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Masaki
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14 December, 2021

Dear Investor,

In what was a pretty awful month for global stock markets, the Fund **lost a modest 0.2167%** in November (based on the October 2020 “Lead Series”). The S&P Africa Frontier BMI (Total Return) Index, which we compare our performance against, for the purposes of calculating our performance fees, lost 4.99% for the month.

As such, many of the individual Series of shares that the Fund has issued ended the month worth more than their hurdle amounts (that is, they are worth more now than had the same amount of capital been invested at the same time in the benchmark.)

This means **some performance fees accrued to the manager during the month**. So, depending on what Series you are invested in, your shares may have lost slightly more than 0.2167%, after performance fees.

Since inception last October, the Fund’s Lead Series is **up 27.73%** after all fees and expenses. The S&P Africa Frontier BMI (Total Return) Index is up 29.97% in the same period.

Bolder Investment Services has already circulated your November statement. Please check that you got it.

To stay with the recurring theme of “benchmarks,” “hurdle rates,” and “outperformance” that I have been writing a bit about for the past two letters, I wanted to briefly approach it from another angle.

The value I believe the Fund is adding for you

I sometimes get emails from people who read my online content (www.globalvaluehunter.com) or follow me on Twitter (@globalvaluehunt) asking how they can participate in African Frontier markets via ETFs, or securities that are listed in their home markets.

For some people, I guess it is a leap too far to open an account in Tanzania, for example, or to invest in a Fund such as ours. Fair enough. But it got me thinking about what value I’m actually adding for you.



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To me, there are several facets. But, at the end of the day, African Lions Fund has to do better than what you could easily achieve on your own, for example by buying shares in an African ETF.

There are not many such ETFs. And none that I have come across cover purely the sub-Saharan Africa Frontier markets that we do. They are either single-country funds, or also have heavy weightings toward South Africa, and / or North African markets.

But that's what is available. So, that's what you would have to choose from.

Note that it is not really possible to invest in the benchmark which we measure ourselves against, as:

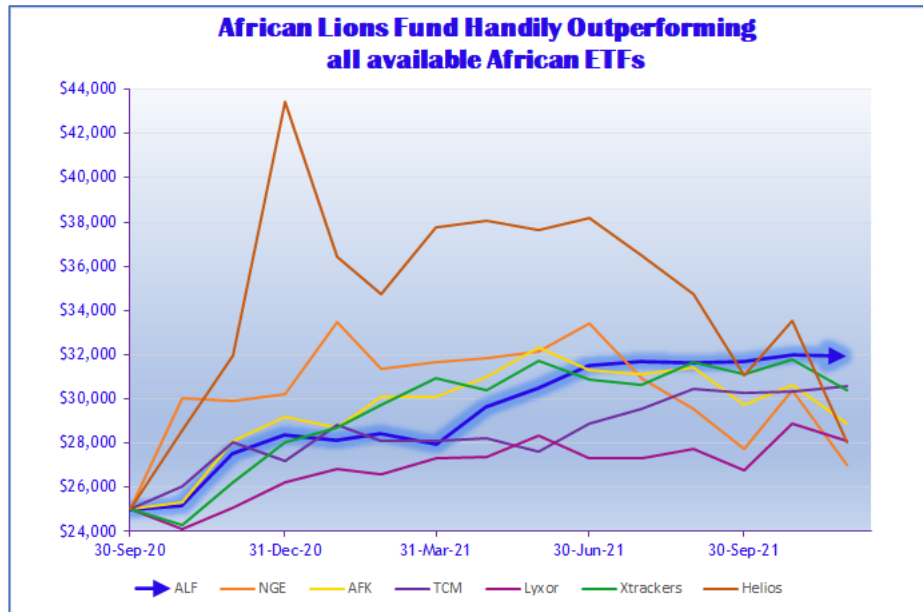
- 1) there are too many small, illiquid stocks in the index that you simply could not purchase for the prices they are quoted at,
- 2) the Nigerian market has effectively got capital controls on taking money out of the country at present, and
- 3) the costs of buying all 120 stocks currently in the index and then rebalancing each time the index changes, if you are investing only a modest amount of capital, would quickly wipe out most of your returns.

So, let's compare how African Lions Fund has done to date versus the various ETF instruments or listed funds that I have found, which are available to trade on developed markets, to get African equity exposure.

1. Global X MSCI Nigeria ETF (**New York: NGE**)
2. VanEck Vectors Africa Index ETF (**New York: AFK**)
3. TCM Africa High Dividend Equity Fund (**Amsterdam: 0P0000CN7M**)
4. Lyxor Pan Africa UCITS ETF - (**Paris: LYPAF, Milan: LAFRI, Frankfurt: LYLQGM**)
5. Xtrackers MSCI Africa Top 50 Swap UCITS ETF 1C (**Frankfurt: XMKA**)
6. Helios Fairfax Partners Corporation (**Toronto: HFPC-U**)



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The chart shows the value of a \$25,000 initial investment in each of the listed funds and ETFs, and in the African Lions Fund. In short, the Fund has beaten them all, so far. Not only that, but our performance has also been less volatile, if you care about that, as many people do.

