



Sea Meadow House
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Oyster Bay, Dar es Salaam

26 May 2024

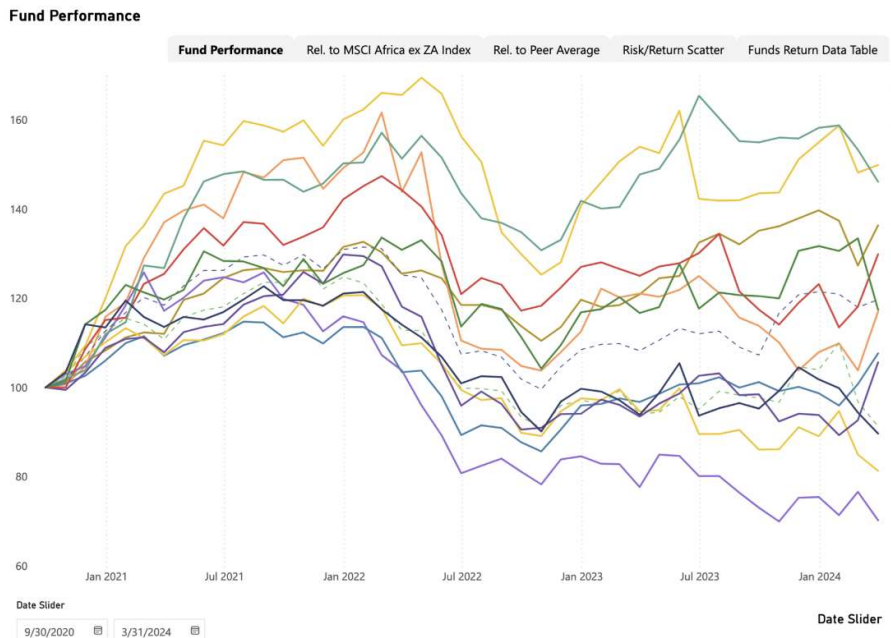
Dear Investor,

As you will have seen from your recent statements, the Fund had an excellent performance in March, with the Lead Series gaining 8.64% after fees and expenses. In April it gave up some gains, dropping a modest 0.66%.

Our hurdle index lost money in both March and April. Since inception, the Fund is up 53.13% through April 30, 2024. The hurdle index has lost 23.35% in the same time period.

Against our peers we are also well ahead. Through March 31, which is the latest data available, the closest competing Africa ex-South Africa fund was the Allan Gray Africa ex-ZA Fund, with a gain of 49.87% since African Lions Fund began investing, on October 1, 2020.

The below selection of actively managed funds, on average, was up 19.7% over the period, easily outperforming the MSCI Africa ex-ZA index, which lost 8.71%. As I have said before, you need an ACTIVE fund manager, not a passive index strategy, in Africa. And if you want to do well, the selection of active manager also matters a great deal.

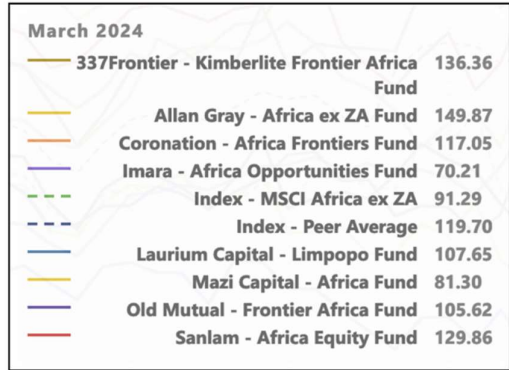




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Legend

- 337Frontier - Kimberlite Frontier Africa Fund
- Allan Gray - Africa ex ZA Fund
- Coronation - Africa Frontiers Fund
- Imara - Africa Opportunities Fund
- - - Index - MSCI Africa ex ZA
- - - Index - Peer Average
- Laurium Capital - Limpopo Fund
- Mazi Capital - Africa Fund
- Old Mutual - Frontier Africa Fund
- Sanlam - Africa Equity Fund
- Steyn Capital - Africa Fund
- Sustainable Capital - Africa Alpha Fund
- TCM - Africa Frontiers Fund



African Lions Fund is the best performing Africa fund of any description over 3 years

Presenting the data differently and including bond funds and some funds with Middle East exposure (where markets have been doing much better), we see that African Lions Fund is by far (over 8% points) the best-performing African fund of any kind over the 3 years to end-April 2024, up 29.2%.

