



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

Masaki, Dar es Salaam
Tanzania

15 May, 2021

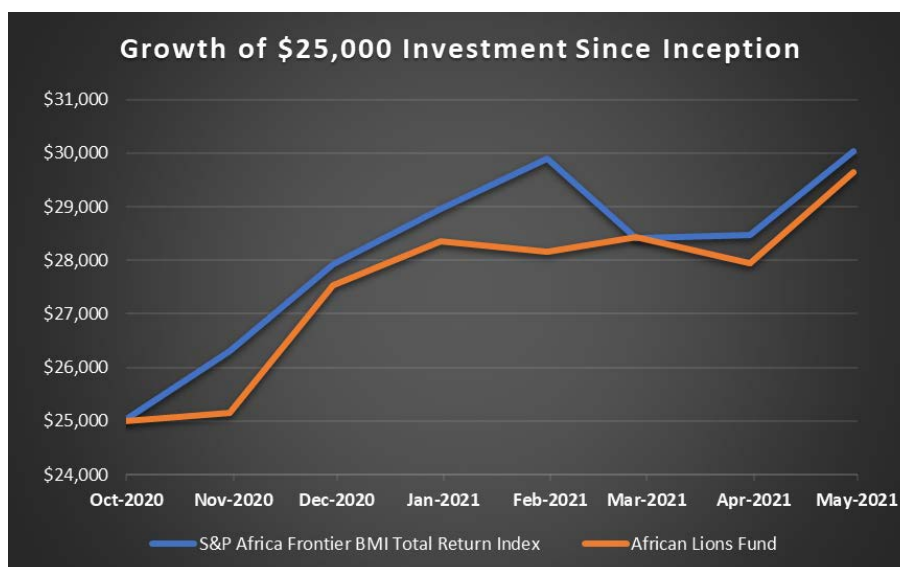
Dear Investor,

The Fund had an **excellent month in April**, with the portfolio **gaining 6.03%** after all fees and expenses. This is based on the Lead Series, issued to “day one” investors in October 2020.

There has been a new series of shares in the Fund issued each month for the past seven months, as new investors joined, and existing investors added to their investments. The results for the other series of shares differ slightly from the Lead Series. Five of them will have seen slightly smaller net gains in April than the Lead Series, after allowing for the accrual of performance fees.

Only the Lead Series, and the March 2021 Series, still trail the benchmark by a small amount. If you were issued shares in November or December last year, on in January, February or April this year, then your investment has outperformed the benchmark, the S&P Africa Frontier BMI (Total Return) Index. You will thus owe a small performance fee, paid out after the fund has been operating for a year ... assuming we are still ahead of the benchmark then, as I certainly hope is the case.

Performance for African Lions Fund to date looks like this:



Since inception, the Fund is up 18.6%. The benchmark, helped by a very strong performance from Safaricom in Kenya (which accounts for over 70% of Kenyan market capitalization and more than 20% of the benchmark) has been performing very strongly and is up 20.1% since we started.



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We don't hold Safaricom in the Fund, as the valuation has never been in the zone where we think it had the potential to double. So, we've been penalized for that. But I am not concerned. And I have no intention of buying stocks just to track or hug a benchmark. We use the benchmark simply as a reference point to compute the "hurdle rate" for performance fee calculation purposes.

The steam has come out of Safaricom's rally in the past couple of days, as it reported mediocre results. So, I suspect we are ahead of the benchmark index in May thus far. In fact, I am almost certain of it.

14 Gainers in our Portfolio for April with some hefty dividends on top

Our positions in **Sonatel**, which has just gone ex-dividend and will pay us more than a 10% yield based on our entry cost, **Twiga Cement**, which has rallied strongly and also gone ex a TZS 390 dividend, or 14.8% yield for us, as well as **MCB Group** in Mauritius and **Equity Group Holdings** in Kenya, have all seen good gains for the month of May, to date.