So, **it would seem we are adding value for you**, compared to what you could achieve easily on your own by investing in an index proxy or ETF.

And do remember that many of these other “one-click” Africa investments are not a pure play on sub-Saharan Frontier markets the way African Lions Fund is. Not by a long shot.

Take the Xtrackers MSCI Africa Top 50 Swap UCITS ETF 1C.

Here are the top 10 constituents of the index it synthetically tracks:



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TOP 10 CONSTITUENTS			
	Float Adj Mkt Cap (USD Billions)	Index Wt. (%)	Sector
NASPERS N	33.41	12.50	Cons Discr
FIRSTRAND	17.59	6.58	Financials
MTN GROUP	17.10	6.40	Comm Svcs
STANDARD BANK GROUP	10.48	3.92	Financials
GOLD FIELDS	10.43	3.90	Materials
IMPALA PLATINUM HOLDINGS	10.05	3.76	Materials
SASOL	9.36	3.50	Materials
CAPITEC BANK HOLDINGS	9.21	3.44	Financials
ANGLOGOLD ASHANTI	8.99	3.36	Materials
SIBANYE STILLWATER	8.84	3.31	Materials
Total	135.46	50.68	

... all are listed in South Africa. Naspers is the company I've written about before, that derives most of its value from an indirect investment, via a Dutch holding company, in Chinese internet behemoth Tencent.

So, you can see why I tell people to be careful and read the label on what they buy if they are seeking a passive investment solution to gain exposure to a particular region or investment theme.

Gains up to 55% for our stocks in November

As for the African Lions Fund's underlying holdings in November, we saw some good gains in **Tanzania Cigarette Company** (+20%) and takeover target, **Tanga Cement** (+55%). Unfortunately, these are smaller positions in the Fund. But it all helps.

Across the 18 positions we hold, returns for the month of November ranged from -7.98% to +55.56%.

CAL Bank in Ghana, with a 14.47% gain, was another outstanding performer during the month. I had a lengthy call with the investor relations team and management early in November and I guess the team's efforts to connect with the investor base, updating us on how well things are going, had the desired effect. There was a noticeable uptick in interest in the stock. And in the price. Yet it is still selling barely above 2 times indicative earnings. So, there are hopefully much bigger gains ahead.

I'm hoping for similar things in 2022 for **NMB Bank** in Tanzania. The bank's management held an investor call last week, which, like CAL Bank's, was also very upbeat. When I asked at the end of the call how the fourth quarter was looking, the CFO responded, "very, very strong."

Eventually this fundamental performance should be recognized on the scoreboard. For now, NMB



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remains very cheap at TZS 2,000 per share. Again, I project EPS of at least 575, and a dividend of at least 175 for 2021.

Speaking of dividends, we had one stock, **MCB Group**, the leading bank in Mauritius, go ex a MUR 9.5 interim dividend during the month. We have elected to reinvest this dividend in more shares, taking advantage of a discounted scrip dividend scheme the bank now offers.

This saves brokerage costs on the new shares. It saves foreign exchange conversion fees on the dividend, since annoyingly, our custodian currently mandates all cash dividends must be converted to USD, even if we want to reinvest the money in the local currency. It also gets us a 3% discount on the volume-weighted average price over the five trading days leading up to the dividend payment, for the new shares we acquire.

The new shares should hit our account by 21 December. The bank is doing well and is widely regarded as a very well-managed business. The shares are not quite the bargain they were when we made our initial purchases, however. Including dividends, we're already up 40% to date.

Looking ahead, December is playing out as another strong month for the Fund. Our biggest position, **Tanzania Breweries Limited (TBL)**, has rallied to a price of TZS 4,900, after a "capitulation" cross-trade went through at 3,500 early in the month. It is also paying a TZS 255 per share dividend for 2021 this month. It trades ex dividend on 18 December and pays on 24 December.

Tanga Cement also continues to rally. So, I'm hopeful we will close 2021 on a strong note. Depending how strong, we may even finish the year ahead of our benchmark. This would simplify matters for our Administrator and me, as all the Series would then see performance fees crystalize, and collapse into one Series at the start of January.

If you are looking to add to your investment in African Lions Fund, I'd encourage you to get the paperwork in early ... ideally this week or next, before we all get swamped by the distractions of the holiday season.

Until next time...

Merry Christmas and a Happy New Year.

Kind regards,

Tim Staermose
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