



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

Oyster Bay,

Dar es Salaam

06 October 2025

After a +27% year in 2024, I did not imagine we'd leave that performance in the dust in 2025... yet, here we are, +44% ytd

Dear Investor,

It's been a banner year for African Lions fund. We are **up 43.9% year to date**, through August 31, which is quite extraordinary. September was another month of gains, and I am currently awaiting the final number from the Administrator. But it was more than +2%.

It has been a while since I wrote a full Letter to Investors, but it has very much been a case of "no news is good news," and you will no doubt have kept abreast of developments with the Fund from our monthly Summary Sheets, and your Investor Statements.

Driving the strong appreciation of our portfolio has chiefly been strong earnings growth from our portfolio companies.

So strong has earnings growth been this year, that despite the huge rise in the share prices of nearly all the companies we own, valuation multiples have not expanded much... yet. I'll speak more about that later.

We are currently modelling a +41% increase in net profits for our portfolio in 2025. (Part of it however is due to a one-off gain at Jubilee Holdings, which is selling the remainder of its general insurance business to Allianz.)

Also helping our performance, we have had another year, so far, of **FX gains**. Most African currencies that we are exposed to have either strengthened significantly or held their ground.



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The Ghanaian Cedi, Zambian Kwacha, West African Franc, Tanzanian Shilling, and Nigerian Naira have ALL gained vs. the US Dollar in 2025. This is partly due to general US dollar weakness, and partly due to strong underlying macroeconomic fundamentals, or rapid economic turnarounds for the countries concerned.

While the Kenyan shilling has been flat, in a tight 129-129.5 range, this is due to intervention by the Central Bank of Kenya. I have written before, based on speaking with economists and business leaders on the ground in Nairobi back in June, that I believe the KES would also gain against the USD if the central bank (CBK) got out of the way and let the market determine the rate.

Since Kenya is now our largest single country exposure, this would add further fuel to our performance in 2025. However, I am not holding my breath. For whatever reason, Kenya's central bank seems to prefer a steady currency currently – at least vs. the USD. It has weakened vs. the Euro, GBP and so on, which does help Kenya's export pricing competitiveness in the key European markets.

This happy confluence of events on the FX side of things, which comes about largely because of our careful market selection, has lit a rocket under our performance numbers.

A rising tide still lifts some boats more than others

While African markets generally are doing very well, and most stock markets around the world are also at or near record highs, our portfolio has clearly outperformed. The index we use to compare our performance to, the S&P Africa Frontier BMI USD (Total Return) Index is up a healthy 29.3%, year to date through August 31, but we are beating it by 14.7% percentage points.

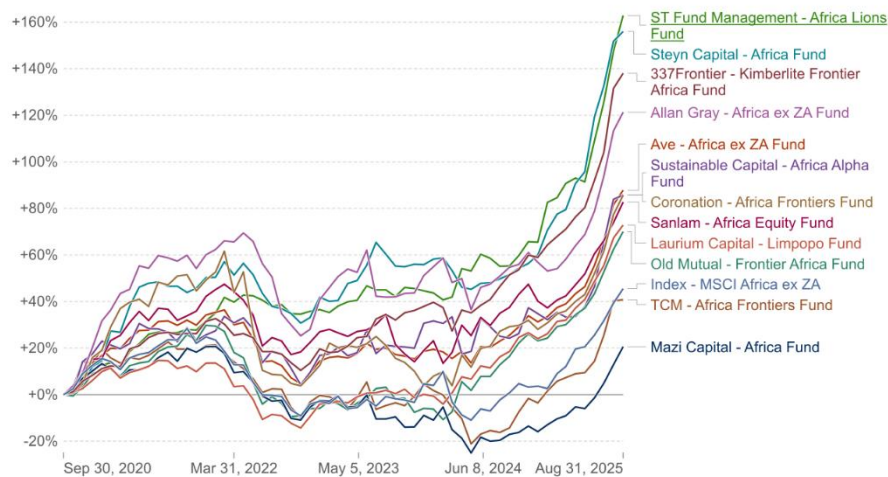
Our funds under management have grown, both as a result of this price appreciation for our portfolio, but also due to new capital committed by our investors. With \$54 million under management at the end of August, and over \$58 million as I write this in early October, we are no longer a tiny boutique fund, but climbing the ranks toward the point where I envisage we will have our first “soft close.” After that our strategy will be to add new investors to a waiting list and allow them to invest when conditions merit it.

Since inception, the fund is the best performing fund in Africa among those tracked by IRX.



