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## *Scipion Expands its Team*



*Chris Jenkins has joined Scipion Capital to take over as Chief Operating Officer of Scipion Capital Ltd*

## Investor Newsletter September 2011

Dear Chris,

Welcome to the new-look monthly investor newsletter. We hope that you find our new format easy to use, and the much smaller message size easier to download!

If you'd like a PDF version of the newsletter, in the left sidebar you'll find a link to a downloadable version in the Research & Downloads section.

For your managers update and statistics on each of our three trading strategies within the Scipion Africa Opportunity Fund, please read on...

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Chief Operations Officer

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## Scipion African Opportunities Fund Manager's Report

Dear friends and investors,

Another tumultuous month has passed, with even the hitherto-acknowledged 'safe havens' such as gold declining in value by 11.23% (Source: Bloomberg). Scipion's equity classes largely aped the month's global downwards trend in quoted equities (e.g. MSCI Emerging EMEA down -17.33%). The better relative performance of our Class S Alpha Seeker (down -7.6%) over our Class I Index Tracker (down -10.25%), was prompted by its lack of exposure to the more globally-correlated South African market, which, in addition to representing the largest single geographical component of Class I by value, additionally saw the Rand weaken from 6.99 to 8.09 against the greenback over the month.



Prior to joining Scipion, Chris headed the Equity Finance Trading desk for Bear, Stearns International in London for 9 years covering European, Asian and African markets before spending the past year at Carrousel Capital, a boutique London based hedge fund.

Inbetween Bear and Carrousel he spent a year away from the finance market indulging in his passion for motor sport, writing and editing [Circuits magazine](#), which features 50 of the world's greatest motor racing circuits.

Chris said *"I am really excited to join Nicolas Clavel and his very experienced team here at Scipion, and to work on such a fascinating and original strategy. "The demand for commodities and Africa focussed products is growing fast and there has never been a better time for investors to look at these kind of strategy, given the new normal of ultra volatile developed markets."*

## Downloads

Meanwhile, our Class A Commodity Trade Finance fund maintained its strong performance, with +0.58% growth since the end of August extending our perfect record to 49 consecutive months of positive returns since inception. Part of this absolute return emanated from our financing the last few crops of the West African coffee season, but also from our first pre-export trade financing of chrome ore to China.

In recent years, Asia's relationship with Africa has often been controversial, as events this month, with the Dalai Lama's South African visa failing to materialise, and the election of the historically Sino-sceptic Michael Sata to the Zambian presidency, have also alluded to.

We believe it is a mistake to ignore the historical context of the economic times we live in. Accordingly, as the rollercoaster sovereign debt ride continues, the irony is not lost on us that those countries traditionally held as the originators of European civilisation - Italy and Greece - now lie at the heart of the EU's existential troubles; our namesake Scipio is no doubt turning in his grave....

While to some extent European history and achievement is being tarnished by present political impotence, China and India are conversely becoming more assertive at reclaiming their former global importance, and in perhaps few more visible contexts than the African continent, itself in the process of reclaiming past productivity.

For instance, in the 70s and 80s, Liberia was one of the world's major iron ore producers. Through civil conflict and negligence, the mining industry slowly fell into disrepair, but remained an interesting opportunity. Indeed, to this end our investment team conducted in-country due diligence in early 2010. We were not alone. After [investing some \\$800m](#), Arcelor Mittal this month shipped the first Liberian iron ore out of the port of Buchanan for twenty years. Change is thus clearly apace. Elsewhere, the past month has seen Chinese companies look to acquire increased stakes in resources ranging from Namibian uranium to Guinean iron ore.

Africa possesses many of the resources upon which Asia depends - for instance holding some 90% of the world's chrome, a commodity vital in stainless steel manufacture - so it is natural for Scipion to facilitate this burgeoning inter-continental trade, which perhaps first truly began with the expeditions of [Admiral Zheng He](#) in the 15th century.

