



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

St. Moritz
Switzerland

29 January, 2026

Dear Investor,

Fund had an excellent 4th quarter, gaining 13.01%. In December alone it gained 5.97%. For the full year, this meant an increase of 67.21% — more than double the 27% gains we saw in 2024.

Our benchmark meanwhile was 'only' up 44.7% in 2025.

If you invested with us on Day 1, your capital has grown by 205.3%, or at a compound annual rate of 23.7%.

That's way better than our targeted return of a double every 5 years (approx. 14.4% p.a.)

In fact, we've more than tripled your money in the 5 years and 3 months we've been investing.

Last year was by far our best year.

Not surprisingly, we outperformed pretty much everything in 2025.

African Lions Fund outperforms all major indices & asset classes in 2025

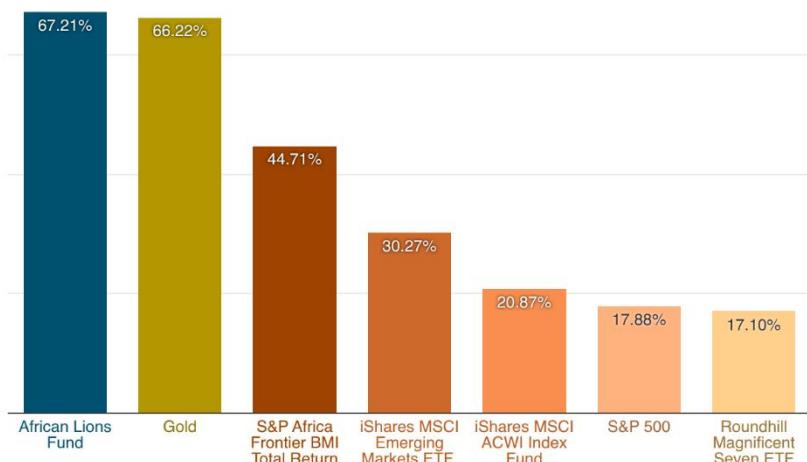
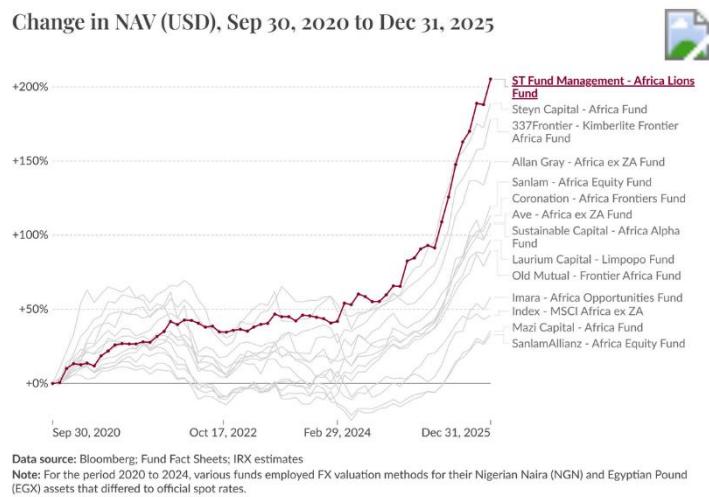


Chart: African Lions Fund • Source: live gold prices bullion.com, indices & ETFs gurufocus.com • Created with Datawrapper



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Also, for the period since inception African Lions Fund remains the **top performing Africa Frontier Fund.**



Our portfolio still offers excellent value

As I write this, the combined portfolio is US\$70.01mn (or US\$69.89 mn excluding cash).

In 2026, we are projecting total net income of US\$11.4mn and total dividends of US\$5.6mn.

The portfolio thus has a forward PE of 6.1x and a forward dividend yield of 8.0%. The key to these metrics is earnings growth. In 2026 we expect EPS growth of +19.2%.

Also impressive, and illustrative of the “quality” of the businesses we own, the portfolio displays a 2026 ROE of 25.1%. The forward price to book ratio (P/B) is 1.5x and the trailing P/B is 1.9x.

I think these stats answer the most common question I am currently getting, “Is it too late to invest? Have I missed the boat?”

The emphatic answer is “No!”



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There's been no valuation multiple expansion to speak of in the 5+ years we've been running the Fund.
Share prices have simply gone up broadly in line with our portfolio companies' earnings.

**Another question I get asked a lot
by potential investors is about liquidity**

There is a perception, which is somewhat valid, that African Frontier markets are not "liquid."

I think it's important however to define, "liquidity". It's also important to understand why liquidity, whatever it means to the particular investor, is important to them.

To me, a lack of liquidity is defined by the inability for me, as the Fund manager, to buy or sell meaningful quantities of our target stocks without significantly affecting the market prices thereof.

This can present a problem for several reasons.

1. Sometimes I cannot source any, or enough stock to buy in a target company at or near the price it was last quoted at. Raising our bid price, within reason, to a number that still offers us great value, and meets our investment criteria, is one possible answer to this conundrum. Sometimes that works, and sellers appear. But often it doesn't.

