



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

Oyster Bay  
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23 January, 2025

Dear Investor,

African Lions fund had an excellent fourth quarter. The Fund gained 3.76% in October, lost a modest 0.12% in November, before rising 10.3% in December, its best month ever.

For the year, net gains after all fees and expenses came to 27.07%. Since inception, we have compounded your money at 15.22% p.a., after all fees and expenses, for total gains of 82.57% in 4 years and 3 months.

We thus remain on target to deliver what I consider to be our goal, to double your money every 5 years, on average, over the long run, in US dollar terms.

### **A red-letter year, with foreign exchange GAINS**

Foreign exchange risk has always been—and still is – on top of the list of concerns for those with a modicum of knowledge about Frontier markets in general, and African markets in particular. I know this from every single interaction with investors or potential investors since I started the fund. Everyone wants to know how badly their investment is going to be affected by currency depreciation, and what I intend to do about it.

So, it is remarkable to me – and I certainly did not expect it – that **in 2024, African Lions Fund was a beneficiary of foreign exchange appreciation**. The currencies in our two largest investment markets, Tanzania and Kenya, both gained appreciably against the US dollar, by 4.23% and 21.6%, respectively. The Ugandan shilling also gained 2.82% for the year.

The US Dollar, in turn, was also stronger against most other major world currencies. For those of you who use the Euro, Pound, Aussie Dollar or even Swiss Franc as your reference currency, you did even better than the Fund's US dollar return.



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## THE YEAR 2024 IN AFRICAN CURRENCIES

	USD	GBP	EUR	JPY	CAD	AUD	NZD	CHF
TZS	4.23%	6.08%	11.11%	16.29%	13.17%	14.70%	17.84%	12.48%
KES	21.06%	23.20%	29.00%	35.37%	31.39%	33.22%	36.87%	31.07%
NGN	-42.98%	-42.11%	-39.53%	-36.61%	-38.09%	-37.59%	-35.82%	-38.66%
RWF	-9.51%	-7.99%	-3.88%	0.56%	-1.74%	-0.75%	1.87%	-2.65%
XOF	-6.20%	-4.57%	0.00%	4.47%	2.12%	3.24%	6.06%	1.18%
GHS	-19.05%	-17.62%	-13.67%	-11.11%	-12.04%	-10.78%	-8.39%	-13.30%
ZMK	-7.89%	-6.34%	-1.80%	2.69%	0.47%	1.47%	4.13%	-0.50%
UGX	2.82%	4.61%	9.61%	14.62%	11.63%	13.17%	16.26%	10.91%
BWP	-4.49%	-2.91%	1.79%	6.74%	3.91%	5.31%	8.17%	3.18%
NAD	-2.97%	-1.27%	3.49%	8.33%	5.42%	6.86%	9.77%	4.67%
XAF	-6.21%	-4.59%	0.00%	4.47%	1.85%	3.23%	6.05%	1.15%
MUR	-6.10%	-4.48%	0.12%	4.70%	1.31%	2.53%	5.14%	0.46%
MWK	-3.24%	-1.84%	2.65%	7.28%	4.81%	6.34%	8.79%	3.94%
ZAR	-2.66%	-1.27%	3.27%	7.50%	5.50%	6.68%	9.46%	4.57%
EGP	-39.23%	-38.41%	-35.57%	-32.62%	-34.15%	-33.36%	-31.68%	-34.71%

TZS - Tanzanian Shilling
KES - Kenyan Shilling
NGN - Nigerian Naira
RWF - Rwandan Franc
XOF - West African Franc
GHS - Ghanaian Cedi
ZMK - Zambian Kwacha
UGX - Ugandan Shilling
BWP - Botswana Pula
NAD - Namibian Dollar
XAF - Central African Franc
MUR - Mauritian Rupee
MWK - Malawian Kwacha
ZAR - South African Rand
EGP - Egyptian Pound

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Of course, it wasn't all smooth sailing for African currencies. A friend of mine loves to rib me good naturedly that I am mad for investing in Nigeria. In his words, "Who cares about Naira-denominated gains if the Naira is down 70%. Give me dollar returns!"

Well, yes, the Naira had a horror year in 2024, losing a further 43% of its value versus the US dollar. That took losses since mid-2023 when President Tinubu ordered that the Naira be allowed to float, to over 70%.