Negative images of the relationship will undoubtedly persist - although, as has already been seen in Zambia, Michael Sata's opposition-era Sino-scepticism has been largely co-opted by realpolitik - but the fact remains that Asia is a vital part of the African (and global) economy: its fall, not its rise, is the greater threat to wider prosperity.

Kind regards,  
**Nicolas Clavel**  
Chief Investment Officer

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## Scipion African Opportunities Fund Class A - Commodity Trade Finance (CTF)

Scipion's CTF fund delivers integrated credit solutions to companies and financial institutions operating in frontier markets.

### News

[China's Fall, not it's rise, is the real global threat](#)

[Financial Times: Movers & Shakers, Oct 3rd 2011](#)

[FIN Alternatives: Scipion Taps Ex-Bear Stearns Vet as COO](#)

[Reuters: People Moves October 2011](#)

Deals earn a combination of fees and coupons, in addition to potential profit sharing on the transaction itself. Facilities are constructed with fixed periodic payments to ensure the return of principal and interest at maturity. This enables Scipion to achieve both a risk efficient portfolio and market based yield for investors.

Having originally held a focus on agricultural products, the CTF fund has broadened its activities to include opportunities in metals and minerals export and/or beneficiation, and only invests in non-perishable commodities.

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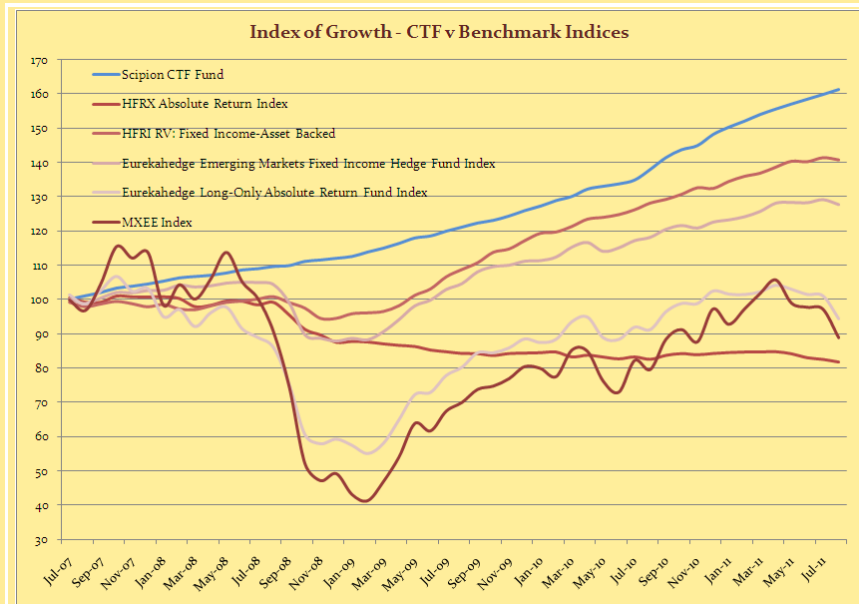


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Growth of \$100 since inception - Click image to enlarge

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2011	1.44	1.18	1.29	1.03	0.95	0.88	0.88	0.91	0.58				9.50%
2010	1.03	1.29	0.93	1.65	0.65	0.52	0.84	2.3	2.52	1.63	0.83	2.24	17.68%
2009	0.47	1.15	1.17	1.22	1.38	0.53	1.19	0.98	1	0.38	1.03	1.27	12.41%
2008	0.8	0.9	0.38	0.33	0.62	0.84	0.32	0.61	0.23	1.12	0.39	0.43	7.19%
2007								0.98	0.99	1.24	0.52	0.64	4.45%