Many high-quality publicly traded African businesses are so tightly held, it's often just not possible to build a meaningful position. That restricts what we can buy and how much money we can realistically deploy for our investors.

2. In the event we are faced with redemptions in future, we may not be able to sell at prices we consider fair across our whole portfolio. Therefore, we may be forced to sell down proportionately more shares in those businesses whose shares are liquid at the time. This creates potential future liquidity risks, with a greater concentration of the remaining portfolio in "illiquid" stocks, and could potentially leave our portfolio unbalanced.
3. Lack of liquidity forces us to set redemption terms that are less flexible and take longer than many other investment funds. This puts some potential investors off. Many investors seem to want the safety valve of daily, or at least monthly redemptions, even if they never use them. We only offer quarterly redemptions.



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But as I explain to prospective investors and existing investors alike, liquidity, is never constant. In bear markets, liquidity tends to be even worse than average. As certain sectors or countries come in and out of market favour, liquidity variations occur. There are cyclical variations in liquidity, driven by investor sentiment and other macro economic factors such as current account and capital account flows, and interest rates.

My theory, though I'll admit it's unproven, is that if – as it appears – we are in a bull market for Africa Frontier equities, liquidity should, all else equal, improve. There will be more buyers and sellers taking a closer interest in frontier African equities and putting more money to work.

There are however, also some structural factors that help determine the degree of liquidity in frontier African Equity markets.

The degree of:

- a) Foreign investor participation
- b) Local retail investor participation and
- c) Local institutional investor participation

...can all greatly affect liquidity.

In general, the more each category of investor is involved in the market, the better the liquidity will be. However, all three categories of investor are not created equal.

Foreign investors tend to both buy and sell. So do local retail investors, though those with more significant sums to invest are more frequently buy and hold investors.

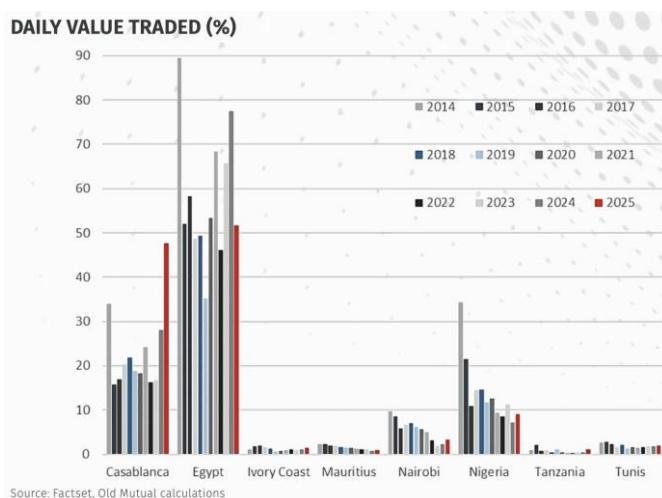
Local institutional investors, in most frontier African markets, in my observation at least, tend to be predominantly buy and hold investors. They tend to have a strong home country or home region bias. And there are so few long-term local investment opportunities available to them to match the duration of their liabilities that they tend to hoard those stocks that do meet their criteria, buying them as they receive investor inflows, and rarely selling.

However, this is an important structural tailwind for markets. Local pensions savings pools are constantly growing, admittedly off a low base, and providing built-in future equity demand. Given Africa's young demographics, it is at a very early stage, and that's what makes it potentially significant and exciting long-term driver of equity market appreciation.



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Here's an estimate of daily equity market turnover in various markets in Africa, recently compiled by South African asset manager Old Mutual. (Figures in USD)



African Lions Fund only invests in the middle five, sub-Saharan markets on the chart. But, you can see clearly how daily market turnover has been on a steady decline in markets such as Nairobi (Kenya), Mauritius and Nigeria, and has been very low and remained low in Cote d'Ivoire, and Tanzania, with brief spikes only way back in 2014 and 2015 when the last bull market was at its strongest.

Will this change going forward? We have no sure way of knowing. But from what we see and hear on the ground, Nigeria and Kenya are seeing trading volumes and values pick up from the low base observed in recent years.

In Dar es Salaam, many blocks of shares changed hands in recent years, and have gone to long-term holders (such as our Fund), though retail interest in the market is clearly increasing now from what we observe.

There has also been a proliferation of new investment fund products in Tanzania spawning new demand for equities. What's missing is IPOs. We are hopeful that as the bull market gathers steam, and valuations climb, some privately held businesses, or government owned enterprises may be attracted to list.



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Nigeria already had a series of IPOs last year, including Aradel in the oil and gas sector, and fish farmer, Ellah Lakes. In Kenya, the government recently kicked off the privatization of Kenya Pipeline Company.

The OECD recently published a comprehensive study on African Capital Markets. For anyone interested in doing a deep dive, here is [the link](#).

