



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

Holsted  
Denmark

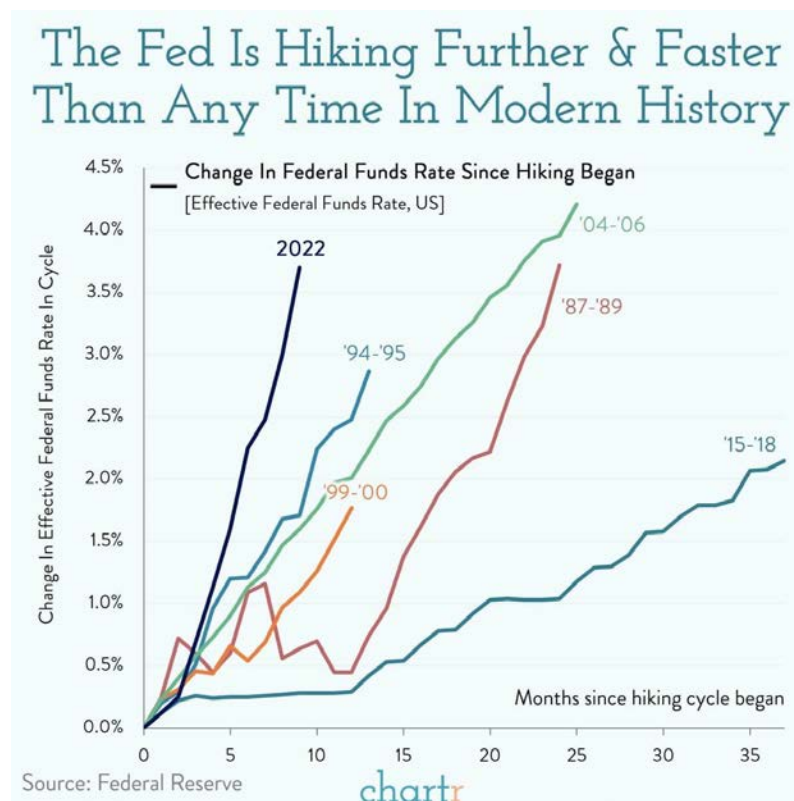
30 December 2022

Dear Investor,

I am writing to you from Denmark this month, where I am on holidays visiting relatives for Christmas. I will be back in Dar Es Salaam on 8 January.

The Fund's Lead Series gained 0.88% for November. Most other Series rose slightly less. Our hurdle index meanwhile gained 3.18%, meaning it was a rare (2 out of 11) month of underperformance for the Fund so far this year. We ended November with US\$18.7 million under management.

I wanted to take the opportunity in this letter to offer some reflections, after what has been one of the worst years in my career for financial markets worldwide. This was the year that more than a decade of insanely loose monetary policy finally ended in an inflation explosion. And I don't think we're done yet.





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

Despite the most rapid series of rate hikes, I've witnessed in my career, by any objective measure the Fed is still behind the curve. Real interest rates, after adjusting for inflation, remain negative, and the purchasing power of people's savings is evaporating before their eyes.

In this context, African economies are somewhat unusual. While inflation rates, for the most part, are also high, and in some cases spiraling out of control, so are interest rates. Thus, **real interest rates remain positive in many African economies**. This signals that investment capital remains scarce, and — by extension — healthy returns on that capital are still possible to find.

Moreover, as the 3%+ gain for the African Lions Fund year to date shows, we offer investors a rare safeharbour of non-correlation with the rest of the global financial markets storm.

We've started getting a few redemption requests. Most of them, I have to tell you, seem to be from investors cashing out because we have done relatively much better for them than their other investments, and now, they see opportunities in bombed-out assets that they want to raise cash to participate in.

As a fund manager, that kind of sucks. You do well for someone, and you get "rewarded" by them redeeming. But that's okay, it's part of the business. For those with a longer-term view on Africa, letting your winner run is likely to prove a wise choice. That's what I will be doing. Positively, we also have new investors joining us each month, and I have not had to sell anything to meet redemptions. We are still enjoying net money inflows.

### **When is the right time to invest, or invest more in the Fund?**

One of the questions I have been asked over and over again since I started the Fund in the second half of 2020 is, "I am expecting a market crash. Won't African markets just crash, too? Isn't it better I wait to invest, until after that?"

Or a variation thereon, "I am making too much money in crypto/uranium/coal/oil & gas/something else. Once I take my profits on that, I might be interested."

