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PO Box 116
Road Town, Tortola VG-1110
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Masaki
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21 March 2022

Dear Investor,

The Fund had an excellent month in February with a **net gain of 4.95%** (based on the October 2020 “Lead Series”). We strongly outperformed our hurdle, the S&P Africa Frontier BMI (Total Return) Index, which gained only 0.92% for the month.

Since inception, the Fund’s Lead Series is **up 41.8%** after all fees and expenses. The hurdle index is up 34.9% in the same period. As such, we are now **delivering substantial outperformance for you**.

Bolder Investment Services circulated your February statements already.

It is pleasing to see most of our portfolio companies reporting excellent increases in earnings. . .

This month saw the release of annual 2021 results from **MTN Ghana**, **CAL Bank Ghana**, and **Sonatel**. All were impressive.

MTN Ghana grew its net profits by 43.5%. **Sonatel** saw net profits jump 25.4%. Profit before tax at **CAL Bank** rose 18.3%. Profit after tax was up a more modest 4.2% on account of a 5% tax surcharge (the “financial sector clean-up levy”).

These results follow great results from **NMB Bank** (net profits up 39%) and **BAT Kenya** (earnings up 17.5%), last month.

. . . which are accompanied by strong dividend growth

MTN Ghana’s final dividend of 0.085 takes its annual dividend payment to 0.115 per share, for a 10.8% gross current yield. That’s up 43.8% from last year.

At **Sonatel**, the dividend will go from XOF 1,361 to 1,556 per share. Those are the gross numbers. After the 10% withholding tax, we will actually collect 1,400 this year, up 14.3% from 1,225 last year.

Subject to approval from the Central Bank of Ghana, **CAL Bank’s** dividend will go from 0.11 per share last year to 0.14 this year, which is an increase of 27.3% and a 16.7% gross yield, based on the current share price.



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I am expecting a dividend of 190 from **NMB Bank**, up 39% from 137 last year. And for **BAT Kenya** the 2021 dividend will be a total of 53.50 per share, up 18.9% from 45 for 2020.

In terms of stock performance, Tanga Cement was our biggest gainer in February, up 30%

As you see in the table below, our performance on individual investments in February ranged from a decline of -10.1% in **Stanbic Uganda**, to gains of 30% in **Tanga Cement**.

The substantial gains in **NMB Bank** (+19.3%) and **Twiga Cement** (+15.3%), as well as **Sonatel** (+18%) were the main contributors to our significant outperformance for the month.

Our large positions in **Tanzania Breweries**, and **BAT Kenya** also meant that the 5.8% and 4.6% respective gains in the prices of those companies' shares had a big positive impact on our performance.

SECURITIES PRICE MOVEMENT									
As of: 2/28/2022									
Previous value date: 1/31/2022									
Price type: Accounting Prices									
Only show if tolerance exceeded: No									
Trade price: No									
African Lions Fund Ltd.									
Security	Identifier	Type	Ccy	Current price	Current date	Previous period price	Previous period date	% Movement	
African Lions Fund Ltd.									
RA INTERNATIONAL GROUP PLC	RAI LSE	Equity	GBP	.255	2/28/2022 (E.U.M)	.00			
CALBANK PLC	CAL GSE	Equity	GHS	.85	2/28/2022 (F.U.B.GN)	.82	1/31/2022 (F.U.B.GN)	3.6585%	
SCANDCOM PLC	MTNGH GSE	Equity	GHS	1.05	2/28/2022 (F.U.B.GN)	1.11	1/31/2022 (F.U.B.GN)	-5.4054%	
BRITISH AMERICAN TOBACCO-KEN	BATK NAI	Equity	KES	489.75	2/28/2022 (F.U.B.KN)	468.00	1/31/2022 (F.U.B.KN)	4.6474%	
EQUITY GROUP HOLDINGS PLC	EOBNK NAI	Equity	KES	50.00	2/28/2022 (F.U.B.KN)	50.50	1/31/2022 (F.U.B.KN)	-0.9901%	
KENYA POWER & LIGHTING LTD	KPLL NAI	Equity	KES	1.70	2/28/2022 (E.U.M)	.00			
KENYA REINSURANCE CORP LTD	KNRE NAI	Equity	KES	2.27	2/28/2022 (F.U.B.KN)	2.26	1/31/2022 (F.U.B.KN)	0.4425%	
MCB GROUP LTD	MCBG MP	Equity	MUR	312.00	2/28/2022 (F.U.B.MP)	316.50	1/31/2022 (F.U.B.MP)	-1.4218%	
DANGOTE SUGAR REFINERY PLC	DANGSUGA NSENL	Equity	NGN	17.00	2/28/2022 (F.U.B.NL)	17.50	1/31/2022 (F.U.B.NL)	-2.8571%	
BK GROUP PLC - RWF	BKG	Equity	RWF	250.00	2/28/2022 (F.U.U)	245.00	1/31/2022 (E.U.M)	2.0408%	
BRALIRWA SA	BLR RW	Equity	RWF	125.00	2/28/2022 (F.U.B.RW)	125.00	1/31/2022 (F.U.B.RW)	0.0000%	
NMB BANK PLC	NMB DAR	Equity	TZS	2,720.00	2/28/2022 (F.U.B.TZ)	2,280.00	1/31/2022 (F.U.B.TZ)	19.2982%	
TANGA CEMENT CO LTD	SIMBA DAR	Equity	TZS	1,300.00	2/28/2022 (F.U.B.TZ)	1,000.00	1/31/2022 (F.U.B.TZ)	30.0000%	
TANZANIA BREWERIES LTD	TBL DAR	Equity	TZS	5,500.00	2/28/2022 (F.U.U)	5,200.00	1/31/2022 (F.U.U)	5.7692%	
TANZANIA CIGARETTE CO LTD	TCC DAR	Equity	TZS	6,000.00	2/28/2022 (F.U.U)	6,000.00	1/31/2022 (F.U.U)	0.0000%	
TANZANIA PORTLAND CEMENT CO	TWIGA DAR	Equity	TZS	3,920.00	2/28/2022 (F.U.B.TZ)	3,400.00	1/31/2022 (F.U.B.TZ)	15.2941%	
STANBIC BANK UGANDA LTD	SBU UGA	Equity	UGX	25.06	2/28/2022 (F.U.B.UG)	27.87	1/31/2022 (F.U.B.UG)	-10.0825%	
FILATURE SA	FTSC BC	Equity	XOF	1,590.00	2/28/2022 (F.U.B.BC)	1,700.00	1/31/2022 (F.U.B.BC)	-8.4706%	
SONATEL	SNTS BC	Equity	XOF	16,495.00	2/28/2022 (F.U.B.BC)	13,975.00	1/31/2022 (F.U.B.BC)	18.0322%	
ZAMBIAN BREWERIES	ZABR ZL	Equity	ZMW	7.00	2/28/2022 (E.U.M)	7.00	1/31/2022 (E.U.M)	0.0000%	

