JDJames & Company

Developing Solutions in a Developing World™

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The Year in review

***2009 was an economic watershed for the global community*.** Uneven recovery and aftershocks from the *intermediation* meltdown of the last 2 years highlighted the economic decoupling of the "developing world" from the standard-bearer of growth, the American consumer.

Macroeconomic and financial policy remains problematic. Generally muted inflation, real interest rates maintaining second derivative levels on benchmark sovereigns, a muted equity new issue market and lending paralysis at financial institutions is accelerating the investor turn to the developing world for traction and growth.

Economic activity in the United States and Europe remains anemic. In the United States, growth (?) is a function of continuous government pump-priming and transnational (ex-U.S.) revenue and earnings, which accounts for an increasing percentage of GDP. Structural unemployment, a real issue in the U.S., and increased government intervention in every aspect of commercial life continues. *Defining a "mixed" economy fully occupies the cognoscenti.*

The dynamics of the credit crisis defined its' impact. Generally, non-Western countries were spared the most severe blows.

2009

Euro: 1.4326 (+2.59%) **Yen**: 93.0492 (-2.70%) **RMB**: 6.8260 (+0.%)

SP500: 1115.10 (+23.4%) ***SSE***: 3277.14 (+80.0%)

US **30 Yr**.: 4.63% (+8.18%) **Gold**: $1,096.20 (+27.6%)
US **10 Yr**.: 3.83% (-9.88%) **Copper**: $3.36(+135.0%)
Crude (WTI): $79.36 (+77.9%)

Russia and Brazil recovered fairly rapidly. India and China took mainly glancing blows at the State enterprise level but, sufficient reserves, lack of participation by the consumer class and their strong personal balance sheets sustained demand. Regional Asian business was impacted but, as exporters of record to the World, output was principally redistributed to stronger firms. Firm regional retail demand also moderated the impact of reduced exports.

Continued high or rising natural resource prices and a growing middle class provided a safety net spotlighting what has been only hinted at; the "developing world" is steadily becoming a "consuming world". Instances of economic unrest did occur in some nations (primarily energy and food price related) but were neither endemic nor protracted. Although volatile, appreciation of most currencies against the dollar made demand stability and growth even more sustainable in the short run.

Our Outlook

***In our market*,** overall GDP growth of ~5% (4%-10%+) is projected. Natural resource development and trading, infrastructure activity and financial innovation are the main engines of growth. Sectors including energy, transportation and telecom were highlighted by planned spending across the board in Angola, Equatorial Guinea, Cameroon and Republic of Congo (Brazzaville). Rail expansion in Cameroon and Gabon provide the potential for substantial advisory and financing engagements. Project activity in Brazzaville, Angola and Equatorial Guinea should result in new engagements with our NOC client base. 2010 should see an acceleration in our telecom advisory and financing activities as the activation of fiber optic cable landings in West, Central and East Africa bring the advent of full 3G and the promise of 4G to our market area. Discussions with various Ministries regarding strategic planning models are bearing fruit. **We anticipate dynamic, scalable markets in 2010.**

Our Market

Our Market, one-third the landmass of the United States, is *a geoeconomic inflection point,*. Accelerating energy finds, led by Angola; a scaling up of natural resource development projects from hydropower to coltan to uranium, form the beginnings of a gold rush mentality touching every financial center across the globe. We anticipate above trendline growth in economic activity for the foreseeable future. Intermediation and distribution growth is necessary to support a surging service and middle class. Overdue infrastructure and urban development projects are an additional economic driver. The region has a scalable talent pool.

Limited, problematic conflicts continue in some areas but are manageable. Global resource demand and motivated populations are forcing change on those actors that impede progress. The role of a large bureaucracy is being questioned and a demand for talent offers alternative employment opportunities to those who once thought public service was a destination. With an average age of 17, a low cost workforce and dynamic consumer demand augurs well for the foreseeable future.

Angola
Now the largest crude producer in Africa (+2mb/d), recent host of OPEC meeting and home to the most expensive city in the world. Angola is reaping the rewards of increased production, high prices and a host of suitors that need it. A large timber, mining and agricultural sector and increased government spending will have GDP growth in the double digits for the foreseeable future. Its location, economy and history make it a must invest territory.

Cameroon
Potential offshore finds from the Bakassi Peninsula, major natural resource plays and the center for Francophone Africa auger well. Privatization, restructuring and advisory opportunities are growing markets. Microfinance advisory services are a growing market.

Central African Republic
Timber and diamond trading dominate the export markets. Unrealized mineral development opportunities provide interesting opportunities.

Chad
Steady onshore crude production, new Chinese 60k(?) b/d refinery, substantial mineral deposits mitigate the border disputes with Sudan. Better relations brokered by the Chinese, we believe, will ramp up economic activity.

Congo (Brazzaville)
Continuing offshore oil growth (+350k b/d), a strong government mandate to upgrade the telecom and transportation infrastructure, mining activity and an underdeveloped timber sector present many opportunities for project and advisory activity.

Congo (Kinshasa)
More than 60% the landmass of Europe, The DRC is similar to the US in natural resource wealth. Second largest rainforest in the world, 60+ million citizens and a range of large-scale resource opportunities, unequalled on the globe. The DRC needs everything and, as the pace of development speeds up, financing tools will monetize its resource base and population. Unreliable statistics mask the size of the economy.

Equatorial Guinea
Equatorial Guinea has the characteristics of an oil sheikdom. Growing oil production, tiny population and a blank slate for development and investment. Port and shipping infrastructure projects have begun but opportunities abound in real estate development and infrastructure.

Gabon
Declining production from its oil properties after 30+ years has forced the government to focus on other sectors of the economy including; tourism, fisheries, and a more aggressive emphasis on value added stages in their timber industry.

Sao Tome and Principe
Less than 100,00 population, situated on the Equator between Gabon and Equatorial Guinea, the rumblings are of a substantial oil field, yet in production. ChevronTexaco, ExxonMobil are block winners. Tourism is an underdeveloped resource.