Performance Table - Click image to enlarge

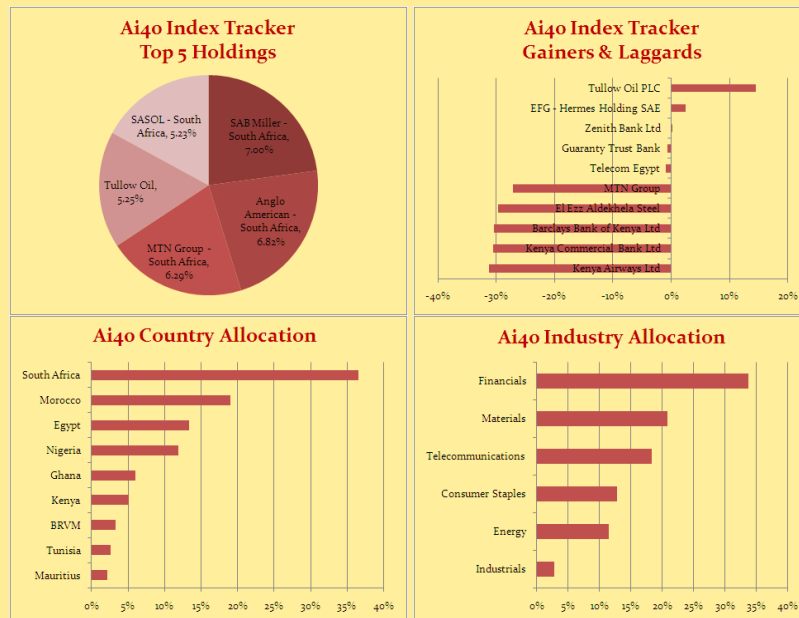
## Scipion African Opportunities Fund Class I - Ai40 Index Tracker

In the current cycle, the formal sector in which African listed-companies operate is a small proportion of the overall economy. It is our belief however that increased discretionary income spending is emerging as a key economic dynamic and will likely be increasingly directed towards the formal sector. As a means of taking advantage of the underlying demographic and economic trends, the Scipion Index Tracker fund accordingly contains 40 of the largest companies by market capitalisation in Africa - with the total market cap of companies under investment measuring approximately USD380 billion.

Securities must nonetheless all pass minimum standards of liquidity, market cap, and market float, while the relatively high average market caps of the South African and Egyptian exchanges is counter-balanced by sophisticated weighting principles. This means that the investments are geographically distributed with approximately one-third based in South Africa, one-third in Sub-Saharan Africa, & one-third in North Africa.

A strong sectoral diversification strategy is also applied, so that most underlying stocks are set to benefit directly or indirectly from increase in population's purchasing power. This includes, for example, the anticipated expansion of the continent's cement industries as construction steps up amidst a rate of urbanisation previously unknown in the continent.

Click the images to enlarge



Click the images to enlarge

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2011	-7.14	-1.49	-0.18	0.50	-0.12	-4.88	-4.01	-6.63	-10.25				-29.86%
2010	-2.73	1.19	6.78	2.99	-11.38	-4.64	6.06	-3.23	6.06	3.82	-3.17	7.45	7.55%
2009	-19.72	-3.65	7.31	11.31	18.27	-1.91	1.78	0.38	-0.10	1.68	-1.14	1.09	11.17%
2008	-5.26	6.36	-2.50	4.13	0.36	-5.36	-7.24	-7.28	-15.66	-24.41	-5.65	2.86	-48.29%
2007	8.52	0.11	0.61	5.54	4.28	3.71	-4.54	-0.08	5.86	5.57	-0.08	0.71	6.31%

