



Sea Meadow House
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Oyster Bay
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30 October 2022

Dear Investor,

September was a horrific month on world financial markets. The S&P 500 was down 9.3%. The US treasury bond market, as measured by the iShares 20-year+ Index Fund (TLT), lost 8%, and the NASDAQ lost a whopping 10.5% ... all in just 30 days.

African markets fared better, even in the face of a rampaging US dollar and local currency weakness across the board. Our hurdle index, the S&P BMI African Frontier (Total Return) Index lost 4.56%. While our Fund had its worst month ever, it “only” lost 2.80%.

That leaves the Fund up 2.35% year to date, and among the very few long-only equity investment funds that have gains for the year, outside of those specializing in energy investments.

Our portfolio remains robust, and for the most part, performing well

By the end of September, we held positions in 23 different companies. This is more than our ideal maximum of 20 companies. One of these however is only a temporary holding: Airtel Africa (more about that later). During October, I also cut our losses in Stanbic Bank Uganda, which has been lagging.

Looking ahead, we are hoping to exit two more underperforming investments during the remainder of the year. Simultaneously, we are looking to add to our winners.

Most recently, we added to our holdings in Bralirwa, NMB Bank, and Twiga Cement. The capital for this became available after we received a good response to my appeal for you to consider investing more money now, while prices are flat, or down, for many of our stocks, even as the companies’ underlying earnings have increased significantly.

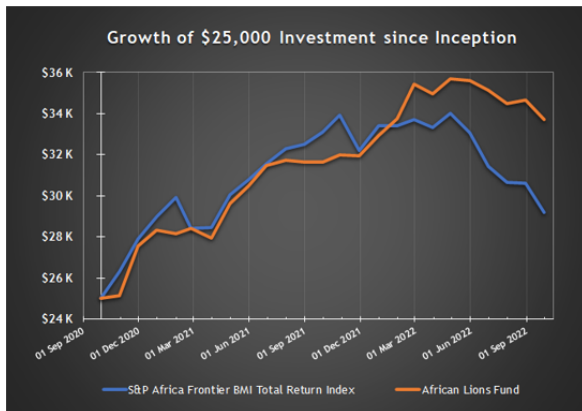
For the last two months, the Fund saw net inflows of more than US\$900,000. It ended September with US\$17.9 million under management, but is up near US\$18.5 million now, given the new capital inflows.



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PERFORMANCE (%) NET OF FEES

Since inception	YTD (%)	1-Month	3-month	1-year
34.79%	2.35%	-2.80%	-4.13%	6.42%



	Hurdle	African Lions	Outperformance
Oct 2020	5.20%	0.62%	-4.58%
Nov 2020	6.16%	9.48%	3.32%
Dec 2020	3.74%	2.94%	-0.80%
Jan 2021	3.26%	-0.67%	-3.92%
Feb 2021	-5.00%	0.97%	5.97%
Mar 2021	0.23%	-1.69%	-1.92%
Apr 2021	5.47%	6.03%	0.56%
May 2021	2.44%	2.83%	0.39%
Jun 2021	2.56%	3.30%	0.74%
Jul 2021	2.31%	0.76%	-1.55%
Aug 2021	0.73%	-0.21%	-0.94%
Sep 2021	1.76%	0.03%	-1.73%
Oct 2021	2.47%	1.06%	-1.41%
Nov 2021	-4.99%	-0.22%	4.77%
Dec 2021	3.67%	3.11%	-0.56%
Jan 2022	0.05%	2.57%	2.52%
Feb 2022	0.92%	4.95%	4.03%
Mar 2022	-1.25%	-1.42%	-0.17%
Apr 2022	2.12%	2.14%	0.02%
May 2022	-2.81%	-0.18%	2.63%
Jun 2022	-4.94%	-1.33%	3.61%
Jul 2022	-2.46%	-1.89%	0.57%
Aug 2022	-0.16%	0.53%	0.68%
Sep 2022	-4.56%	-2.80%	1.77%
Since inception	16.81%	34.79%	17.99%

That leaves the Fund up 2.35% year to date, and among the very few long-only equity investment funds that have gains for the year, outside of those specializing in energy investments.