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YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
337 Frontier Capital - Kimberlite Frontier Africa Fund (as-of 2024-04-30)										
-3.27	0.9	-8.55	4.14	0.48	326.00 (12/23)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
African Domestic Bond Fund (as-of 2024-03-31)										
	-7.5	-12.5	-28.5	-10.5		ETF - local currency FI	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2024-04-30)										
6.58	-0.66	8.95	29.16		25.02 (04/24)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2024-04-30)										
4.2		22.1	2.9	4.7	303.00 (04/24)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa ex-SA Equity Fund (as-of 2024-04-30)										
-12.8		-9.9	-2	1.1	378.00 (04/24)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Commonwealth Africa Fund (as-of 2024-04-30)										
-2.6	2.74	-1.73	-3.11	-1.82	3.14 (04/24)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2024-04-30)										
5.47	-3.63	-6.73	-3.99	-2.93	232.90 (04/24)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08



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DWS Invest Africa (as-of 2024-05-16)

-12.85	-0.37	-1.95	-3.59	-3.37	22.85 (04/24)	Equity	African region	Luxembourg	SICAV	07/08
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EFG-Hermes MEDA Fund (as-of 2024-05-16)

3.95	-2.22	24.78	20.76	-15.59		Equity	Africa & Middle East	Bermuda	Open-End	12/11
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Enko Africa Debt Fund (as-of 2024-04-30)

10.59	-1.43	43.01	11.8	15.45	646.30 (04/24)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
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Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2024-05-16)

6.02	3.14	18.61	-12.04	-3.76	219.76 (04/24)	Equity	EMEA	Luxembourg	SICAV	06/07
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Imara Africa Fund (as-of 2024-01-31)

3.91	3.91	-15.73	-12.32	-5.09		Equity	African region	Cayman Isl.	Open-End	04/09
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Imara African Opportunities Fund (as-of 2024-03-31)

-6.93	-8.33	-9.59	-15.7	-8.17		Equity	African region	BVI	Open-End	06/05
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Imara African Opportunities Fund (as-of 2024-03-31)

-6.93	-8.33	-9.59	-15.7	-8.17		Equity	African region	BVI	Open-End	6/05
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YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
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Laurium Africa USD Bond Fund (as-of 2024-04-30)

3.6	-1.9	19.5			50.00 (04/24)	Fixed Income ex South Africa	African region	Ireland	UCITS	04/21
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Laurium Limpopo Master Fund (as-of 2024-04-30)

7.25	-0.93	7.65	-0.87	-2.16	161.90 (03/24)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
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Mazi Capital Africa Fund (as-of 2024-04-30)

-15.81	-7.77	-21.01	-12.16	-9.5		Equity	Africa ex-SA	South Africa	Open-End	01/16
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MCB Africa Bond Fund (as-of 2024-03-31)

	-4.7	-9	-27.6	-16.3		Fixed Income	African region	Mauritius	Open-End	2/14
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Ninety One Premier - Africa Fund A (as-of 2024-04-30)

-11.11	1.39	-34.83	-33.6	-23.53	0.45 (04/24)	Equity	African region	Guernsey	Open-End	01/07
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Old Mutual African Frontiers Flexible Income Fund (as-of 2024-05-16)

7.65	-0.97	27.67			23.94 (04/24)	Fixed Income	African region	Ireland	OEIC	05/22
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Old Mutual African Frontiers Fund (as-of 2024-04-30)

8.49	-3.6	5.64	-3.25	-2.37	230.92 (04/24)	Equity	Africa ex-SA	Ireland	Open-End	5/10
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Sanlam Africa Equity Fund (as-of 2024-04-30)										
1.81	-3.44	-1.35	-1.3	0.54		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2023-12-31)										
-0.79	-2.18	-0.79			58.53 (12/23)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Silk Invest Emerging Africa Bond Fund (as-of 2024-01-31)										
-0.74	-0.74				1.51 (01/24)	Fixed Income	African region	Mauritius	Open-End	09/16
Steyn Capital Africa Fund (as-of 2024-04-30)										
-8.19	-0.6	-2.55	1.74	-0.13	144.00 (04/24)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2024-04-30)										
-9.94	1	0.49	-0.9	1.87	300.00 (12/23)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2024-04-30)										
-22.57	-12.1	-20.2	-12.04	-8.51	8.00 (12/23)	Equity	Africa ex-SA	Holland	Open-End	03/08
T. ROWE PRICE AFRICA & MIDDLE EAST FUND (AS-OF 2024-04-30)										
0.47	-1.11	7.85	5.97	4.71	95.46 (04/24)	Equity	MENA & SSA	United States	Open-End	10/11

For Funds Performance Graphs, visit:
<https://irx.exchange/equity-funds-africa-ex-south-africa/>

Source: Company Data

www.africaglobalfunds.com | 19

The Fund has largely achieved these results by being invested in a portfolio of companies that have shown consistent profits growth over the past three and a half years.