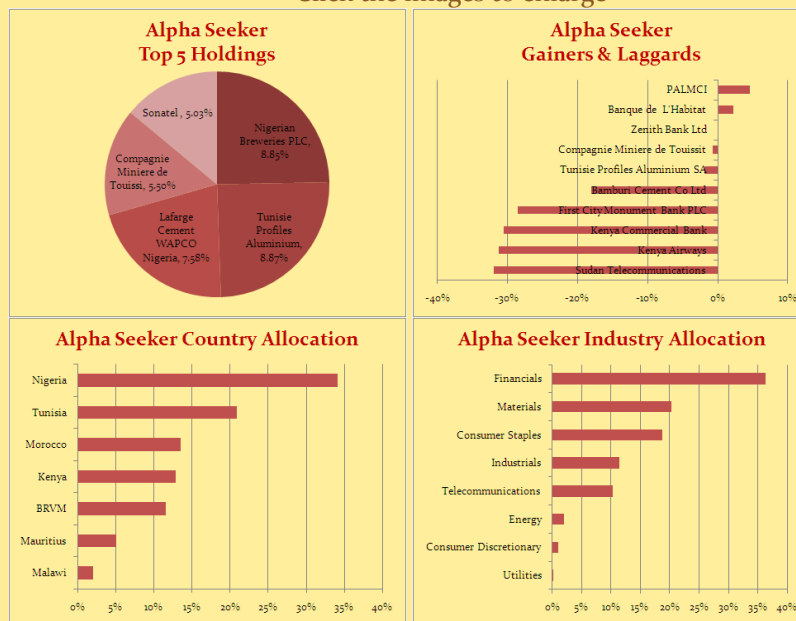
Ai40 Performance Table - Click image to enlarge

## Scipion African Opportunities Fund Class S - Alpha Seeker Fund

In the current cycle, the formal sector in which African listed-companies operate is a small proportion of the overall economy. It is our belief however that increased discretionary income spending is emerging as a key economic dynamic and will likely be increasingly directed towards the formal sector. The fund's stock selection accordingly follows a top-down approach where we first identify sectors that are likely to benefit from this underlying demographic and economic potential.

These are typified by: telecommunications; perishables (breweries); construction (cement manufacturers); and - indirectly - financial services, which capitalises on the general increased cash flow as created by the first three types of companies. Within these relevant sectors, we then favour large, wellcapitalised companies that offer appropriate daily liquidity; although in future, the portfolio will also look to invest in Initial Public Offerings (IPOs). Currency risk against the dollar is hedged through a currency overlay strategy when markets dictate.

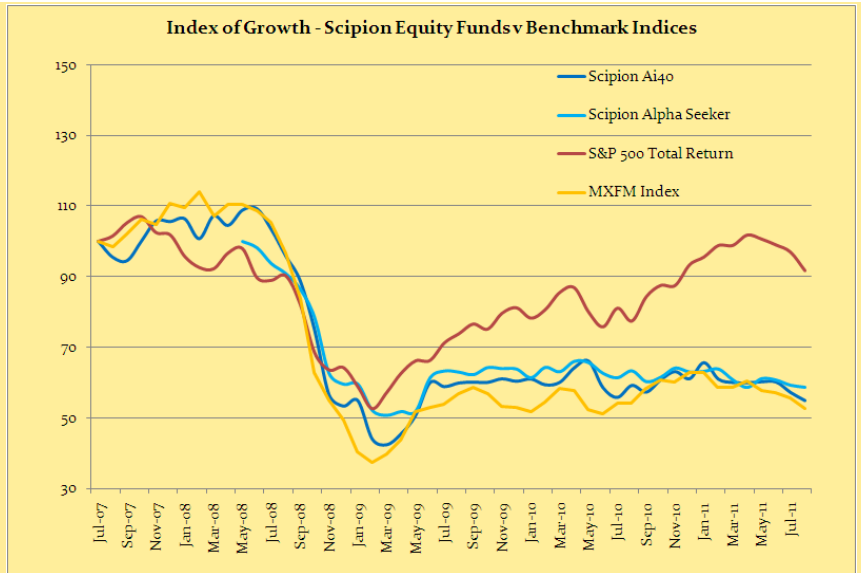
Click the images to enlarge



Click the images to enlarge

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2011	1.06	-4.80	-3.49	4.23	-0.68	-2.38	-0.98	-6.03	-7.60				-12.70%
2010	4.79	-1.94	4.62	-0.50	-4.77	-1.99	3.17	-4.82	2.07	4.21	-1.75	0.29	2.77%
2009	-12.46	-2.65	2.09	6.33	14.83	3.22	-0.50	-1.14	3.25	-0.49	-0.15	-3.89	6.34%
2008					-1.77	-4.59	-3.01	-4.85	-9.37	-20.10	-4.79	0.01	-40.37%

