 2 & 3

Perspective:

CONNECTING INVESTORS TO AFRICA VIA THE DEMOCRATIZATION OF CAPITAL IN AFRICA

Thomas Mims, Founder and CEO Emerging Africa Ltd.
412 Cathedral Parkway New York, NY 10025
www.emerging-africa.com
EAR<GO> on Bloomberg

The over-achieving yet undervalued publicly traded companies of Africa are waiting to be discovered by US and global investors. The African stock market scenario is poised for a high rate of expansion. Presently there are over 1600 stocks listed on the African stock exchanges.

(source: Standard & Poor's)

2002 - 2007 Market Capitalization up 375%

2002 - 2007 Value Traded up 515%

Market	Market Cap US$ millions		Value Traded US$ millions*	
	2002	2007	2002	2007
Botswana	1,723	5,887	55	110
Cote d'Ivoire	1,328	8,353	16	158
Egypt	26,094	139,289	2,558	53,081
Ghana	740	2,380	11	109
Kenya	1,423	13,387	36	1,318
Malawi	-	-	-	-
Mauritius	1,328	5,666	57	369
Morocco	8,591	75,495	587	26,276
Namibia	171	702	1.4	23
Nigeria	5,740	86,347	475	16,774
South Africa	184,622	833,548	78,831	425,747
Swaziland	144	203	0.2	-
Tunisia	2,131	5,355	221	652
Uganda	49	-	0.7	-
Zambia	233	2,346	2	72
Zimbabwe	15,632	5,333	2,485	812
Totals	**249,949**	**1,184,291**	**85,337**	**525,501**

*** 12 months cumulative**

Research shows that economies fare best where capital is inexpensive, plentiful and fairly allocated. The "Democratization of Capital" is a powerful force that feeds upon itself as healthier economies attract more capital by which to grow healthier. The greater the access to capital markets, the greater the chance that African entrepreneurs will get their ideas financed, thereby creating jobs and higher levels of prosperity.

With a fraction of the size, and less than half the population, raw materials and natural resources of Africa, the US has a stock market capitalization 50 times greater than that of African stocks. There are US companies that have a market value that exceeds total African market value.

Furthermore, the value of US stocks greatly exceeds US GDP, while the value of African stocks is appreciably less than the aggregate GDP for the continent as a whole.

The extremely low liquidity levels of African stock markets are a major barrier to market expansion. 60% of the African stock exchanges have an annual turnover ratio of less than 10%. While Africa trades five billion shares a year, the New York Stock Exchange and NASDAQ together sometimes trade that many shares in one day.

Investors-large and small-seeking to engage with the African stock markets have discovered that access to reliable information and data from the capital markets of Africa is quite limited.

A prudent investor learns to look at the trees, not at the forest. This is particularly sound advice when it comes to today's Africa. Lurking behind the forest of sensational headlines describing conflicts that have infected parts of Africa for years, are thriving enclaves of peace, steady economic growth and high returns on investment. In many countries of the continent, business, fueled by privatization, democracy and capitalism, is roaring ahead as if to make up for lost time.

In the first half of 2008, the world's stock markets collectively declined 11.8% in terms of index gain in US dollars. On a regional basis, the exchanges of North America were down 10.9%, Asia down 13.9%, Europe down 14.4%. Emerging markets declined by 12.7% while Frontier markets were down 1.8%. On the positive side, Latin America gained 8.0% while Africa (excluding South Africa) gained 11.0% (MSCI, ABRI).

For the year global stocks fell by a record 44% (MSCI). However, the Ghana SE (60%), Malawi SE (26%), Dar es Salaam SE (21%) and the Bourse de Tunis (11%) all achieved gains for the year. The BRVM (-10%), the regional exchange serving eight countries in West Africa, was also among the world’s best performers.