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Change in NAV (USD), Sep 30, 2020 to Aug 31, 2025

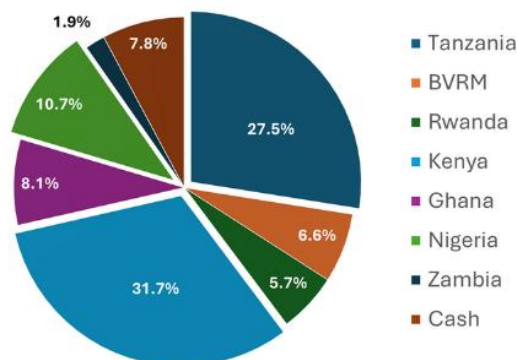


Data source: Bloomberg; Fund Fact Sheets; IRX estimates

Note: For the period 2020 to 2024, various funds employed FX valuation methods for their Nigerian Naira (NGN) and Egyptian Pound (EGX) assets that differed to official spot rates.

The portfolio has become more geographically diversified

Kenya is now our biggest market exposure with 31.7%, with Tanzania a close second at 27.5%. Nigeria is a distant 3rd at 10.7%.



We have a significant amount of cash at present, following the recent realization of a position in Vodacom Tanzania.



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We are continuing to add selectively to our holdings in Jubilee Holdings in Kenya and in Tanzania Breweries.

In West Africa, we recently added to our holdings in Sonatel (the dominant mobile telecom player in Senegal and Mali, as well as Guinea, Guinea Bissau and Sierra Leone), as well as MTN Ghana, shares of which have taken off like a rocket.

We have also been buying more shares in Zambia Breweries, which like Tanzania Breweries is a subsidiary of global giant AB-InBev, which holds about 87% of the shares. This is the only company in our portfolio that has hitherto been a loser. After thinking that a turnaround had begun in 1H2023, I had high hopes for the company's earnings in 2024.

However, what followed was a serious drought in Zambia that had many negative impacts. First, Zambia's power grid was starved of electricity as the country relies mostly on hydropower. With no rain, dams dried up and electricity generation ceased. To keep its breweries going, Zambrew had to run expensive diesel generators.

Not only that, Zambian farmers' harvests failed. That meant that both the cost of Zambrew's raw materials rose, and the incomes of many of Zambrew's customers fell. A flow-on effect of these dire economic conditions was a renewed free-fall in the Zambian Kwacha.

But all that was last year. Happily, the situation has reversed in 1H2025. Rains came. Dams filled. Hydro plants whirled back to life. Zambrew saw good availability of raw materials. Its customers have more money in their pockets, and the exchange rate has bounced back.

Adding to the bullish sentiment on the Zambian economy and stock market, the country's major export, copper, is also seeing strong demand and higher prices. This is expected to continue.

In short, all the headwinds have become tailwinds.

But the hole Zambrew is digging itself out of is deep. Most investors remain skeptical. And on the day the company announced an impressive turnaround in net profit, to earnings per share of 0.37 for 1H2025 vs. a loss of (0.03) in the same period the prior year, I was able to buy a large block of shares at 6.15 kwachas, 9% lower than where they had last traded.



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Peter Tan and I will be visiting Zambia 10 November to 14 November and hope to have some meaningful engagement with Zambrew's management team. My only previous meeting with management was at the 2023 AGM.

Can our Fund's stellar run continue?

Conventional wisdom says investor behaviour is driven by fear and greed. However, in my experience most investors are purely driven by fear. They fear uncertainty. They fear taking risks. They fear losses.

Even when they do overcome their fear and enter the equities markets, and do well, they fear losing their gains. This leads to an inability to let winners run, and a tendency to take profits too early. With African Lions Fund up so strongly, +163% since inception through end-August, you might also be having such thoughts. I would encourage you not to.

I consider it part of my duty as a fund manager is to tell you when I think our fund offers good value. Likewise, when I think prices for the companies we own may be getting ahead of themselves, I will tell you.

My position currently is emphatic...

Despite our impressive 21.7% compound annual gains since inception 4 years and 11 months ago, our portfolio continues to offer extremely good value

Rather than contemplating redeeming money to protect your gains, right now adding to your investment, or at least letting your current investment ride, remains the wisest decision you can make, in my view.

Sentiment is now much more bullish in most of the African Frontier markets where we are active. Local retail investors are coming back into their respective stock markets after years of absence. And it shows. Malawi is the world's top-performing stock market in 2025 in USD terms, up a breathtaking 248%. Ghana is at number two, up 102%. Zambia at number three is up 91%.

New, foreign institutional money, however, is still largely absent. Take Kenya as an example. According to Business Daily, foreign investors have been net sellers of KES 7.4bn (USD 57mn) worth of shares on the Nairobi bourse in 2025 to date.



