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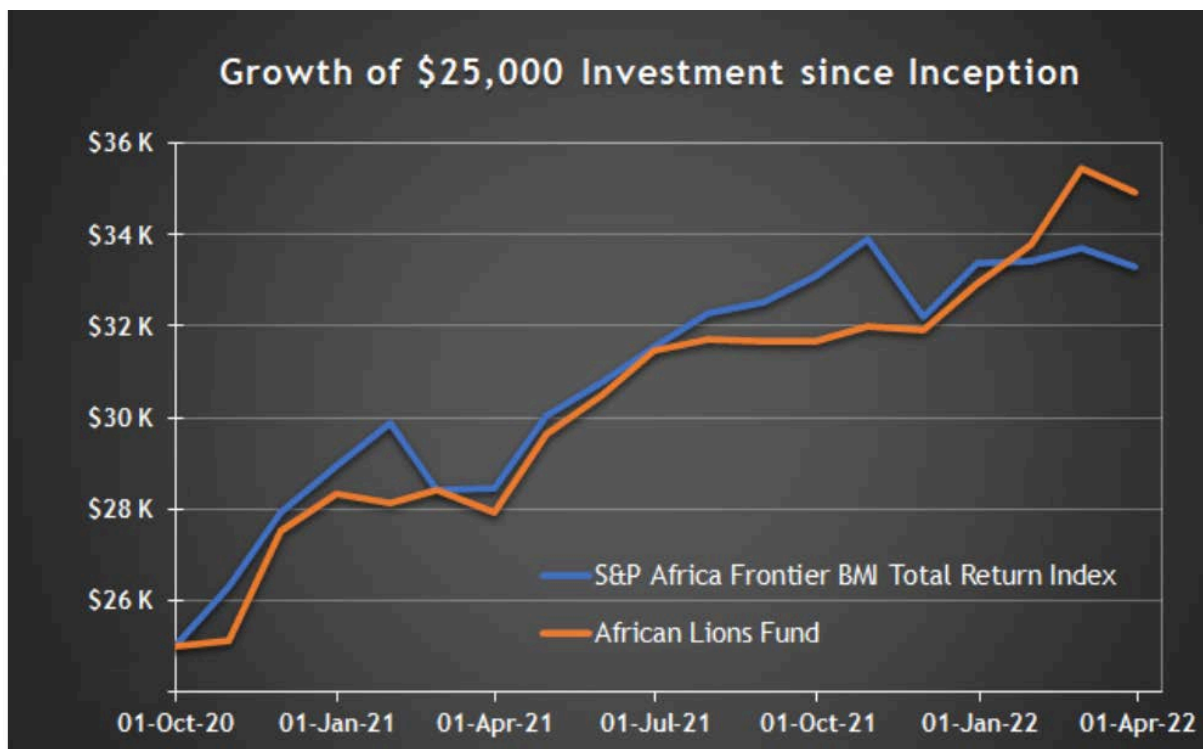
30 April 2022

Dear Investor,

In what was generally a very tough month for stock markets all over the world, following the Russian invasion of Ukraine in late February, the Fund suffered a 1.41% drawdown in March.

Our hurdle, the S&P Africa Frontier BMI (Total Return) Index, fell 1.25%. We thus gave back 16 basis points of our prior outperformance. However, we remain comfortably ahead of the hurdle index.

Since inception, the Fund's Lead Series is **up 39.8%** after all fees and expenses. The hurdle index is up only 33.2% in the same period.



Bolder Investment Services sent your March statements some time ago. I apologize for this letter being a week or so later than normal.



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I wanted to wait until after my recent research visit to Nairobi to publish it. More on my findings in Kenya in a second.

**The Fund's drop in value in March  
was entirely due to foreign exchange translation effects**

Our stock portfolio was up by more than the monthly expenses of the Fund, and as such there was a small net gain in local currency terms. But as you are probably already well aware, the US dollar has been extremely strong recently. Indeed, it has seen the biggest gains against the Japanese Yen in years, and the Euro and Pound are also the weakest they've been in years.

So, it's not surprising the African currencies, led by the Ghanaian Cedi and Kenyan Shilling also dropped heavily versus the dollar of late. This is not something we can control. But we are attuned to the increasing degree of currency risk in the markets where we invest.

In Kenya, the shilling dropped to an all-time low of more than 116 vs. the US dollar this week and this was the talk of the town. The leading newspaper, *Daily Nation*, even published a sensational story last Monday morning claiming that the Central Bank had directed banks to begin rationing foreign exchange.

The Banker's Association published a rebuttal denying that, on Wednesday.

At my Tuesday afternoon meeting with Kenya's biggest bank, KCB, management were at pains to stress they have sufficient dollars to meet the needs of their clients. Be that as it may, they also stressed that the market is unusually tight due to a confluence of events affecting the Kenyan economy – and many others around Africa. Specifically:

- High oil and food prices.
- Supply chain disruptions causing importers to order more stock at once.
- On-going weak performance in the tourism sector, and so on.

Where there is smoke, there is fire. And there is no denying that getting hold of hard currency, mostly US dollars, is harder than normal right now, all over Africa. It is only natural for the currencies to weaken as a result. Lower supplies of foreign exchange mean the market will naturally ration the FX by charging higher prices for it.