The stock exchanges in Africa have grown significantly during the last decade. Between 1992 and 2002, the capitalization of African stock exchanges more than doubled from US$113 billion to $250 billion. From 2002 to 2007 total market capitalization increased 374% to $1.18 trillion while value traded increased from $85 billion to $525 billion, or 516%, over the same period.

From 2001 to 2006 the world's stock exchanges realized a cumulative return of 53%. For the same period emerging markets realized 188%, Asia 93%, Africa 278%.
Total gross private flows to Africa amounted to approximately $9 billion in 2000. By 2006, the total was approximately $45 billion. As a continent, however, Africa's share of the foreign portfolio investment in developing countries is roughly 5%. The over-

achieving yet undervalued publicly traded companies of Africa have yet to be truly discovered by most US and global investors. The African stock market scenario is poised for rapid expansion. Presently there are over 1,600 stocks listed on the African stock exchanges.

The Global Economic crises and Foreign Direct Investment (FDI)

For the first time ever, emerging markets are this year set to attract more than one half of global FDI flows. The Economist Intelligence Unit "Survive and Prosper", indicate that emerging markets will attract considerable FDI and probably more than developed countries. 60% of multi-national corporations polled expect to derive more than 20% of their total revenue in emerging markets in five years time; almost double the present portion of 31%. This suggests that the shift in the distribution of global FDI flows in 2009 is longer-term development and not just a transitory phenomenon. During 2008 world FDI decreased by 17%, while at the same time Sub-Saharan Africa increased 30.7%.

The Solution:

To improve the prospects for growth and maturation of the African capital markets there will be a need for:

- lower transaction costs,
- more liquidity and depth,
- presentation of good transparency,
- less fragmentation of markets,
- improved access to information and data,
- greater initiative from financial intermediaries

This will be necessary to create and introduce more products such as African Exchange Traded Funds (ETFs), American/Global Depositary Receipts (G/ADRs), and qualifying investments under SEC Rule 144 for both greater accessibility and capital raising programs to support privatizations as well as growth in listed stocks throughout Africa.

In 2008, Dow Jones Indexes launched the Dow Jones Africa Titans 50 Index, which covers 50 stocks from 11 different markets on the continent.

Van Eck Global subsequently launched the Market Vectors Africa Index ETF (AFK) which tracks the Dow Jones Africa Titans 50 Index, the first time a pan-African index will serve as underlying for an ETF.

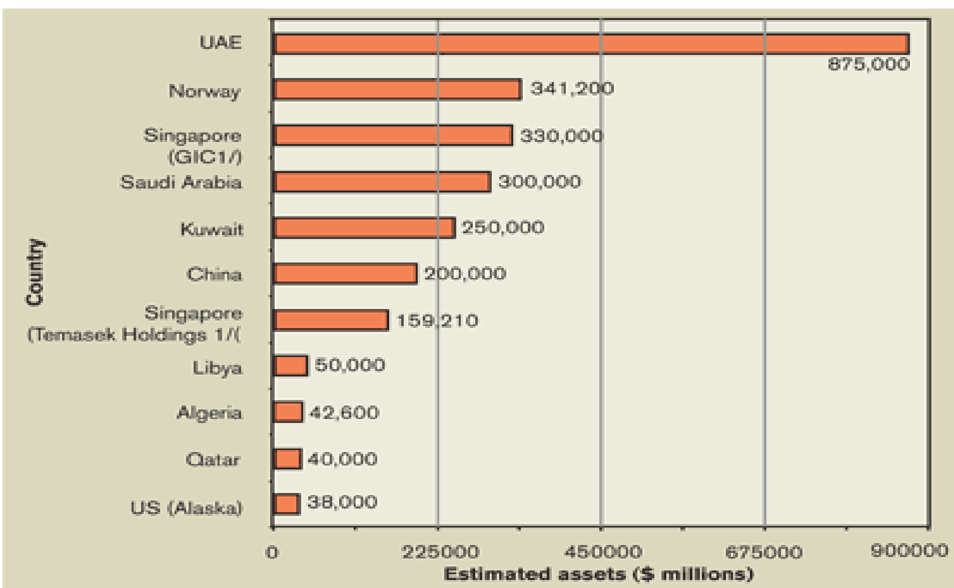
"New Players": The Sovereign Wealth Funds