And also, "I am expecting the US dollar to rocket. Frontier and emerging markets always tank when that happens. So, I want to wait for that to pass."

There has been an element of all three this year:

1. financial markets did finally crash in the face of higher interest rates;
2. many energy stocks did do very well, (though crypto went the other way); and
3. the US Dollar has been extremely strong.

And yet, the Fund held its own and performed steadily.



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

Indeed, even against its peer group of Africa-focused funds, it has been an outlier, being the only Frontier Africa Fund (that is, funds with no Middle East or North Africa exposure) delivering a positive return in 2022 so far, other than the Stanlib Africa Equity Fund, which with only US\$1.5 million left under management appears in the process of being wound up.

In fact, as you see from the league tables that follow, losses of 20%+ are commonplace for our peer group in 2022.

WWW.AFRICAGLOBALFUNDS.COM

| YTD (%)   | 1 Month | 1 Year | 3 Year | 5 Year | AUM (\$m)      | Strategy                | Focus                | Domicile     | Type       | Start |
|---|---------|--------|--------|--------|----------------|-------------------------|----------------------|--------------|------------|-------|
| <b>337 Frontier Capital - Kimberlite Frontier Africa Fund (as-of 2022-11-30)</b>          |         |        |        |        |                |                         |                      |              |            |       |
| -13.68  | 2.77    | -10.02 | -2.45  | -5.02  | 326.00 (04/21) | Equity                  | Africa ex-SA         | Cayman Isl.  | Open-End   | 06/14 |
| <b>Absa Africa Equity Fund (as-of 2022-12-15)</b>   |         |        |        |        |                |                         |                      |              |            |       |
| -13.34  | 2.22    | -12.78 | -0.61  | 0.29   | 9.05 (11/22)   | Equity                  | African region       | South Africa | Unit Trust | 10/16 |
| <b>African Domestic Bond Fund (as-of 2022-11-30)</b>                                      |         |        |        |        |                |                         |                      |              |            |       |
|   | 3.1     | -15.7  | -3.5   |        | 43.00 (07/22)  | ETF - local currency FI | African region       | Mauritius    | Open-End   | 9/18  |
| <b>African Lions Fund (as-of 2022-10-31)</b>  |         |        |        |        |                |                         |                      |              |            |       |
| 2.22  | -0.13   | 5.17   |        |        | 18.10 (10/22)  | Equity                  | SSA ex-SA            | BVI          | Open-End   | 10/20 |
| <b>Allan Gray Africa Bond Fund (as-of 2022-11-30)</b>                                     |         |        |        |        |                |                         |                      |              |            |       |
| -11.7   |         | -10.4  | -0.6   | 3      | 326.00 (11/22) | Fixed Income            | Africa ex-SA         | Bermuda      | Open-End   | 3/13  |
| <b>Allan Gray Africa ex-SA Equity Fund (as-of 2022-11-30)</b>                             |         |        |        |        |                |                         |                      |              |            |       |
| -20   | 2.22    | -16.94 | 3.49   | -0.55  | 459.00 (07/22) | Equity                  | Africa ex-SA         | Bermuda      | Open-End   | 1/12  |
| <b>Alquity Africa Fund (as-of 2022-11-30)</b>   |         |        |        |        |                |                         |                      |              |            |       |
| -11.66  | -2.24   | -16.4  | -2.77  | -4.58  | 3.38 (11/22)   | Equity                  | African region       | Luxembourg   | SICAV      | 6/10  |
| <b>Bellevue Funds Lux - BB African Opportunities (as-of 2022-12-15)</b>                   |         |        |        |        |                |                         |                      |              |            |       |
| -2.45   | -3.6    | -7.05  | -3.05  | -3.59  | 49.64 (11/22)  | Equity                  | African region       | Luxembourg   | SICAV      | 6/09  |
| <b>Commonwealth Africa Fund (as-of 2022-12-15)</b>  |         |        |        |        |                |                         |                      |              |            |       |
| -3.81   | 13.48   | 0.33   | 2.46   | -1.84  | 3.29 (11/22)   | Equity                  | African region       | USA          | Open-End   | 11/11 |
| <b>Coronation Africa Frontiers Fund (as-of 2022-11-30)</b>                                |         |        |        |        |                |                         |                      |              |            |       |
| -27.67  | 3.98    | -25.36 | -3.82  | -3.98  | 274.20 (08/22) | Equity                  | Africa ex-SA         | Ireland      | Unit Trust | 10/08 |
| <b>DWS Invest Africa (as-of 2022-12-15)</b>   |         |        |        |        |                |                         |                      |              |            |       |
| -6.24   | -0.98   | -10.56 | -0.56  | -2.77  | 28.25 (11/22)  | Equity                  | African region       | Luxembourg   | SICAV      | 07/08 |
| <b>EFG-Hermes MEDA Fund (as-of 2022-12-15)</b>  |         |        |        |        |                |                         |                      |              |            |       |
| 25.21   | -8.91   | 20.52  | 20.78  | 13.16  |                | Equity                  | Africa & Middle East | Bermuda      | Open-End   | 12/11 |
| <b>Emerging Africa Bond Fund (as-of 2022-08-31)</b>                                       |         |        |        |        |                |                         |                      |              |            |       |
| -18.13  | 2.9     |        |        |        | 1.70 (08/22)   | Fixed Income            | African region       | Mauritius    | Open-End   | 09/16 |
| <b>Enko Africa Debt Fund (as-of 2022-11-30)</b>   |         |        |        |        |                |                         |                      |              |            |       |
| -2.48   | 12.78   | -2.17  | 10.71  | 12.96  | 516.20 (11/22) | Fixed Income            | Africa ex-SA         | Mauritius    | Open-End   | 10/16 |
| <b>Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2022-12-15)</b> |         |        |        |        |                |                         |                      |              |            |       |
| -45   | -5.03   | -47.91 | -12.4  | -7.56  | 249.26 (11/22) | Equity                  | EMEA                 | Luxembourg   | SICAV      | 06/07 |
| <b>Imara Africa Fund (as-of 2022-11-30)</b>   |         |        |        |        |                |                         |                      |              |            |       |
| -24.54  | 7.76    | -21.6  | -3.6   | -3.67  |                | Equity                  | African region       | Cayman Isl.  | Open-End   | 04/09 |
| <b>Imara African Opportunities Fund (as-of 2022-11-30)</b>                                |         |        |        |        |                |                         |                      |              |            |       |
| -27.68  | 7.13    | -25.51 | -5.81  | -8.06  |                | Equity                  | African region       | BVI          | Open-End   | 6/05  |