Meanwhile, earnings season has continued. There has been a steady stream of full-year audited financials for 2021. Several 1Q 2022 unaudited results have also begun to emerge. With one or two exceptions, the news there is **very good**.



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**Our biggest holding, Tanzania Breweries, just reported a 76% year on year increase in net profits;**  
**NMB Bank, our 2<sup>nd</sup> biggest holding reported a 55% rise in 1Q2022 EPS**

For our largest holding, **Tanzania Breweries Limited (TBL)** 2021 results showed much improved performance. There was a return to modest sales growth (+6%), but due to cost savings, and more favourable tax treatment after a year of extraordinarily high taxes in 2020, operating profit grew by 19%, and net profit grew by 76%.

TBL's share price (based on pre-arranged block trades which reflect reality, not the on-board price where the shares have not traded for many months), has rallied to TZS 6,000 per share during April (up from TZS 5,250 in March). This should help the fund record good gains for April. We value all our positions based on block trade prices, which better reflect true value.

Other earnings releases during April came from **Tanzania Cigarette Company (TCC)**, and **Twiga Cement (TPCC)**. Both were impressive.

TCC saw earnings per share grow 66%, but off a low base in 2020. Nonetheless, it's encouraging to see EPS for 2021, at TZS 596 per share, is back well above the 2019 pre-pandemic number of 512.5.

At Twiga Cement, after a very strong 2020, the comparison was tougher. Still, EPS grew 18.5% from TZS 415 to TZS 492, leaving the stock still trading on a modest P/E multiple of 8.6x. The company has proposed a dividend of TZS 390 per share, matching the payment last year, which was up from TZS 290 in 2019.

Staying with Tanzania, at **NMB Bank PLC (NMB)** 2021 vs 2020 EPS growth was 39%. In the 1Q2022 results, which just came out Friday, we see that EPS growth accelerated to 55%.

Over in West Africa, **MTN Ghana (MTNGH)** — following a reported 42.9% growth in EPS in 2021 vs 2020 — reported that EPS growth accelerated to 53.7% in 1Q2022. It remains the most exciting company in our portfolio, in my opinion — a true “compounder.”

We have also received 1Q2022 results for **CAL Bank (CAL)** in Ghana. Despite Ghana struggling with macroeconomic problems such as double-digit inflation and severe currency weakness, CAL Bank's numbers were superb. For the first quarter, EPS grew by 17.3% year on year, accelerating from 5.9% growth for 2021 vs. 2020.

And yet, the stock looks very undervalued. CAL Bank currently sells on a P/E multiple of only 2.5x and a dividend yield of 15.6%. It is one of the cheapest stocks we own.

Speaking of cheap stocks...



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**My trip to Kenya re-affirmed that this is the next market we need to allocate significant capital to, after our 50% allocation to Tanzania, which is working well**

I was in Nairobi April 24-27. I conducted eight company visits and met with several local investors: a fund manager, the head of a large family office, and a prominent individual investor.

The visit reinforced the perception I had developed from researching Kenyan companies, reading material online, and engaging frequently with a cross-section of the Kenyan business and investment community via several social media groups I have been invited into.

To summarize:

- 1) The lead up to the August election, at which a new regime will take power upon the retirement of two-term President Uhuru Kenyatta, has most people less active in business and investing right now than would ordinarily be the case.

People want to see what comes to pass. Will it be the brash young upstart, William Ruto, or the old, deep establishment figure Raila Odinga who wins the presidency? Who will they choose as running mates? What visions do they have for the country should they win? Many questions remain. And that means uncertainty.

- 2) The Kenyan stock market as a whole is in a deep bear market, which started in 2015. There are 4 (maybe 5) larger, more liquid companies – Safaricom, Equity Group, KCB Group, and EABL (plus BAT Kenya for those not constrained by ESG rules around investing in tobacco) – that are the mainstay of foreign portfolio managers.

Those stocks have in general performed OK. But it is a very bifurcated market, with second and third-line stocks trading at decade low valuations and sentiment very negative.

This presents an opportunity, in my view. Already we have holdings in some of the cheap second-line stocks, though those positions are small. The purpose of my visit was to uncover some more potential investment candidates on the bombed-out end of the valuation spectrum.

I'll have more to say on this in future writings, as well as on this quarter's investor call, which I would like to host next week, or early the week after. (Details below).

My trip to Kenya was a success, and with Covid now hopefully firmly in the rearview mirror, at least in this part of the world, I hope to do more such trips over the course of the remainder of the year. Rwanda and Uganda are on the list. So is Zambia.

We own two stocks in Rwanda, and one each in Uganda and Zambia, but I am always on the lookout for more promising investments.



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All in all, March was an OK month for our Fund, given the negative circumstances prevailing on world stock and foreign exchange markets. That has continued and got even worse in April.

But happily, **the Fund gained ground again in April**, and I estimate we will have outperformed our hurdle index. Final numbers from the Administrator won't be out for another couple of weeks, however.

#### Housekeeping notes

We'll send a Zoom invitation for the upcoming investor call during the week. If you definitely will attend, it would be useful if you could fill out a quick survey below as to your preferred time. We can then factor that in. Note, it refers to *your own time zone*.

The form below was created via Google Forms, so if this email was sent to you on a non-Google email, you may need to open it via your browser first.

Here's the link: <https://forms.gle/tsU1eXZCJWd8UyF68>

Until the upcoming Zoom call...

Good investing!

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