



Sea Meadow House
PO Box 116
Road Town, Tortola VG-1110
British Virgin Islands

Masaki
Dar es Salaam
Tanzania

20 February, 2022

Dear Investor,

You will have already received your January statement from our Administrator, Bolder Group (formerly Circle Partners).

The Fund had an excellent January. **It gained a net 2.36%** during the month (based on the October 2020 “Lead” Series.)

Since inception it has now **climbed 35.08%**.

Those numbers are net of all fees and expenses, including management and performance fees, which are now accruing on all series of shares. That’s because, comparing it with the performance of the S&P Africa Frontier BMI (Total Return) Index, the Fund is now **ahead of the hurdle rate for all series of shares issued**.

So, no matter what month you invested, or added to your investment in African Lions Fund, you are ahead of the index which we compare our results to, for the period you have been invested.

For January, the hurdle index gained only 0.05%. Since the Fund’s inception in October 2020, through January 31, 2022, the hurdle index is up 33.66%.

Driving the Fund’s outperformance last month was our Tanzanian investments

NMB Bank (NMB), and **Tanzania Breweries Limited (TBL)** both gained a lot of ground in January.

- TBL rose from TZS 4,700 to TZS 5,200 (based on the off-market, pre-arranged block trade board that we derive the fund’s pricing and valuations from).
- NMB, meanwhile, rose from TZS 2,000 to TZS 2,280. It is now actively trading on the market, and we no longer need to rely on pricing from the off-market, pre-arranged board.

So, the gains were 10.6% in TBL and 14% in NMB for January alone. As they are the two biggest holdings in the Fund, accounting for approximately 15% and 16%, respectively, of assets under management at month end, that translated into a solid rise for the Fund.

This is what we have been waiting for. Our out-sized allocation of capital to the undervalued and out-of-favour Tanzanian market is starting to bear fruit. This has seen us pull ahead of the broader performance of African Frontier markets as a whole.



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During the month, we also took 57% profits on our position in the **Dar es Salaam Stock Exchange (DSE)** itself. I elaborated on the reasons for that in our recent investor call. You can catch a replay [here](#) if you have not already watched it. You will need the passcode: 9% CS1f2?

The performance of our Tanzanian investments has been improving further in February

NMB results for 4Q2021 and full-year 2021 came out in late January. Even after conservatively making sizable further loan loss provisions, NMB reported net profits up 39% for 2021. The shares have responded by rising quite strongly in February so far as well, with gains of 17.5% for the month to date.

TBL has also gained further ground in February, rising from TZS 5,200 to TZS 5,500 so far (+5.8%).

Twiga Cement (TPCC), had been the one stock not moving. But that's just changed, with the shares rising by the maximum allowable daily limit of 10% on Friday February 18, from TZS 3,400 to TZS 3,740. Twiga is our third-largest holding.

During January, I met again with Alfonso Velez, CEO of Twiga Cement. I understand that the company had another record year in 2021. He is more cautious about the prospects for this year, as it is hard to keep growing at 30%+ rates off the much higher base they have now set, after two cracking years in a row. But time will tell. He may just be being conservative and wanting to under-promise and over-deliver.

The Twiga dividend for 2020 paid last year was TZS 390 per share. I'm expecting at least as much this time, for 2021. So, even at a price of TZS 3,740 the yield remains well into double digits.

The shares had been TZS 3,740 bid for weeks, with no sellers. Now that it has traded in enough volume to set a higher closing price (0.005% of the total shares outstanding must trade in a session), it can adjust up by as much as a further 10% in the next trading session, if there are bidders prepared to pay that much.

The Fund has now surpassed US\$15 million in Assets Under Management (AUM); What might be next...?

The fund had US\$14.94 million under management as of January 31, and February inflows took it above US\$15 million. Gains in the portfolio during February so far have sent it even higher.

I expect further inflows at the beginning of March, and with a bit of luck, combined with the strong portfolio gains seen for February to date, we might be above US\$16 million by next month.

However, to take the fund to the next level, I need to solve the problem of not being able to take more US persons as investors.



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After much consideration, we have decided that registering the management company, ST Funds Management Limited with the SEC as a “Registered Investment Advisor” is perhaps not the ideal solution, for various reasons. The extra compliance burden and business risks associated with it are significant.

We are thus leaning toward a different solution. We are considering setting up a US “Private Fund” as a feeder structure. If we do this, we can take up to 100 US investors in that Private Fund. It would then invest in the African Lions Fund.

The catch is, you must be an Accredited Investor, under US SEC definitions, to qualify to invest in a Private Fund.

Also, if you are one of our 15 existing US investors you would need to have your investment transferred to this Private Fund. So, I am trying to ascertain who might not qualify.

If you are a US person, could you please [reach out](#) and let me know whether you qualify as an Accredited Investor. The definition is available [here](#).

I stress **there has been no decision taken on this**. Ultimately, it is for the African Lions Fund’s board to decide. Even if you do not immediately meet the definition of an Accredited Investor based on income or net worth, there are some ways around this which could be considered if necessary. I don’t want to exclude any of you.

One big benefit of a US vehicle for US persons is the PFIC accounting treatment of African Lions Fund would fall away.

Before I wrap up, as I did on the recent Zoom call, **I want to emphasize that the market conditions here in Frontier Africa have clearly changed**. It is no longer easy buying large blocks of cheap shares. Stocks are well bid. Prices are rising, and it really feels like these markets have the potential to run hard. Time will tell if my feeling is correct.

If you have been intending to add to your investment in the Fund, it would behoove you to act sooner rather than later, before valuations really start to climb. As things stand now, EPS growth has been strong across our portfolio, and until the beginning of this year, it had largely kept pace with share price rises.

Thus, P/Es were not rising much, if at all. Now, as we see with NMB and TBL, and others, share price gains are starting to outpace earnings growth – at least in the short term. A multiple expansion or “re-rating” is also something we aim to benefit from, if you recall what we say in the Private Placement Memorandum about **buying at valuations low enough that we think they can double**.



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To benefit from that valuation multiple expansion to the maximum extent possible, the time to get on board is right now.

Until next time...

Kind regards,

A handwritten signature in black ink, appearing to read "Tim Staermose". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Tim Staermose
Founder, African Lions Fund Ltd
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