In April, the heavy lifting for our portfolio was done by **NMB Bank** (rising from TZS 1,450 to TZS 1,700), **Filtisac** in Cote d'Ivoire, which rose 24.7% and declared a huge 23.7% dividend based on our entry cost, and **MTN Ghana** which was up a hefty 34.1% for the month.

First quarter 2021 company results have been coming in and are generally strong

Our two laggards for 2020 results, **Equity Group Holdings** (EQTY on the Nairobi Stock Exchange) in Kenya and **MCB Group** (MCBG in Mauritius), have both reported stronger results for the first quarter of 2021.

MCB in particular surprised with a very strong set of results for the three months to end-March, which is actually the bank's 3rd fiscal quarter. All the year-on-year declines seen in the first six months were offset by gains achieved in the third quarter, leaving the 9-month results flat versus 2019-2020, despite the Covid-19 induced crash in the tourism-dependent economy of Mauritius.

While the 2020 full-year result from **Tanzania Breweries Limited** (TBL in Dar es Salaam) was disappointing, on the recent management call the company said that they were ahead by mid-to-high single digits in the first quarter, versus last year. TBL is our second biggest holding. So, this was good to hear.

Our biggest holding, after I made two more purchases during April, **NMB Bank PLC** (NMB on the Dar es Salaam Stock Exchange), also reported excellent earnings for the January to March 2021 period. Net profits were ahead by 31%.



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On the earnings results call with management last week, the bank confirmed this momentum has carried on in the second quarter. The bank says they are “very optimistic” for the remainder of the year. They have seen a healthy rise in deposits and are finding good credits to lend this money to. They’ve also clawed back some loan loss provisions and have raised their “coverage ratio” against future loan loss provisions to 97%. (In other words, nearly all likely future loan losses have already been provisioned for at this point in time.)

Extrapolating the 1Q2021 numbers to the remainder of the year, I calculate the bank’s shares are trading on a forward earnings multiple of just 3.3x and on an indicative yield of over 10% for next year. This year’s dividend payment (out of 2020 earnings) will be TZS 137, placing the stock on an 8% yield based on our TZS 1,700 entry price.

After taking dividends into account, **April saw 14 of our 17 positions gain in value**, and the remaining three were flat. I don’t expect we will have many months quite as good as that, so savour it while it lasts.

Housekeeping updates

We have recently appointed two more Directors to the board of African Lions Fund Ltd., resident in the BVI, and engaged AMS Secretaries as Company Secretary. As the assets under management have grown and will hopefully soon top US\$10 million, the extra \$10,000 in total annual costs of these three appointments are well worth it, in my view, to ensure that there is no ambiguity that the Fund’s business is “managed and controlled,” from the BVI and that the Fund is thus clearly tax resident there.

I will host the quarterly Zoom presentation next Thursday May 20 at 4:30pm Dar es Salaam time, 9.30am New York time, 2.30pm London time, and 9.30pm Singapore and Hong Kong time. An invitation link will follow.

Our Australian and New Zealand shareholders will not find the timing friendly this quarter. Apologies for that, but with investors all around the globe, we will rotate the timing to give everyone a turn at a favourable schedule. Next quarter, we’ll do it at a time that better suits those “Down Under.”

One last note: With the fund having 7 ½ months under its belt, and a solid track record, I am hoping that if you wanted to test the waters before committing a larger investment, you might consider adding to your investment now. Or, if you were holding off on referring the fund to others, until you saw how it performs, now is perhaps a good time.

My goal is to build up the size of the fund to a level that I am comfortable with for the long term and then close it to new money. That will allow me to focus less on drumming up business, and more on delivering great long-term investment returns. That has always been my objective. We’re not there yet, but so far, so good.



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As always, should you have any questions about the Fund, please reach out. The easiest way to contact me is via email: tim@africanlionsfund.com.

Until next time...

Kind regards,

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

P.S. If you have not yet joined our Telegram Channel, you can do so here:
https://t.me/joinchat/AAAAAE6il5_GjwTQ0lyNwg