A new kind of investors and a major player
First fund created in the 1950's
Sovereign wealth funds are state owned funds
They manage the foreign assets of national states

Geographical Area
Located in at least 38 countries ranging from China to Chile.
The fastest growing generators of SW over the last five years were: Nigeria 291%: Oman 256%; Kazakhstan 162%; Angola 84%; Russia 74%; and Brazil 65%.

Size
Twice the size of hedge funds worldwide
Currently at $3.2 Trillions USD (Deutsche Bank)
Evaluated to reach 10 Trillions USD in 10 years
24% annually for the past three years (*Global Insight, April 2008)
May grow more quickly if oil prices stay high and Asian trade surpluses continue to grow

The largest 10 SWFs account for $2.8 trillion of the current $3.2 trillion total



Source: Morgan Stanley September 2007

What types of countries have started SWFs?
Mainly countries that are resource-rich economies which currently benefit from high oil and commodity prices

What do they excess of funds come from?
Come about from one of two main causes:
"Excess" natural resource earnings - particularly oil

"Excess" foreign exchange earning

Cash to Burn

High oil prices have helped fill the coffers of many countries, which are seeking to diversify away from investments in government bonds.

Country	Fund	Size* (bil)	Year Begun	Source Of Funds
UAE	Abu Dhabi Invest. Authority	$875	1976	Oil
Singapore	Govt. Investment Corp	330	1981	Other
Norway	Govt. Pension Fund	312	1996	Oil
China	State Investment Corp	300	2007	Other
Saudi Arabia	Various Funds	300	NA	Oil
Singapore	Temasek Holdings	100	1974	Other
Kuwait	Kuwait Investment Authority	70	1953	Oil
Australia	Australian Future Fund	40	2004	Other
Alaska (US)	Permanent Fund Corp	35	1976	Oil
Russia	Future Generations Fund	32	2007	Oil
Total All Countries		**$2,510**		