DISCLAIMER: All data is provided "as is" for your information and personal use only, and is not intended for trading purposes or advice.

20 | www.africaglobalfunds.com



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

DECEMBER 2022

| YTD (%)   | 1 Month | 1 Year | 3 Year | 5 Year | AUM (\$m)      | Strategy     | Focus             | Domicile       | Type     | Start |
|---|---------|--------|--------|--------|----------------|--------------|-------------------|----------------|----------|-------|
| <b>JPMorgan Funds - Africa Equity Fund (A) (as-of 2022-11-30)</b>     |         |        |        |        |                |              |                   |                |          |       |
| -15.96  | 14.75   | -14    | -3.95  | -3.87  | 101.97 (12/22) | Equity       | African region    | Luxembourg     | SICAV    | 5/08  |
| <b>Laurium Limpopo Master Fund (as-of 2022-11-30)</b>                 |         |        |        |        |                |              |                   |                |          |       |
| -19.86  | 6.21    | -17.19 | -8.08  | -4.56  | 125.40 (09/22) | Equity       | Africa ex-SA      | Cayman Isl.    | Open-End | 01/14 |
| <b>Mazi Capital Africa Fund (as-of 2022-11-30)</b>                    |         |        |        |        |                |              |                   |                |          |       |
| -21.51  | 6.24    | -19.95 | -8.63  | -5.83  | 92.00 (03/21)  | Equity       | Africa ex-SA      | South Africa   | Open-End | 01/16 |
| <b>MCB Africa Bond Fund (as-of 2022-11-30)</b>                        |         |        |        |        |                |              |                   |                |          |       |
| -22.7   | 2       | -21.6  | -4.1   | 0.2    | 8.34 (11/22)   | Fixed Income | African region    | Mauritius      | Open-End | 2/14  |
| <b>Ninety One Premier - Africa Fund A (as-of 2022-11-30)</b>          |         |        |        |        |                |              |                   |                |          |       |
| -32.74  | 14.84   | -32.77 | -29.92 | -17.14 | 0.61 (11/22)   | Equity       | African region    | Guernsey       | Open-End | 01/07 |
| <b>Old Mutual African Frontiers Fund (as-of 2022-11-30)</b>           |         |        |        |        |                |              |                   |                |          |       |
| -27.56  | 3.39    | -23.73 | -7.16  | -2.11  | 291.00 (04/21) | Equity       | Africa ex-SA      | Ireland        | Open-End | 5/10  |
| <b>Optis African Frontier Fund (as-of 2022-11-30)</b>                 |         |        |        |        |                |              |                   |                |          |       |
| -23.33  | 8.67    | -18.9  | -6.78  | -4.34  | 32.03 (08/22)  | Equity       | African region    | BVI            | Open-End | 8/09  |
| <b>Robeco Afrika (as-of 2022-09-30)</b>                               |         |        |        |        |                |              |                   |                |          |       |
| -15.1   | -4.08   | -10.49 | 2.85   | -0.49  | 22.50 (09/22)  | Equity       | African region    | Netherlands    | Open-End | 6/08  |
| <b>Rudarius Africa Fund (as-of 2022-11-30)</b>                        |         |        |        |        |                |              |                   |                |          |       |
