



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

Masaki, Dar es Salaam
Tanzania

20 September, 2021

Dear Investor,

Circle Partners have already circulated your August 31 Holding Statement.

The Fund lost a modest 0.2118% for the month. That leaves the Fund up 26.62% since inception last October.

I hope you will agree this is a pleasing result. We'll be sending out some information in the coming week or so, to prospective investors to join the Fund. But as an existing investor it is also a good time to review your own participation, and perhaps put more money to work with us.

The fund may be up over 26%, but the valuations of the portfolio are still highly attractive, with an **average weighted P/E of 7.2x and a dividend yield on our cost price of 8.4%**.

I am a bit later than I'd have liked with sending out this letter, as I had a very busy week last week attending more than 15 different meetings with managements of companies in our investment universe, including several of our current positions, at the EFG Hermes "Virtual Investment Conference." I have another four meetings this week. And actually the timing of this letter turned out to be good as we just got some great news from one of our holdings—more on that later.

If there was one recurrent theme in the conference meetings I sat through last week with managements of all sorts of companies, from cement, to microfinance, it's that their businesses in Ghana are doing very well. I think this portends a very strong set of results from MTN Ghana, the country's leading mobile telephony and mobile money payments platform.

Thankfully, during August we were able to add to our position in MTN Ghana, which I have commented before is one of the companies I am most excited about in all of Africa. We also bought some more shares early in September.

65% profits banked on Letshego, and 50% on part of our DSE stake

During August we sold our small <1% position in **Letshego (LETSHGO)** for approximately 65% profits in just 4 ½ months. It was a shame we had not been able to accumulate more shares at the low purchase price we enjoyed, but we'll take it, nonetheless.

We sold for the simple reason that the time and effort involved in monitoring a position that represents less than 1% of the fund's NAV is not worth it, and we have more than adequate exposure to the financial services industry across the continent already, via other companies.



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Also in August, we sold down our position in the **Dar es Salaam Stock Exchange (DSE)** for a 50% gain, reducing our stake in the company from over just over 7% to 5% now. I feel this is an adequate weighting to this small-cap stock, and we had done very well on the investment. We purchased at TZS 880, sold at TZS 1,200, and collected a TZS 116.83 dividend along the way.

Also driving this decision, we were coming up against our maximum 50% capital allocation to any one market, in Tanzania, and I preferred to redeploy the capital to stocks such as **NMB Bank PLC (NMB)**, and **Tanzania Breweries Limited (TBL)** that have not enjoyed any re-ratings yet, since the market bounce-back following the worst of the Covid pandemic in March 2020.

As I alluded to last month, I figured we'd be pleasantly surprised when the TBL results came out. And they just have. They were released today in the Swahili language media.

Sales were up 5% year on year in the six months ended June 30. Operating profit was flat due to significant spending on sales and marketing (a good thing that was long overdue), but net profit and earnings per share (EPS) climbed a healthy 25%, as the one-off tax expenses that dragged down the number in last year's comparable period went away.

One question I'm trying to get an answer from the CFO on is why the net financial income dropped off. It may be that the company switched some of its cash hoard from Tanzanian Shillings to US dollars, which are parked at much lower interest rates, but I am just speculating.

With the top line turning around to record growth for the first time in over 18 months, and the bottom line up 25%, hopefully a re-rating of the share price will now follow.

This week we are also expecting results from **MCBG Group (MCBG)** in Mauritius, for the financial year ending 30 June 2021. Including the interim dividend, we're up 27.7% on that one so far.

All in all, we ended the month with 17 open positions, of which ONLY TBL is down on our entry price, and I am confident we'll see that stock bounce back soon.

I'll have more to say next month, as the fund closes out its first year of operations.

Until then...

Kind regards,

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