



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

Westlands
Nairobi
Kenya

11 December, 2020

Dear Investor,

The Fund had an excellent month in November. We ended the month with net gains of 9.4811%. That means we're up over 10% since inception in October.

Of course, pretty much every stock market in the world was up very strongly in November, and month-to-month performance numbers are not really something I'm focused on. We have a buy-and-hold investment strategy with a 5- to 10-year view.

Our gains came predominantly from **BK Group (formerly Bank of Kigali)**, which is far and away the dominant bank in Rwanda with 35%-40% market share in all major product categories.

On the numbers BK Group trades for in Rwanda, 1x book value, 5.5x earnings, and an indicative dividend yield of 12%, it's already good value. However, I took advantage of an incredible temporary market distortion in October, to buy the bank's shares via the Nairobi Stock Exchange in Kenya, where it has a secondary listing, for *less than half the price* in Rwanda.

That arbitrage opportunity has largely evaporated now. Our Fund paid a 52-week low price of KES 12.00 for our shares in Nairobi, where they have since traded up strongly to KES 18.25.

However, we've moved our stock back to the home market in Rwanda where the price is currently the equivalent of KES 26.32 (223 Rwandan Francs). It's possible the two prices converge somewhere in the middle, and the price in Rwanda falls a bit. But I am more inclined to think that the price in Nairobi will trade up further.

BK Group has indicated an intention to buy back shares in Nairobi if the discount persists, subject to some regulatory constraints being ironed out. Time will tell.

We saw good gains during November for Tanzania Breweries Limited (TBL). We paid TZS 5,000 for our first block of TBL shares in October and acquired another smaller block for TZS 5,500 in November. It is now regularly trading at TZS 5,500 in pre-arranged, off-market cross trades - and ex a TZS 160 interim dividend as well, which we'll be paid on 17 December.



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One block traded during the month between related parties at TZS 7,000 per share, and approximately US\$54,000 worth of TBL shares traded on market at the Dar es Salaam Stock Exchange at TZS 10,400 per share on Thursday, 10 December.

So far it looks as though we may have been fortunate and picked the bottom in this high-quality company.

Very happy to report that your hard-earned cash is hard at work as we have now deployed approximately 95% of our capital in 11 different companies, all at attractive prices. Four of the companies we own are based in Tanzania, two in Rwanda, and one each in Uganda, Senegal, Ivory Coast, Kenya, and Mauritius.

I'm doing further research on several more companies, listed in the UK, and in Kenya.

I've just arrived in Nairobi for meetings all next week and will be staying in Kenya until early January.

Circle Partners, the Administrator, will send you your Holding Statement showing the change in valuation of your shares for the period 1 November - 30 November. This should happen today, Friday 11 December.

If you added to your investment in the fund, or were a first-time investor on 1 December, the Administrator will also send you a Contract Note indicating your initial investment in the December 2020 African Lions Fund Class B Participating Shares Series.

Note that the Fund outperformed its benchmark in November. So, if you were like me, and added to your investment in the November 2020 Series, your net gain for the month on that part of your investment was slightly less (+8.9533%) than that on the Lead Series, since a small performance fee has accrued on the November series.

Hopefully I can get the Lead series up above the benchmark in the near future as well, and we'll all be winners.

I look forward to providing you a more detailed Quarterly commentary in January, when I will host a Zoom call for all investors.

If you have not yet joined our Telegram Channel, I encourage you do so. There you will find almost daily updates on aspects of my life and travels in Africa, as it relates to things that are relevant to African Lions Fund. Specific stocks are also discussed.

I have made a commitment to a level of transparency that is not usually provided by funds such as ours.



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You can join here: https://t.me/joinchat/AAAAAE6iI5_GjwTQ0IyNwg

Should you have any questions, please reach out. The easiest way to contact me is via email: tim@africanlionsfund.com.

Until next time...

Kind regards,

Tim Staermose
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