



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

Oyster Bay
Dar es Salaam
Tanzania

21 July 2022

Dear Investor,

The Lead series ended June at \$7,029.97 per share (versus \$5,000 at inception). That's 40.6% gains for our founding investors. For the month of June, the Fund was down a slight 1.33%, after all fees and expenses.

Much of this decline came as the accrued performance fees rose, due to a hefty 4.94% decline in the hurdle index for the month. That left the value of African Lions Fund shares even further ahead of the hurdle index than they were last month, translating into higher accrued performance fees due to the manager.

Had you invested \$5,000 in the hurdle index from October 1, 2020, instead of the Lead Series of shares in the Fund, you would have an investment worth \$6,283.90 today, up 25.7%

The fund has thus outperformed its hurdle by 14.9 percentage points since inception.

For some of the other Series of shares (recall, a different Series is issued each month), the net losses were smaller for the month, as different Series attract different performance fees.

To remind you, the performance fee is calculated as 15% of any return ABOVE the **S&P Africa Frontier BMI (Total Return) Index**. But it is subject to the "high-water" market principle, where performance fees can only be charged on the amount above the value the shares had, either at:

- 1) Issuance (the \$5,000 issue price); or,
- 2) 2) On the date of the last performance fee being crystalized (annually, if ahead of the hurdle index on December 31 of the relevant year).

For Series of shares issued this year, where the hurdle has actually declined, performance fees are only being accrued on absolute gains (i.e. amounts above \$5,000).

For example, the April 2022 Series ended the month at \$ 5,082.42, or up 1.65% since inception, before performance fees. But, even though it is ahead of the hurdle by 7.3%, because the hurdle index has declined by 5.65% since April 1, we are only accruing performance fees on the gains above the \$5,000 issue price. In other words, 15% of the \$82.42 by which the shares are up from the issue price, or \$12.36 per share.



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

I want to be very transparent about this methodology, we are putting your interest first. I would like to assure all investors that we don't rack up performance fees in the event the hurdle index tanks, but we tread water.

Dividends

We've now collected the bulk of our dividend payments for the current year, though there will still be some more coming in from those companies that pay interim dividends, and from Safaricom, which has a March 31 year-end and is thus three months behind many other firms in paying final dividends.

It's important, I think, to reiterate, that the level of dividends the portfolio earns is substantial, and really helps serve as a bulwark for our performance during periods of great market volatility such as that we've experienced in recent months.

Stocks we own that trade on indicative yields in double digits currently include:

- BAT Kenya
- MTN Ghana
- Bralirwa
- Tanzania Cigarette Company
- Twiga Cement

Others in the high single-digits include:

- BK Group
- Stanbic Uganda
- Sonatel
- Tanzania Breweries
- NMB Bank

In some cases, especially with companies such as BAT Kenya, Twiga Cement and Sonatel, with very high payout ratios, we're reinvesting our dividends to get the benefits of compounding over the long run.

**While the US dollar is super strong against other major currencies,
African foreign exchange rates have not deteriorated by nearly as much**

African currencies have held up better versus the US dollar than all major currencies, except the Canadian dollar, since the Fund began investing in October 2020.



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

To see this, look at the performance of African Lions Fund shares. While up 40.6% since inception in USD terms, in terms of Australian Dollars, Euros, Pounds, New Zealand Dollars, Singapore Dollars and Yen, they are up by even more.

S&P Africa Frontier BMI Total Return Index	African Lions Fund							
US\$	US\$	A\$	C\$	Euro	GBP	NZ\$	S\$	JPY
25.7%	40.6%	46.1%	36.0%	57.4%	49.4%	49.4%	43.2%	81.0%

On the topic of currencies, last month I told you I was doing a trade whereby we'd get some money into Nigeria at an exchange rate more than double the official rate of 415 Naira to the US dollar.

We bought approximately US\$48,000 worth of Seplat Petroleum shares in London. We moved the shares to Nigeria. We sold them. Approximately US\$109,000 worth of Naira is now in our account in Nigeria (at the "official" rate). Essentially that is a double-bagger in less than a month, assuming one values the Naira at the official rate. (Our hurdle index values all its extensive Nigerian positions at the official rate.)

At any rate we've got more than twice as much money to put to work in the Nigerian market than had we wired the money in directly, in cash.

As I do some more research on possible Nigerian investments, including a research trip there tentatively scheduled for late September, I will possibly look to move some more money into Nigeria, taking advantage of this opening.

Housekeeping notes

If you did not catch the replay of the Zoom call I held for investors last month, you can access it here:

Meeting Recording: <https://bit.ly/3tZrvP4>

Access Passcode: **2Q2022ALF!**

The Fund's Audited accounts for the period October 1, 2020 to December 31, 2021 were lodged with the Financial Services Commission in the British Virgin Islands.

Please [email me](#) if you would like the Administrator to send you a copy.

Bolder Investment Services has sent your statements up to June 30 already.



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

What's ahead?

To sum up, the Fund has remained resilient despite the bear market that is now well and truly upon global equities markets. Our hurdle index has declined 5.9% for the year so far, through June 30. That is still much better than the 20.6% decline in the S&P 500 for the first half of 2022.

The Fund on the other hand is up 6.8% year to date. That's a whopping 27.4% better than the S&P 500, and 12.7% ahead of our own hurdle index.

No one knows what the future holds. There are some risks on the horizon for us, including the hotly contested Kenyan election just over two weeks away, possible further oil price spikes, and a scarcity of dollars in many sub-Saharan African economies, with exchange rates under pressure.

But I worry primarily about the risks I can control. I cannot predict macroeconomic or political events. What I try to do is build up a large margin of safety on our purchases.

We added selectively to existing positions last month and this month so far, reinvesting our dividends in the likes of BAT Kenya, and MTN Ghana. We added a small amount to our Safaricom position as well, near the 52-week low.

Most recently, after my meeting with Twiga Cement this week, I have added to our Twiga position as well. The company has finally hiked its cement prices, and I expect that, as a result, earnings will be 15% to 20% higher in 2022 than had prices remained the same.

Interestingly, the news of the price increase is not widely known in the market as best as I can tell—even though it is in the public domain, and Twiga has informed the government as a courtesy. The company, however, does not want to trumpet it, being a politically sensitive topic. The local press outlets don't seem to have got wind of it either.

Shows you again the value that a little bit of old-fashioned, on-the-ground information gathering can add for us.

I am off to Indonesia for a couple of weeks, but I will be tapping into my local Tanzanian network to keep up with events in my absence. NMB Bank 1H2022 results for example are due out by the end of the month. I expect them to be stellar.

As usual I will post updates in our Telegram channel, which is accessible here: https://t.me/joinchat/AAAAAE6il5_GjwTQOlyNwg and via Twitter (@globalvaluehunt).

Until next time...

Good investing!



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

A handwritten signature in black ink, appearing to read "Tim Staermose".

Tim Staermose
Founder, African Lions Fund Ltd
tim@africanlionsfund.com