Even so, African Lions Fund has still managed to **make 110% in USD terms**, from our carefully selected and well-timed investment in UAC Nigeria, a leading local conglomerate. As such, we are now sitting on gains in USD terms on our entire Nigerian exposure in the portfolio, despite losses in Nestle Nigeria, where we bought too soon.

This follows the substantial gains we've made in Tanzania and Kenya. And, my assessment is that Nigeria can be our next source of significant gains.

What the foreign exchange gains we logged in 2024 demonstrate to me, above all else, is that markets will usually make fools of us all. Rather than try and outwit the market, I prefer to stay humble, and acknowledge that, as the late, larger-than-life Australian stockbroker Rene Rivkin said, "**Anything can, and does happen in markets.**"

So, my focus is always on what I can control, not what I can't.



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### **The Case for African Lions Fund as a non-correlated, portfolio stabilizer**

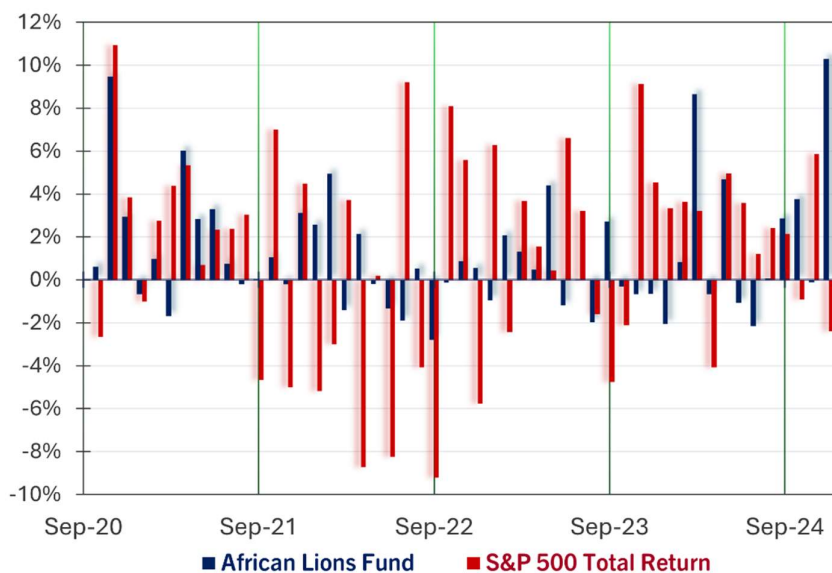
One of our investors has a unique perspective on his investment in African Lions Fund. He is happy that it usually performs well when the S&P 500 does not, thereby bringing true diversification benefits to his overall portfolio.

Thinking he might be onto something, I decided to have Eunice, my assistant, examine the data. Sure enough. There is a very clear pattern.

In months where the S&P suffers significant declines, the Fund is often UP, or down a lot less than the S&P.

In the 51 months we have been running the fund, the S&P has had a bigger than 2% decline in 15 of those months. In every single one of those 15 months, African Lions Fund outperformed the S&P. Specifically, in 10 of those 15 months, African Lions Fund rose. And in 5 of those 15 months, African Lions Fund dropped by less than the S&P 500. Quite remarkable!

I think this bears thinking about for anyone who is seeking to build a robust and diversified portfolio. It would appear that African Lions Fund can be used as a diversifying tool, to help smooth out your overall portfolio returns.





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**Despite the Fund's gains, valuations for our portfolio remain inexpensive**

The table below prepared by Muammar, our Senior Analyst, shows three different valuation summaries:

1. For our whole portfolio, including loss-making special situation, Tanga Cement.
2. For our Top 10 (which accounts for 84% of the total portfolio).
3. For the total portfolio, ex-Tanga Cement.