Our two Rwandan investments rarely trade. But I am confident that their upcoming results announcements will be good. We may see their shares trading higher in the wake of those announcements. At a recent virtual investor conference sponsored by our broker, EFG Hermes, I had a chance to sit down with the **BK Group Rwanda** management, and it does sound like things are going well for the bank.

Foreign exchange rate depreciation, as foreshadowed, is showing up as one of the key risk factors we must consider

Exchange rate moves for the countries in which we have invested thus far, look like this over the time we have been investing there:



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Ghana	-21.50%	Concern over government finances and refi of Eurobond
Mauritius	-10.70%	FX earnings decimated by Covid effect on tourism
West African Economic Union	-5.80%	XOF peg with Euro means this is due to EURUSD weakness
Kenya	-4.80%	Concern about excess public sector debt, esp. to China
Rwanda	-3.70%	Covid meant less FX earnings from conventions, tourism
Nigeria	-1.80%	Official rate stable, but black-market rate down much more
Zambia	-0.90%	Strong appreciation following election last year, steady since
Tanzania	-0.30%	Debt levels becoming more worrying but steady for now
Uganda	+4.70%	Good export performance and foreign investment inflows

As you can see, it's not all plain sailing. Recently, I have been concerned about the steep depreciation of the Ghanaian Cedi. It has fallen from 5.77 to the US dollar when we started investing there about a year ago, to 7.35, now, which represents a 21.5% depreciation.

Still, with **MTN Ghana** growing EPS at more than 43% for 2021, and now forecasting revenue growth in the "high-teens" for the medium-term future, up from the "low to mid-teens" guidance it provided previously, we can wear some currency depreciation, such as this.

In fact, **it is part of our operating model**, and was discussed in our offering document (the Private Placement Memorandum).

Our goal, if you recall, is to seek out investments in companies that can at least double their sales and earnings on a 5- to 10-year view. If we take the more aggressive 5-year target, we are looking for 15% or so compound annual growth. That's in local currency terms. If we then lose a few percentage points a year to currency depreciation, we're still compounding our money at, say, 12% in USD terms.

If the valuations on the stocks in our portfolio are also rising – as is the stated objective, since we also look to buy stocks on valuations low enough that they can double over 5 to 10 years – then we are well on the way to achieving our goal of doubling our capital every 5 or so years in USD terms. (After all fees and expenses.)

So far, so good. We're currently up 41.8% just 17 months after inception—and with the currency depreciation taken into account. So, the compound annual growth rate of the African Lions Fund portfolio has been 28%, or 2.1% a month. That actually puts us on track for a **double inside 3 years**.

Past performance is no guarantee of future returns, but I feel comfortable that the objectives we outlined in our Private Placement Memorandum can be achieved.

For Calendar 2022 the Fund is outperforming a declining US market by over 15%

Amid a general downturn on global markets, the Fund has performed impressively, rising 7.6% in USD terms, after all fees and expenses, so far in 2022. Through the end of February, the S&P 500, on the other hand, was down 8.2% year to date. The US bond market, meanwhile, as measured by the **iShares 20+ Year Treasury Bond ETF (TLT)**, was also down by 5.5%.



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Said another way, **the Fund's performance has been largely uncorrelated** with that of the biggest global financial markets. The Fund outperformed the S&P 500 by 15.8%, and the US Treasuries market by 13.1%, over the last two months.

That's obviously not sustainable. But it clearly illustrates one of the other benefits of an allocation to the Fund as part of a wider investment portfolio; namely, **true diversification**.

In a world where many asset classes are now moving in lockstep with each other much of the time, **African Frontier Market equities seem to offer some zig, when other markets are zagging**.

On a "house-keeping" note, we have significant new money coming into the Fund for the April 1 dealing date, almost all in the form of **top-up contributions from existing investors**. It's not too late to join them. All you have to do is fill in an additional Subscription & Redemption Form and send your money in by March 31.

Until next time...

Good investing!

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