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If historical patterns in other markets where I have worked and invested during my career repeat, then for this market cycle in Africa the next step will also be for foreign money to come back. And it is at that point that valuation multiples tend to expand.

It may or not happen in the near term. I don't have any strong conviction as to timing. But it will almost certainly happen. And you want to be invested for that part of the cycle.

So far, while we have enjoyed the earnings growth that we look for in our target companies, and we have – unusually, it must be said – seen some foreign currency gains in our portfolio over the past 18 months, **we have not yet seen any meaningful P/E or P/B multiple expansion.**

The overall portfolio is still on an indicative 2026E P/E multiple of just 5.5x and a forward dividend yield of over 9.1%.

Fund Valuation		
AFRICAN LIONS FUND	TOTAL PORTFOLIO	TOP 10 HOLDINGS
Portfolio date	11 September 2025	11 September 2025
Market Cap (USD mn)	54.45	44.44
Net income (USD mn) – 2024	6.4	6.1
Net income (USD mn) – 2025	9.0	8.0
Net income (USD mn) – 2026	9.9	8.8
Equity (USD mn) – 2024	33.4	29.8
Equity (USD mn) – 2025	37.1	33.1
Equity (USD mn) – 2026	41.6	37.2
Assets (USD mn) – 2024	144.3	135.0
Assets (USD mn) – 2025	157.1	146.9
Assets (USD mn) – 2026	174.2	163.5
Dividends (USD mn) – 2024	4.1	3.4
Dividends (USD mn) – 2025	5.0	4.4
Dividends (USD mn) – 2026	5.0	4.3
P/E – Trailing (2024)	8.5	7.3
P/E – Forward (2026E)	5.5	5.0
P/BV – Trailing (2024)	1.6	1.5
P/BV – Forward (2026E)	1.3	1.2
Dividend Yield – Trailing (2024)	7.5%	7.6%
Dividend Yield – Forward (2026E)	9.1%	9.7%
ROE – 2024	19.1%	20.4%
ROE – 2025	24.3%	24.2%
ROE – 2026	23.7%	23.7%
ROA – 2024	4.4%	4.5%
ROA – 2025	5.7%	5.5%
ROA – 2026	5.7%	5.4%
EPS Growth - 2024	24.4%	31.4%
EPS Growth - 2025	41.0%	32.1%
EPS Growth – 2026	9.4%	10.2%
Weight (excl. cash)	100.0%	81.6%



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There's nowhere else in the world you can buy a diversified portfolio of leading blue-chip companies on these sorts of bargain valuations. If you have the capacity to add to your investment, I would strongly suggest you consider doing so. The bargains will not last forever.

The Fund going forward...

As mentioned, depending on how much money we can attract into the fund between now and the end of the year, and how our companies' stock prices perform, I may contemplate a "soft close" for the fund by year end.

I would also like to unify the management fees we charge so that ALL investors, no matter when they put their money in will enjoy the 10% reduction from 1.5% to 1.35% that I previously implemented.

From January 1, 2026, management fees will be 1.35% per annum on all money in the Fund as of that date, no matter when you invested.

Upcoming travel and investor engagement events

12 October to 19 October - Dubai. If you are in Dubai and wish to catch up, please let me know.

27 October to 6 November - UK. My partner Peter Tan will be with me. We would like to host a gathering for existing investors and prospective investors while in London, either on **30 or 31 October**. Let us know if you can attend.

10 November to 14 November, Peter Tan and I intend to visit companies in Zambia.

17 November to 21 November - We will both be in Dar es Salaam.

If anyone is based in, or visiting, any of these locations and wishes to meet up, please let us know.

Also, to discuss more about our portfolio, micro and macro-economic changes in Africa, and future plans for the fund, I would like to invite you to join me on an investor Zoom call this coming Thursday 9 October at 2.30pm East African time.

<https://us06web.zoom.us/j/85077228000?pwd=ZshvGomcMgPPyHeWTb24nqfzDTdloz.1>



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That's 7.30am Eastern time in the USA, 12.30pm in the UK, 1.30pm in continental Europe, Cape Town and Johannesburg, 3.30pm in the UAE, 6.30pm in Bangkok, Phuket and Jakarta, 7.30pm in Bali, Singapore and Hong Kong, and 10.30pm Australian Eastern daylight saving time.

We're always grateful when you make the effort to attend these calls in-person, if you can. If you can't be there live, please send in any questions or comments you may have – whether related to our investments, or the administration and business strategy of the fund: tim@africanlionsfund.com

Muammar and I will both be on the call.

Until next we speak...

Good investing!

Tim Staermose
Founder, African Lions Fund