Alpha Seeker Performance Table - Click image to enlarge



Growth of \$100 since inception

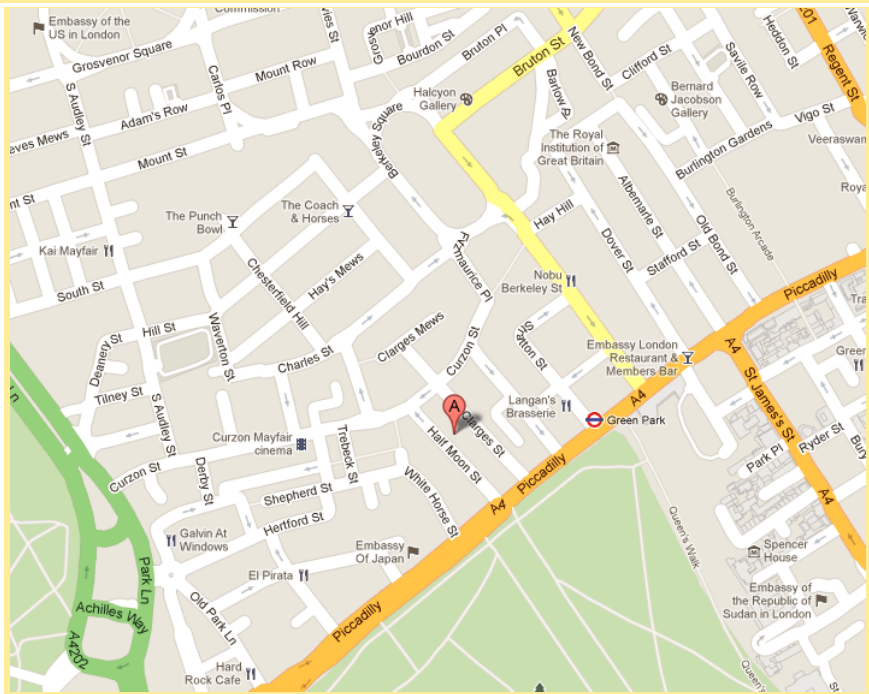
## Statistics & Key Facts

Scipion African Opportunities Fund	Commodity Trade Finance Class A	A140 Index Tracker Class I	Alpha Seeker Class S
Fund NAV	151.5029	46.0969	50.9655
Sep-11	0.58%	-10.25%	-7.60%
Av Annual Return	12.31%	-16.66%	-17.16%
Cumulative Return	62.19%	-53.90%	-47.43%
Years since Inception	4.17	4.25	3.42
2007	4.45%	6.31%	0.00%
2008	7.18%	-48.29%	-40.37%
2009	12.44%	11.17%	6.34%
2010	17.67%	7.55%	2.77%
2011	9.50%	-29.86%	-19.33%
Past 3 Months	2.38%	-19.55%	-14.03%
Past 6 Months	5.33%	-23.19%	-13.12%
Past 12 Months	14.72%	-24.24%	-17.17%
Annualized Volatility	1.69%	25.51%	19.33%
Annual Max Drawdown	0.00%	-51.04%	-39.30%
Sharpe Ratio (RFR 2%)	5.75	-0.68	-0.82
Win / Lose Ratio	100.00%	43.14%	37.93%
Kurtosis	2.13	2.11	3.47
Skewness	1.23	-0.62	-0.46
Best Monthly Return	2.52%	18.27%	14.83%
Worst Monthly Return	0.23%	-24.41%	-20.10%
Av Monthly Return	0.97%	-1.23%	-1.40%
Correlation v S&P500	34.70%	79.13%	73.59%
Bloomberg Ticker	SCICTFA KY	SCIPION KY	SCAASFS KY
ISIN Code	KYG548711350	KYG548711277	KYG548711194
CUSIP Code	G54871135	G54871127	G54871119
Valor Number	3360282	3313811	3360283
Minimum Investment	\$500,000	\$500,000	\$500,000
Fund Domicile	Cayman Islds	Cayman Islds	Cayman Islds
Subscriptions	Monthly	Monthly	Monthly
Redemptions	Quarterly	Monthly	Monthly
Redemption Notice	90 days	30 days	30 days
Management Fee	2%	2%	2%
Performance Fee	20%	0%	20%
Hurdle Rate	0%	0%	6%
Administrator	Centaur	Centaur	Centaur
Bankers	JP Morgan	JP Morgan	JP Morgan
Auditor	Deloitte	Deloitte	Deloitte
Custodians	N/A	Banque Audi, Standard Chartered	Banque Audi, Standard Chartered