| -30.9   | -4.15   | -29.2  | -12.32 | -8.73  | 30.00 (03/21)  | Equity       | Africa ex-SA      | South Africa   | Open-End | 06/14 |
| <b>Sanlam Africa Equity Fund (as-of 2022-11-30)</b>                   |         |        |        |        |                |              |                   |                |          |       |
| -13.98  | 3.44    | -9.93  | 1.35   | -1.12  |                | Equity       | Africa ex-SA      | Ireland        | Open-End | 07/15 |
| <b>Sanlam Centre Africa Equity Fund (as-of 2022-11-30)</b>            |         |        |        |        |                |              |                   |                |          |       |
| -13.44  | 4.08    | -10.93 |        |        | 57.41 (11/22)  | Equity       | Africa ex-SA      | Cayman Islands | Open-End | 05/19 |
| <b>Sanlam Centre Sub Sahara Africa Equity Fund (as-of 2022-09-30)</b> |         |        |        |        |                |              |                   |                |          |       |
| -11.67  | -4      | -14.68 | -5.12  | -6.47  | 47.33 (09/22)  | Equity       | Sub-Saharan ex-SA | Cayman Islands | Open-End | 07/08 |
| <b>Steyn Capital Africa Fund (as-of 2022-11-30)</b>                   |         |        |        |        |                |              |                   |                |          |       |
| -11.41  | 1.79    | -8.65  | 0.78   | -4.09  | 138.00 (11/22) | Equity       | Africa ex-SA      | Malta          | SICAV    | 09/11 |
| <b>Sustainable Capital Africa Alpha Fund (as-of 2022-11-30)</b>       |         |        |        |        |                |              |                   |                |          |       |
| -12.85  | 5.06    | -11.15 | 2.39   | -4.52  | 300.30 (04/21) | Equity       | Africa ex-SA      | Mauritius      | Open-End | 02/12 |
| <b>TCM Africa High Dividend Equity (as-of 2022-11-30)</b>             |         |        |        |        |                |              |                   |                |          |       |
| -20.01  | 7.43    | -18.18 | -8.59  | -6.54  | 9.60 (04/21)   | Equity       | Africa ex-SA      | Holland        | Open-End | 03/08 |
| <b>Threadneedle Lux - Stanlib Africa Equity (as-of 2022-12-15)</b>    |         |        |        |        |                |              |                   |                |          |       |
| 7.28  | -2.9    | 1.78   | -0.98  | -0.09  | 1.53 (11/22)   | Equity       | African region    | Luxembourg     | SICAV    | 8/14  |
| <b>T. Rowe Price Africa &amp; Middle East Fund (as-of 2022-12-17)</b> |         |        |        |        |                |              |                   |                |          |       |
| -2.1  | 3.32    | 2.88   | 8.64   | 5.11   | 141.47 (11/22) | Equity       | MENA & SSA        | United States  | Open-End | 10/11 |

Source: Company Data

www.africaglobalfunds.com | 21

Of course, I am not satisfied with a low single-digit gain. But given the number of headwinds we have faced, I'm glad it wasn't worse.

With a bit of luck, macro conditions in 2023 may be slightly more favourable. It's certainly hard to see them being much worse.



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

But, one can never know.

In investing, there are all sorts of risks.

- Macroeconomic and political risks
- Regulatory risks
- Governance risks
- Exchange rate risks
- Industry/sector specific risks
- Business model risks
- Management and execution risk
- Financial and balance sheet risks, to name but a few.

