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

fMasaki
Dar es Salaam
Tanzania

30 May 2022

Dear Investor,

Despite the poor performances of most global stock markets, and on-going strength in the US dollar against nearly every other currency, African Lions Fund enjoyed a **solid 2.143% gain** for April.

The fund also beat our hurdle index, which gained 2.122% in April thanks to its heavy Nigerian exposure, where the stock market has been rallying strongly, counter to global trends.

However, as I have written extensively about in these letters before, the Nigerian Naira (NGN) exchange rate used by S&P to compute this index, currently US\$1 = NGN 415, is largely a fiction.

This is the “official rate” set by the Nigerian Central Bank. But if we derive a market, or “parallel” exchange rate instead, a totally different picture emerges.

Let’s take the prices that fungible shares dual-listed in London and Lagos actually trade at. Then we get US\$1 = NGN 875 using the implied price of **Airtel Africa (AAF on the London Stock Exchange)**, and US\$1 = NGN 895 using the implied price of **Seplat Energy (SEPL on the London Stock Exchange)**.

The possibility that exchange rate reforms will see the Naira’s official rate converge with the parallel rate is one reason we only have 2.3% the Fund’s portfolio currently invested in the Nigerian market, via a small position in Dangote Sugar.

Were the official Naira rate to collapse to the implied market rate, the hurdle index we use to compute the Fund’s performance fees would decline sharply. As your investment manager, I have effectively taken an active position on that by not investing more of the Fund’s capital in Nigeria.

For now, we continue to outperform solidly with a 42.7% gain for the Fund’s Lead Series of shares since October 1, 2020 after all fees and expenses, compared to a 36% gain for our hurdle index.

For the month of April, our biggest gains came in the dominant beer companies in Rwanda, and Tanzania.

The Heineken subsidiary in Rwanda, **Bralirwa (BLR on the Rwanda Stock Exchange)**, reported earnings of slightly more than RWf 17 per share for 2021. That was better than a 90% increase from 2020. The shares rallied strongly, from RWf 125 to RWf 155, or by 24% in April, based on these great numbers.



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Bralirwa held its AGM last week and approved a dividend payout of 100% of these earnings, meaning that even after a further rally to Rwf 160 per share in May, the stock is still trading on a 10.6% gross dividend yield. We will be paid this dividend in June.

In Tanzania, we have approximately 18% of the Fund's total capital invested in **Tanzania Breweries Limited (TBL on the Dar es Salaam Stock Exchange)**. TBL shares rallied from TZS 5,250 (based on the latest off-market, pre-arranged block sale price), to TZS 6,000, or by 14.3% for the month of April.

I subsequently attended a TBL management call with investors and analysts last week, and I am pleased to report that after some tough years, the company looks to be back on track. For 2022 so far, the company has enjoyed double-digit, top-line growth.

As I have previously reported in our Telegram Channel (which you can join here: https://t.me/joinchat/AAAAAE6il5_GjwTQ0lyNwg), TBL has introduced several new products in recent months. According to management, they are all selling very well.

There's Flying Fish, the fruit-flavoured (lemon and orange) beer drink which is parent company AB-InBev's most successful brand Africa-wide. There's Safari Double Malt, a full-flavoured lager launched in the southern Tanzanian market, and Kilimanjaro Light, which TBL first launched in the Northern Tanzanian market.

Management said they are "very, very excited" about Kilimanjaro Light. They see it as a product to disrupt the "Light" segment, where in recent years, competitor Serengeti Breweries had a huge hit product with Serengeti Lite and took way TBL's market share.

TBL's flagship brands, Kilimanjaro Lager, and Safari Lager, as well as Castle Lite, which is **growing at better than 30% per annum**, are part of TBL's "Core, and Core Plus" brand categories.

According to management, volume and revenues are growing in low double digits for these brand categories as a whole.

In the "Affordable" category, where brands include Eagle Lager, Bia Bingwa, and Balimi Extra Lager, growth is finally also back – but stuck in single-digits for now. The company hopes to catapult this higher with a new product innovation scheduled for the second half of 2022.

Rising food and fuel costs hitting consumers' hip pockets are some of TBL management's biggest current concerns.

