



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

Masaki, Dar es Salaam
Tanzania

13 July, 2021

Dear Investor,

Final numbers from the Administrator show the fund gained a further 3.30% in June. Since inception it is now up 25.94%.

We are neck and neck with the S&P Africa Frontier BMI Total Return Index, which is up 26.22% in the same timeframe.

For anyone who invested in another month than the Lead Series (October 2020), or March 2021 Series, your investment is ahead of the hurdle rate and modest performance fees are accruing to the Manager.

The Fund continues to grow stronger, with the management expense ratio (MER) dropping with each successive month that we build scale.

We had our third-biggest month ever for new inflows for the July 1st dealing date. That, combined with our investment gains and dividends means the fund now has over US\$11 million in assets under management.

Welcome to all new investors. And thank you to existing investors who contributed more capital.

12 of our 17 positions gained ground in June

Of our 17 investments, 12 saw positive moves during the month. MTN Ghana was the best performer, gaining 20%. We added to our position in the company during the month. Closely following that were 12.7% gains in MCB Group in Mauritius, and 12.5% gains in Twiga Cement.

We added significantly to our Twiga position during the month. It now accounts for approximately 14% of the Fund's NAV.

I was pleased to see large numbers of Twiga Cement trucks transporting the company's product through the Nyerere National Park to the Julius Nyerere Hydropower Project site during my recent safari there.

It's one thing to read and hear from company reports how well it is doing and how much cement it is selling to infrastructure projects. It's another thing to see *it with my own eyes*.



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The biggest decliner in June was **Tanzania Breweries (TBL)**. It was down 8%, largely because I was in the market acquiring some large blocks and driving the sellers' offer prices down as much as I could.

We may see further declines in TBL this month. But it doesn't concern me. There is an imbalance of supply and demand for shares in this high-quality company as a number of funds that hold shares are being forced to liquidate due to redemptions or their funds closing down.

As I have stated before, **I love buying shares cheaply from sellers that are selling for non-fundamental reasons.**

June's gains came in spite of FX headwinds

I am often asked about foreign exchange rate risks. Thus far we've seen relatively stable foreign exchange markets since inception, with some of our currency exposures even gaining ground versus the US dollar.

That changed in June. The dollar had a strong month, and all the currencies to which we have exposure - except for the Tanzanian Shilling (TZS - flat) and the Nigerian Naira (NGN) - lost ground during the month.

The Mauritius Rupee (MUR), West African Franc (XOF) and Botswana Pula (BWP) were the three weakest, losing 3.7%, 3%, and 2.6% respectively.

I am of the opinion the USD rally is a counter-trend move in a longer-term decline. But I am always mindful of the risk that some of our equity price gains can be offset by weakness in the African currencies to which we are exposed. Thankfully, on balance that has NOT been the case since the fund began.

To mitigate the FX risk, while we aim for 15%+ compound annual returns or better in USD terms, we aim for returns even higher than that in underlying currency terms. If we don't think we can get 5% percentage points more, at least, in local currency terms than in USD terms, to provide the necessary cushion, we usually pass on the investment.

Here is a full table showing the various foreign currency moves in June, as recorded by our Administrator.



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FOREIGN EXCHANGE RATE MOVEMENTS AS OF 6/30/2021

Currency: USD

Currency	Current rate	Current date	Previous period rate	Previous period date	% Movement
USD	1.00	6/30/2021	1.00	5/31/2021	0.0000%
BWP	.091648	6/30/2021	.094123	5/31/2021	-2.6294%
GHS	.16997	6/30/2021	.17258	5/31/2021	-1.5127%
KES	.009265	6/30/2021	.009293	5/31/2021	-0.2965%
MUR	.023446	6/30/2021	.024339	5/31/2021	-3.6665%
NGN	.002436	6/30/2021	.002429	5/31/2021	0.2924%
RWF	.001002	6/30/2021	.001011	5/31/2021	-0.8210%
TZS	.000432	6/30/2021	.000432	5/31/2021	0.0000%
UGX	.000281	6/30/2021	.000282	5/31/2021	-0.3628%
XOF	.001808	6/30/2021	.001864	5/31/2021	-3.0230%

July is off to a good start with some of our banking shares surging

Our two laggards for 2020 results, **Equity Group Holdings (EQTY on the Nairobi Stock Exchange)** in Kenya and **MCB Group (MCBG in Mauritius)**, both reported stronger results for the first quarter of 2021. And this month, the share prices of both these banks have taken off. I'm a bit concerned the rapid gains are unsustainable. But we'll see what happens.

Elsewhere, we saw **Kenya Reinsurance (KNRE on the Nairobi Stock Exchange)** report decent results last month and declare a healthy KES 0.20 dividend, representing an 8.3% yield based on our average cost. We'll be paid the dividend in August.

I also attended the Annual General Meeting of the **Dar es Salaam Stock Exchange (DSE)** last month and am pleased to report that the company will pay a dividend of TZS 116.83, which represents a huge 13.7% dividend yield based on our average entry cost.

The payout ratio came to 60% of last year's net profits, which were inflated somewhat by a one-off bonanza from a large block trade in NMB Bank. That went through the exchange on December 31, 2020, as Rabobank reshuffled the ownership of its 34.9% stake in the bank.

When I asked management at the AGM if they had considered paying out the full 70% (rather than just 60%) of net profits, permissible under the company's by-laws, they indicated that they were hesitant due to:

- a) Covid 19 uncertainties lingering
- b) the one-off non-recurring profits from that NMB cross trade; and
- c) not wanting to set excessively high expectations of future dividends.



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But the Chairman did recognize explicitly, and I quote, “at the end of the day, it [the excessive cash on the balance sheet] is shareholders’ money” and the board will consider special or extraordinary dividends in the event the DSE has a very strong year in 2021.

Reading between the lines, I take this to mean the company has faced some pressure from other large shareholders, not just me, to pay out more of its cash. But the management is keen to have a dividend consistently rises each year rather than one that rises and falls.

In any event, we’ve done well on our DSE shares with gains to date for the fund of 32.9% on our DSE position. It now accounts for about 6.8% of our NAV.

Housekeeping updates

I will host the quarterly Zoom presentation next Wednesday July 21 at 10am Dar es Salaam time, 8am London time, 9am Continental European time, 3pm Singapore and Hong Kong time, 5pm Sydney time, and 7pm Auckland time.

That’s midnight in Los Angeles and 3am in New York, so our North American investors will have to catch the replay.

Mark your diaries if you want to attend live and ask questions. An invitation link will follow.

As always, should you have any questions about the Fund, or for the Zoom call, which you want to submit in lieu of asking live, please reach out. The easiest way to contact me is via email: tim@africanlionsfund.com.

I strive to provide an unusually high level of transparency for you in this fund. So, please make use of it if you wish.

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