\*Scipion Commodity Finance fund was launched in August 2007. Annualized return for 2007 is 11.00%; 4.45% is the actual return from August to December.

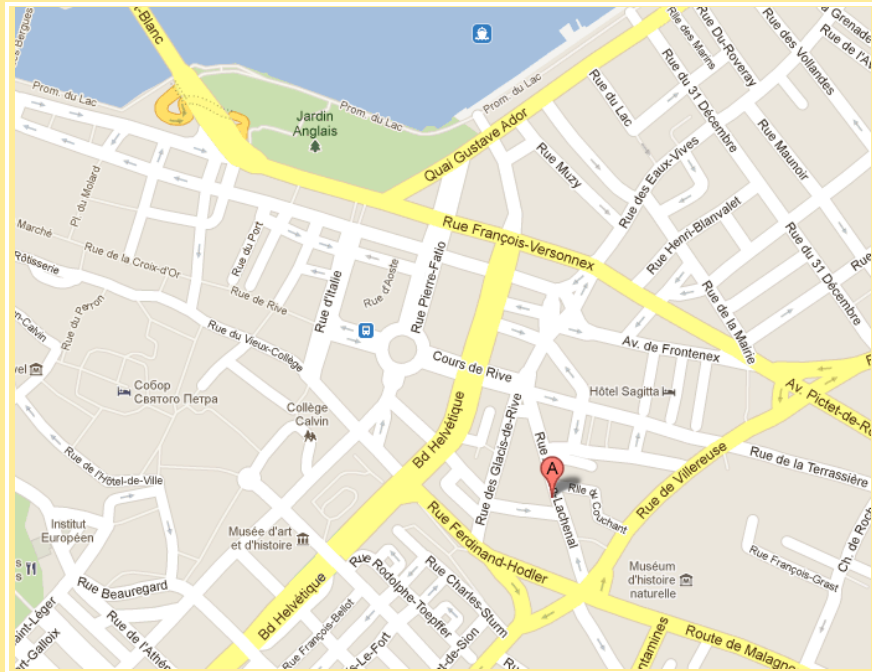
# About Us

Scipion Capital are a uniquely focused team of finance professionals whose senior management have significant experience of banking and investing in emerging markets, particularly in Africa. Scipion African Opportunities Fund SPC (domiciled in the Cayman Islands and registered with the Cayman Islands Monetary Authority) is an Exempted Segregated Portfolio Company incorporated with limited liability with a number of different share classes all focused on Africa. Scipion clients include hedge funds, european family offices, financial advisors, private banks, endowments and pension funds.



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Many thanks for reading. If you would like further information about our funds or our company, then please do not hesitate to contact me directly.

Until next month,

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