One of the common questions I have been receiving from existing and potential investors in the African Lions Fund is whether I am worried about food shortages in sub-Saharan Africa, given the Russia-Ukraine war, which has knocked a big portion of the world's traded wheat and sunflower oil supplies off the market.



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In short, the answer is no, at least not in the countries where we have the majority of our capital invested.

Tanzania is self-sufficient in food. Yes, there will be some substitution away from more expensive and scarce wheat and sunflower oil imports into locally grown maize and other vegetable or palm oils. There will also be less of a maize surplus to sell to neighbours such as Kenya.

But starvation and riots are *not* on the agenda here, at least based on what I am seeing and hearing on the ground.

The question about rising food prices was also posed to TBL's management on the call I attended, as it pertains to the company's raw materials.

Management stated that they foresee no major impact on the cost of raw materials, such as barley and malt. They have long-term supply contracts in place and expect cost escalations for 2022 to be "within CPI" increases.

As I am, they are more concerned with how their customers' budget available for beer and other drink purchases will be affected if they are spending a significantly larger amount of their take-home pay on essentials such as food and transportation. That is where we might see some pain as the year wears on, if the status quo remains.

For now, African Frontier stock markets, while fragile and vulnerable to exogenous shocks at the best of times, are faring much better than markets in most parts of the world.

Some of our markets, such as Kenya, have been harder hit in May than they were in April. But for African Lions Fund, May looks like being another month of gains.

The one big impact we have felt so far this year is on exchange rates.

As far as foreign exchange rate movements in April, gains for the month in the Mauritian Rupee and Zambian Kwacha were offset by significant declines in the West African franc, which is pegged to the Euro, and in the British pound. The fund has one small position in a company whose shares trade in London.

The fund no longer has any exposure to the Pula in Botswana, which was this month's biggest decliner, having sold our shares in Letshego last year.



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FOREIGN EXCHANGE RATE MOVEMENTS AS OF 4/29/2022

Currency: USD

African Lions Fund Ltd.

Current rate company	Currency	Current rate	Current date	Previous period rate	Previous period date	% Movement
African Lions Fund Ltd.	GHS	.132742	4/29/2022	.132601	3/31/2022	0.1062%
African Lions Fund Ltd.	USD	1.00	4/29/2022	1.00	3/31/2022	0.0000%
All Counterparts	BWP	.082812	4/29/2022	.087349	3/31/2022	-5.1940%
All Counterparts	GBP	1.2574	4/29/2022	1.3138	3/31/2022	-4.2929%
All Counterparts	KES	.008633	4/29/2022	.008688	3/31/2022	-0.6302%
All Counterparts	MUR	.023168	4/29/2022	.022222	3/31/2022	4.2557%
All Counterparts	NGN	.002406	4/29/2022	.002404	3/31/2022	0.0866%
All Counterparts	RWF	.00098	4/29/2022	.000982	3/31/2022	-0.2530%
All Counterparts	TZS	.00043	4/29/2022	.000431	3/31/2022	-0.1579%
All Counterparts	UGX	.000281	4/29/2022	.000279	3/31/2022	0.8459%
All Counterparts	XOF	.001607	4/29/2022	.001687	3/31/2022	-4.7201%
All Counterparts	ZMW	.058585	4/29/2022	.055325	3/31/2022	5.8925%

Housekeeping notes

The response to last month's survey as to the best time for a Zoom call was underwhelming, and I decided to postpone it. Do let me know if you find these calls useful and want me to continue them.

If only 10% or 20% of the investor base is interested, I will reconsider whether they are worth continuing.

In other news, the final, audited accounts for our inaugural financial period (15 months encompassing October 1, 2020 to December 31, 2021) should shortly be finalized by our Auditors, Baker Tilly, in Singapore.

Bolder Investment Services will send you a copy when they become available.

It is pleasing that the Fund is up so strongly year to date, rising by over 8% so far, during a period where most global equity markets have seen significant, double-digit declines. I hope to be able to continue delivering healthy, uncorrelated gains for you in the months to come.

Until next time...

Good investing!

Tim Staermose
 Founder, African Lions Fund Ltd
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