It is our assumption that at some point this solid earnings performance may also be rewarded by Mr. Market and that higher valuation multiples for shares of these companies may ensue. But for now, as you can see from the generally dismal performance of African investment funds as an asset class, we are not in a market environment where valuations are being bid up by eager investors looking to get a piece of the action. Far from it.

Investor interest in Africa Frontier equities remains largely absent

I recently attended a conference in New York City which matches emerging fund managers, such as myself, with potential new investors, for a series of 30-minute introductory meetings. While I had eight meetings, with 13 different family offices and endowments, I was the only manager present who had an African investment fund product, and I got the feeling that most of the meetings were with investors curious about what I had to say, but not necessarily looking seriously to allocate capital to Frontier Africa.



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There clearly remains a “hangover” of sorts for many investors from the last great Africa Frontier markets boom in 2010-2014. One big family office I met with separately, which participated in that boom, told me that at least one of the funds that launched back then, focusing on the African consumer story, openly said at the time that they were “price agnostic.” They were so keen to get African consumer stock exposure for their investors, they were willing to pay anything.

When you overpay for any asset, no matter how good it is, or how well it subsequently does from an earnings standpoint, your investment results can still end up being lousy. And so it seems to be with many of the Frontier African market investments that people made 10 years ago.

Is there perhaps a mismatch between what investors expect to get from Africa frontier markets and what these markets can deliver?

I also concluded from my brief interactions with investors and allocators at the conference, and half a dozen other meetings I had in New York, including some with my peers at other Africa-focused asset managers, that **most investors seem to be seeking growth investments when they consider African markets**. In order to take on the risks they perceive, they want to be rewarded with strongly growing profits and share prices.

While some of the companies we own at African Lions Fund do fit that bill, they are also very much **value investments**, given the low multiples they sell for. Take NMB Bank. EPS has grown at a CAGR of 39.1% over the 4 years between 2019 and 2023. But the P/E is just 4.9x, and the P/B is 1.2x.

As I write, overall, **our portfolio is on a trailing P/E of 6.7x (2023 EPS basis) and a net dividend yield of 7.9%**, after deducting withholding taxes.

Moreover, **Africa Frontier markets, in my view, should also be considered a portfolio diversification tool**. The performance we have recorded over recent years shows that our results are not closely correlated with US markets at all.

Indeed, as one observant investor wrote in to tell me, while the S&P 500 lost 4.16% in April, African Lions Fund was down a modest 0.66%.

In calendar year 2022, when almost every asset class globally, except oil and gas related investments, lost value, African Lions Fund was up 3.7%.

With all these positives surrounding our track record, and the solid performance of the investments we own, it is somewhat perplexing that we have seen net redemptions over the period March to May!

Be that as it may, our assets under management have continued to grow, with gains from positive investment performance outweighing redemptions by a wide margin. At the end of April,



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we were managing \$25.02 million for 120 different investors. That number will be a good deal higher at the end of May as well, with the fund up several percent for the month so far.

Management fees to be lowered from 1 Jan 2025

-- as a thank you to early investors

I committed to lowering management fees as the fund scales up in size. So, I would like to announce that from Jan 1, 2025, any money in the fund at that time – be it existing investments you have made, or new money you invest between now and December 31 – will enjoy a 10% lower annual management fee, at 1.35% from that day forward.

I would like to have made the cut a bit bigger. But with a high-quality new hire on board as Senior Analyst, and substantially increased salary and travel costs, as well as the relatively high cost of living (rent and school fees) I face with my family based in Tanzania, a 10% cut will have to suffice for now. Management fees will obviously continue to be reviewed in future as we scale up further in size. But I want to initially reward my loyal, early investors.

New investments coming in after December 31, 2024 will be charged the regular annual management fee of 1.5% as per the Private Placement Memorandum. So, if you have been on the fence, considering whether to invest more, there's now an incentive to do so before the end of the year, to be grandfathered in and avail of the slightly lower fee.