AFRICAN LIONS FUND	TOTAL PORTFOLIO	TOP 10 HOLDINGS	PORTFOLIO (Excl. Tanga)
Portfolio date	20 January 2025	20 January 2025	20 January 2025
Market Cap (USDmn)	32.58	27.43	31.59
Net income (USDmn) - 2023	3.8	3.9	4.4
Net income (USDmn) - 2024	5.2	4.8	5.5
<b>Net income (USDmn) - 2025</b>	<b>6.4</b>	<b>5.3</b>	<b>6.5</b>
Equity (USDmn) - 2023	22.2	15.7	21.8
Equity (USDmn) - 2024	24.9	18.2	24.7
<b>Equity (USDmn) - 2025</b>	<b>28.4</b>	<b>20.9</b>	<b>28.2</b>
Assets (USDmn) - 2023	112.0	86.0	108.5
Assets (USDmn) - 2024	117.6	88.8	114.4
<b>Assets (USDmn) - 2025</b>	<b>126.8</b>	<b>94.3</b>	<b>124.0</b>
Dividends (USDmn) - 2023	2.2	1.9	2.2
Dividends (USDmn) - 2024	2.7	2.4	2.7
<b>Dividends (USDmn) - 2025</b>	<b>3.2</b>	<b>2.8</b>	<b>3.2</b>
P/E - Trailing	8.5	7.1	7.2
<b>P/E - Forward</b>	<b>5.1</b>	<b>5.7</b>	<b>5.8</b>
P/BV - Trailing	1.3	1.8	1.5
<b>P/BV - Forward</b>	<b>1.1</b>	<b>1.5</b>	<b>1.3</b>
Dividend Yield - Trailing	6.7%	7.0%	6.9%
Dividend Yield - Forward (2024)	8.3%	8.8%	8.6%
<b>Dividend Yield - Forward (2025)</b>	<b>9.7%</b>	<b>10.2%</b>	<b>10.0%</b>
ROE - 2023	17.2%	24.7%	20.1%
ROE - 2024	20.8%	26.3%	22.1%
<b>ROE - 2025</b>	<b>22.6%</b>	<b>25.5%</b>	<b>22.9%</b>
ROA - 2023	3.4%	4.5%	4.0%
ROA - 2024	4.4%	5.4%	4.8%
<b>ROA - 2025</b>	<b>5.1%</b>	<b>5.7%</b>	<b>5.2%</b>
EPS Growth - 2024	36.1%	23.9%	25.0%
EPS Growth - 2025	23.6%	11.0%	18.1%
<b>Fund Weight (excl. cash)</b>	<b>100.0%</b>	<b>84.2%</b>	<b>97.0%</b>

As you can see, for the whole portfolio, based on our expectation of 2025 earnings, the indicative P/E multiple is just 5.1x, P/B multiple 1.1x, and dividend yield 9.7%. We expect earnings per share growth of 23.6%, while the return on equity for the portfolio comes to a very healthy 22.6%.



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While banks tend to trade at lower multiples, due to the highly geared nature of their business, I would point out that African Lions Fund owns shares in only two banks, NMB Bank PLC Tanzania, and KCB Group Kenya. The combined weighting in our portfolio is just 18.3%. This is well below the weighting of banks in African Frontier markets, which exceeds 35%.

### **Housekeeping and upcoming travel schedule**

If you were an investor on 31 December 2024, you are now enjoying a reduced management fee of 1.35%. We may reduce the management fee further, as the fund scales up in future.

I'll be hosting a Zoom call for investors the first week of February. Details to follow.

As for travel that is planned, I am going to be in Nairobi Feb 9 – 12, and Mombasa Feb 12 – 15. I plan to visit Johannesburg Feb 20-22, and Mauritius Feb 22-25.

In March, which this year coincides with the holy month of Ramadan, I will visit Australia, as a family member there is seriously ill. Other than family commitments, I plan to be in Adelaide 17 March, Brisbane 17-19 March, and again 28 March.

April will likely take me to Namibia for a conference, as well as Nigeria for company visits. In early June I plan to be in Zurich.

The Fund has grown in scale the past 12 months. As a result, we are seeking a new, global custody relationship. We are also considering hiring a Chief Operating Officer. If you have any leads or think you can assist with either of these matters, please reach out.

If you are in any of the above-mentioned locations and want to try and meet up, please also reach out.

As ever, I am thankful for the trust you have placed in me, and honoured to help continue to grow your investment with us. 2025 is off to a good start, and I am confident it will be a good year for Frontier African Markets, no matter what President Trump does or doesn't do.

Until next time...

Good investing!

Tim Staermose  
Founder, African Lions Fund Ltd