Africa has more than its fair share of the first four. But so does the rest of the world at present. And as I'm fond of saying, **in Africa, you generally get paid proportionally more to take on these risks,** than you currently do in developed markets, or the more mature emerging markets.

The last four risks highlighted above are universal for listed equity investments. But I would argue they can all be mitigated – and perhaps more easily even than in the developed markets – here where we deploy our capital.

Why do I say that?

Well, simple, we invest in easy-to-understand businesses, in relatively stable sectors that still offer great growth potential in Africa Frontier markets. Banking, telecommunications, building materials, food, beverages, packaging, and branded, fast-moving consumer goods are not yet mature industries here. They are still growing fast. And the demographics mean that they will continue to do so.

**Today, 1 in 8 people live in Africa.**  
**By 2050 that will be 1 in 4.**  
**To me, that spells growth opportunities**

At present, an estimated 22 million people move to Africa's cities each year. By 2050, the urban population in Africa will be over 1.3 billion, or nearly as much as the entire population of the continent today.

These trends offer enormous opportunities for businesses and investors. Our goal is to benefit from some of them. **These long-term trends have not changed**, in spite of a number of short-term challenges, such as inflation, debt distress, and foreign exchange shortages that are afflicting some of the countries in our Frontier Africa investment universe.



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

**Ghana's debt default and currency collapse are one black spot on our track record so far; but the Ghanaian cedi has recently rallied back 75% vs the USD, from 6.85c to 12c**

I am a big believer in owning up to, and hopefully learning from, one's mistakes. So, I want to again comment briefly on Ghana, where clearly the government's finances were in much worse shape than I had thought, and in recent months, all the government's recurring revenue was going to service interest and pay back debt.

That was obviously completely unsustainable and in the end the government had no alternative but to throw its hands in the air – both on its internal debts, which it is rescheduling, and its foreign debt, which it defaulted on.

Despite this, MTN Ghana, our largest holding in Ghana, as I said last month, continues to do fantastically well as a business. Earnings should grow well over 40% for this year. The business will face some headwinds, from the tough times its customers are facing, as well as the weak Ghanaian cedi making imported capital equipment painfully expensive. But all in all, I expect this company to weather the storm.

CAL Bank, which we also own a small position in (1.4% of our assets under management), is going to be badly hurt by the Ghanaian government's domestic debt restructuring proposal, as it has about 30% of its balance sheet invested in government securities.

I don't want to speculate on the eventual outcome, but on a recent management call with investors, which I attended, it was stated that there is a possibility that if the current proposed rescheduling stands as is, **then the entire banking sector's capital could be wiped out.**

Clearly that would not be in the country's broader interests, so I think a less devastating compromise deal may well be hammered out.

But for now, we are bracing ourselves for the worst. That said, after plummeting in value all the way to just 6.85 US cents (14.6 to the dollar) the Ghanaian cedi has recently bounced strongly after the announcement of a domestic debt restructuring package, and a preliminary agreement with the IMF for a bail out. It is worth 12 US cents now (8.35 to the dollar). But it is changing day by day with all the instability.

**What can we look forward to in 2023?**

To be perfectly honest, I haven't a clue what the markets will do in 2023. All I know is, 2022 was a very rough year for most investors, and it would be unusual for an even worse year to follow. The US Dollar also appears to have peaked in the 3<sup>rd</sup> quarter of 2022. That may provide some respite for those, like us, operating in frontier markets.



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

But inflation remains high and Central banks around the world are still hiking interest rates. Macro headwinds remain.

At the company level, the companies we own continue weathering the macro storms pretty well, and I expect some blockbuster earnings results come 2Q2023 when the numbers begin to come out.

As you know, I try to provide a great deal of transparency to investors in this fund, and you should always feel free to email me: [tim@africanlionsfund.com](mailto:tim@africanlionsfund.com)

The Telegram channel will be back full-time on the African beat come January 8 when I transition back from my holiday in Denmark to home in Dar Es Salaam. All welcome to join: [https://t.me/joinchat/AAAAAE6il5\\_GjwTQ0lyNwg](https://t.me/joinchat/AAAAAE6il5_GjwTQ0lyNwg) and via Twitter (@globalvaluehunt).

Until next time...

Good investing!

Tim Staermose  
Founder, African Lions Fund Ltd  
[tim@africanlionsfund.com](mailto:tim@africanlionsfund.com)