Moving forward, I'm keeping a close watch on Nigeria

For now, we have put a modest amount of money in Nigeria, at just 3.2% of the Fund on a cost-basis, investing part of it in Dangote Sugar, and part of it in Nestle Nigeria. I met with both companies on my trip to Lagos, which I covered in my previous letter. Both companies have also recently reported good results for the 9-month period ended September 30, 2022. We are comfortable owning them.

We also have a small parcel of Airtel Africa shares that we purchased in London, which are in the process of being transferred to the Nigerian registry, after which our plan – at this stage – is to sell them and redeploy the cash in another Nigerian company's shares.

What surprised me during my recent trip was that Nigerians in general, business executives and bankers included, remain optimistic and take the day-to-day struggles and operating difficulties they face in their stride. And they retain a sunny disposition for the most part. **I would not characterize the mood in Nigeria as "gloomy,"** the way one might naturally expect, as an outsider, when reading about all the country's challenges.



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The Nigerian people have seen it all before. And, as [I wrote at globalvaluehunter.com](https://www.globalvaluehunter.com), with a few simple (though not easy) fixes, the Nigerian economy could get back on track. For now, I will watch developments in the lead up to the elections on February 25, 2023 and await with keen interest the outcome.

The consensus on the ground in Lagos was that no matter which of the three leading contenders, Bola Tinubu, Peter Obi, or Atiku Abubakar wins, it will be an improvement on the status quo. Let's hope so.

Frontier Africa remains out of favour, according to what I observed at a recent conference in Dubai

After my visit to Lagos, you will recall that I continued on to Dubai for the bi-annual, EFG Hermes One-on-One conference. There I had the opportunity to meet with the managements of 19 different companies operating in our target sub-Saharan Africa frontier markets over the course of 3 ½ days.

I had many good meetings, and some not so good ones. But the overriding theme, for me, was that the meetings with Africa Frontier company managements were generally sparsely attended. By implication, I conclude these markets are still very much out of favour with global investors.

This corroborates what I have been reporting in these letters for many months. While the companies we have invested in, for the most part, are doing very well, with sales and profits growing at healthy double-digit rates in most cases, the shares remain out of favour, under-owned as well as underpriced.

While it would be satisfying to see more people agree with us and validate our investment thesis, as we are still in the "accumulation phase," to be frank, I don't particularly care. It simply means we can buy larger stakes in great African business franchises at what I still think will one day prove to be "give-away" prices.

Invitation to join me on a research trip next March

The bi-annual, EFG Hermes One-on-One conference was a positive experience for me. Being a live event, for the first time since I started the Fund, I also had a chance to network with other investors and staff members from EFG. This was the big positive difference from the three prior events of the same nature that I had attended via online video conferences.

It only proves the point that while Zoom calls and video conferences are great, live and in-person events are still unbeatable.



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The next EFG Hermes One-on-One conference takes place in Dubai from March 6 to March 9, 2023. It is my intention, barring unforeseen developments, to both attend that event, and then continue onto Lagos for a second Nigeria visit, following their elections.

From there I will return to Tanzania. While still over 4 months away, I wanted to provide you with a heads-up, as I would like to extend an invitation to you, as an investor in the African Lions Fund, to join me for part, or all of this trip, should you have the availability and interest to do so.

Mark your calendar: November 3 Quarterly Zoom Call

I will belatedly host our quarterly Zoom call this week, on Thursday November 3, at 2:30pm Dar es Salaam (East African) time. This is 6:30am in Panama City, Panama, 7:30am in New York, 11:30am in London, 12:30pm in Amsterdam, Berlin, Stockholm, and Zurich, 3:30pm in Dubai, 6:30pm in Bangkok, 7:30pm in Bali, Perth, Singapore, and Hong Kong, 9:30pm in Brisbane, and 10:30pm in Sydney and Melbourne.

If you cannot attend the call in person, but you have something you want me to cover, please email tim@africanlionsfund.com beforehand. As usual, a replay will be made available to all, shortly after the conclusion of the call.

As usual, I continue to post updates in our Telegram channel, which is accessible here: https://t.me/joinchat/AAAAAE6il5_GjwTQ0lyNwg and via Twitter (@globalvaluehunt).

Until next time...

Good investing!

Tim Staermose
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