*Estimate

Source: Morgan Stanley

SWFs: A share of market for African listed stock funds

SWFs turn to third party managers to manage some to all their assets

Need to diversify investment

Avoid strategic investment in developing countries

Incentives to invest in an emerging area: Africa

Major factors

An up and coming strategy

Looking for a higher level of risk accepted for higher returns

The previous emerging zone are becoming more and more mature

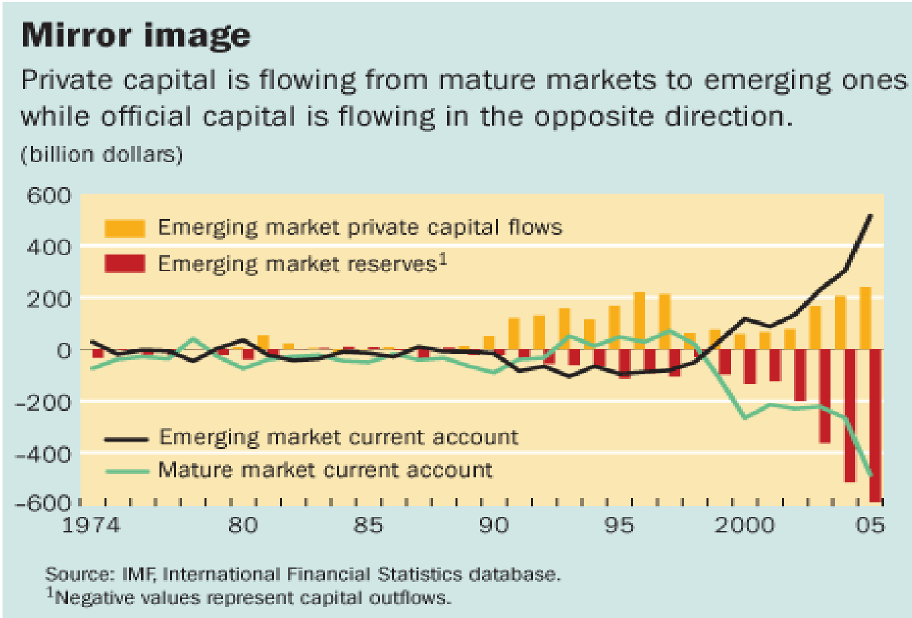
Africa is the last market frontier

Need to diversify

Minor Factors

A favorable geopolitical context

World Bank President, Robert Zoellick, urged sovereign wealth funds to invest one percent of their assets in equity (valued at $3,000 bn) in Africa.



Globally, trading volume along with the number of newly listed stocks is increasing. The number of investors is growing rapidly, and day trading has added a new layer to the industry. Satisfying the demands of those investors for new products leads almost inevitably to Africa, where promising companies have been overlooked. Numerous enterprises, including Small & Medium Enterprises (SMEs) stand poised to become new listings on the African stock markets.

One benefit of simplifying the investment in Africa process for US and other global investors will be to funnel money from the richest nations to African businesses that represent new opportunities. US based pension funds with mandates for socially conscious investing cannot invest in small cap foreign companies due to ERISA restrictions. However, these funds are allowed to invest in ADRs. A small fraction of the trillions of dollars in US pension funds, if directed to African ADRs and ADR funds; would have a significant and positive impact on the continent. For example, when capital markets of Africa become accessible; African enterprises seeking to benefit from duty free exports to the US under the AGOA Act will have more opportunities to raise capital in order to build production infrastructure.

The African markets have not lured the so-called hot money, or highly volatile short-term funds which many analysts have blamed for exaggerating the peaks and troughs of equity investment. Rather, many of Africa's stocks are in the hands of institutions that follow a buy-and-hold strategy. This group includes governments maintaining minority holdings and those involved in management. While such investors offer some stability to share prices, the down side is that the long-term view that forms this type of investor's decisions has exacerbated already low levels of liquidity. The extremely low liquidity levels of African stock exchanges are often cited as the major barrier to expansion.
On the plus side, these types of investors can also act as a buffer against share price volatility.

Several factors and recent developments, underscore the need for, and the likely success of a consolidated stock market for Africa. They include:

- Technology's impact on the securities and many other industries (especially the Internet)
- The trend towards global consolidation of mature securities exchanges
- The high rate of return on foreign direct investment in Africa
- Inefficiencies of the current African Capital Markets
- The vast potential of the resource rich continent

Technologically, online brokerage has substantially influenced the way that the securities exchange industry does business. The number of electronic exchanges and Electronic Communication Networks (ECNs) and Trading Facilities are growing rapidly. Global markets have become more efficient as a result. One only needs to look at the NASDAQ market for an example of how technology can advance the capital markets. At its inception, NASDAQ (National Association of Securities Dealers Automatic Quotation) was seen as having limited prospects as compared to the York Stock Exchange. Today, NASDAQ trades as much as twice the volume of the NYSE. High cost legacy systems for stock trading are being replaced by low cost web-based systems with proven technology, thereby lowering barriers to the creation of new security exchanges.

Africa, once it implements an efficient capital market structure will see a much higher rate of capital flow into the region, the number of transactions will grow. A "one-stop -shop" for all global investors to access data and information, buy and sell all African shares with a sense of reliability will remove a major barrier to higher levels of African stock market liquidity and increase transaction volume significantly. The result will be a vitalization of the nascent African stock markets and an opportunity for the countries of Africa, which have no stock markets to have immediate access to global investors. Capital is always eager for new opportunities, particularly those that produce the most attractive returns / yields.