Between now and then, I am going to be looking for our next big opportunity for market-beating returns, following the significant successes we have had so far in Tanzania and Kenya.

As I have alluded to before, after two huge currency devaluations that have seen the naira lose about 70% of its value versus the US dollar in the past 12 months, Nigeria is the logical place to go looking. I will be making my first trip to Lagos for this year from June 16 to 21. I plan to go again before the end of the year, also taking in several other west African markets on a September and October trip.

For now, the Nigerian investment outlook remains murky, but we are cautiously optimistic

Earlier in the year, we began cautiously adding Nigeria exposure. We have deliberately stayed away from the banks, and that has proven a good thing, as they are now all being forced by the central bank to raise large amounts of capital, most likely via rights issues at discounted share prices.

This has meant the sector is struggling to see any share price appreciation. The future earnings picture is also somewhat murkier, from what I perceive, than what reported earnings show for recent historical periods. There have been a lot of non-cash accounting profits for Nigerian banks in recent years, based on gains from foreign exchange derivatives and trading. So, I don't think the "quality of earnings" for the Nigerian Banking sector is all that good.



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That said, there are some well managed Nigerian banks, and we will be looking closely at them with a view to assessing whether participating in rights issues may offer an attractive entry point.

We have also stayed away from the listed telecom firms, MTN Nigeria and Airtel, which carry significant foreign currency debts, and are struggling to get regulatory approval to raise their tariffs sufficiently to offset the greater costs of operations and debt servicing in an environment where the naira has collapsed.

For now, our exposure to Nigeria comes via defensive food and beverage and consumer stocks such as Nestle Nigeria, Flourmills, and UAC of Nigeria. It's not been plain sailing for these companies by any means, either.

For example, Nestle has significant foreign currency repayment obligations, having borrowed money from, or had loans guaranteed by, its Swiss parent during the years that it was impossible to get foreign exchange in Nigeria to procure imported raw materials. The colossal naira devaluation thus saw Nestle Nigeria slip into a negative equity situation, due to the ballooning naira value of these liabilities. Subsequently however, they have revalued their property plant and equipment from historical cost to current market value and plugged much of the hole.

In terms of underlying cash flow and profits, these accounting treatments on the balance sheet are not as significant, however. And the company has been able to raise prices for its popular lines of food seasonings and beverages at a similar pace to Nigeria's galloping inflation rate of over 30%. I am looking forward to meeting management to get more colour on the operating environment in about 3 weeks. But the big negative right now is that the purchasing power of the average Nigerian consumer has been decimated by the economic crisis in the country.

From my point of view, the time to buy high-quality assets, such as Nestle Nigeria, is when the chips are down, just as we did in Kenya. But we need to do our homework and make sure that Nigeria can actually recover and is not headed over the cliff. That's the task ahead of me and the team next month.

Housekeeping, travel schedule

I have been flip-flopping on which works best: monthly or quarterly letters. Earlier I mentioned that quarterly letters are too infrequent, and that it becomes a challenge to talk about something that happened up to 3 months ago.

However, for a fund with a long-term investment horizon like ours, not a lot should change from month to month. So, I think it's best to simply write whenever I have something of value to share with you, which should result in at least 6 letters a year.



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Meanwhile, monthly statements from the Administrator and our daily Telegram Channel updates will keep you abreast of what is happening with the fund, and here on the ground in Africa. Besides, if you have specific questions about your investment or news from my side of the world, you can also write to me via email any time.

I will be in Zurich from June 3 to 7. I know we have some investors based in Switzerland. It would be great to meet up if our respective schedules allow.

In the week of 17 to 21 June, I will be joined by our team members – Senior Analyst, Muammar Ismaily, and Director Peter Tan who is also a substantial investor in the Fund – on a research trip to Lagos. Please reach out if you are in the area or would like to introduce us to anyone else based there.

From June 22 to July 12, I will be taking vacation in Bali, before spending a few days in Hong Kong. I arrive back in Dar es Salaam July 16.

For anyone who might be in East Africa from mid-July, until my next trip beginning in mid-September, please reach out. It is always great to meet investors, potential investors and peers managing other funds, in person.

Next Quarterly investor call

I propose holding the next quarterly Zoom call for investors after I have been to Nigeria in June, which is around 3 months from our last call. If you are keen on joining, feel free to suggest a time that is favorable to you, and we will consider it before finalizing the details.

As always, questions and feedback are welcome at tim@africanlionsfund.com

Until next time...

Good investing!

Tim Staermose
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