But, there are some pertinent facts worth pointing out. Corporates, usually multinational companies, or other listed companies in an African conglomerate (for example, Dangote Industries in Nigeria, or the Aga Khan Development Network in East Africa), own 24% of all listed equity in Africa. That's significantly more than in emerging markets where it is 19%, and globally, where it's just 9%. Corporates typically don't trade these strategic stakes they own in other corporates, and this reduces "free float" and liquidity in African Frontier markets.

The other factor worth mentioning is that, in general, foreign inflows have not been a factor in recent Africa Frontier market liquidity or performance. Kenya, for instance saw foreign outflows in 2025 equal to about 4% of the free-float market capitalization, despite the Nairobi Stock Exchange All Share Index (NASI) being up over 51% in USD terms. (Source: [Emerging and Frontier Capital](#) EFC).

The one exception among our markets is Nigeria, where at long last, foreign investors decided to commit significant amounts of new capital in 2025, following the country's many important economic reforms in recent years.





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The third thing most frequently asked about is currency depreciation

Below you can see how each of the currencies we are exposed to has done versus the US dollar since we first invested in the country concerned, as well as the annualized rate of depreciation or appreciation.

I've also added the performance (and annualized change), since we started the Fund on Oct 1, 2020, for some other currencies and financial assets for comparison purposes.

African and major currencies since the Fund's inception

Performance versus the USD

Currency	Move since first investment	Annualised move
TZS	-8.20%	-1.60%
KES	-17.10%	-3.90%
RWF	-33.20%	-7.50%
XOF	0.60%	0.10%
NGN	-18.40%	-10.70%
GHS	-47.10%	-12.70%
ZMK	-11.60%	-3.00%
ZAR	4.30%	0.80%
EUR	1.10%	0.20%
GBP	5.80%	1.10%
JPY	-31.50%	-6.90%
AUD	-3.40%	-0.60%
CAD	-2.80%	-0.50%
CHF	30.20%	5.10%
NZD	-9.70%	-1.90%
SGD	7.50%	1.40%
Gold	167.30%	20.30%
Bitcoin	724.90%	48.60%

Table: Tim Staermose • Source: Reuters • Created with Datawrapper

By far the best performing African currency that we are exposed to is the West African Franc (XOF). Being pegged to the Euro, it has gained 0.6% vs the dollar, or 0.1% a year, since we first invested in Sonatel, our one stock exposure on the West African Regional Bourse (BVRM).



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On the other hand, the Ghanaian Cedi (GHS) and Nigerian Naira (NGN) have been the worst performing currencies we are exposed to, dropping by 12.7% and 10.7% annually over the time we've had exposure to them. That said, each is now on an appreciation path, and things might change in future.

Another important point to make is that thanks to judicious timing of our investments, overall African Lions Fund has foreign exchange gains in Kenya, despite the KES having lost 3.9% a year over the entire timespan we've been investing in Kenya.

Globally, the best performer, and the only financial asset or currency that's done better than our Fund's 23.7% CAGR return since inception is Bitcoin, with a 48.6% CAGR over the same 5 years and 4 months.

Gold, while performing extremely strongly of late has only compounded at 20.8% in USD terms since we started the Fund, and we remain comfortably ahead of its performance.

The message I think is that, **yes, definitely, everyone should be concerned about currency depreciation when investing in Frontier African markets.** But these are not the only currencies where big depreciations can happen. Look at the yen. It's lost a whopping 31.5% or 6.9% per annum in the time we've been running the Fund.

Furthermore, I actively try to time our investments so that we buy when currencies are "too weak". Kenya is one historical example. Nigeria may prove another.

What we're looking to invest in next

Right now, the fund does not have a great deal of spare cash to invest. However, there are investments in Ghana, and Nigeria that we have identified, which we would like to take exposure to.

In Kenya we also continue to add to our positions in three existing portfolio companies.

Housekeeping and upcoming travel schedule

We recently hired a third member to join Muammar and I on the investment team, highly experienced analyst and funds management industry veteran, David da Silva, who is based in Cape Town.



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David will focus mainly on beefing up our West African coverage, as well as monitoring and analysing African businesses that are listed outside of the frontier African stock exchanges, in places such as Johannesburg, London, Sydney and Toronto, among others.

I will introduce David on our upcoming quarterly call for investors. Details to follow next week. Meantime, I am in Switzerland this week, at a conference in St. Moritz. I will be passing through Zurich on Friday afternoon (January 30), if anyone wishes to meet up briefly there.

I will be in Nairobi Feb 22nd to Feb 26th, and likely in Botswana the week prior to that.

In mid-April, I intend to visit Namibia again to participate in the annual Cirrus Capital conference, and in mid-May I will be in Cape Town for the Investec Pan Africa conference, followed by the Nordic Value conference in Denmark.

Other members of our investment team will likely make visits to Ghana, Nigeria, and Cote d'Ivoire over the first half of this year as well.

As always, I thank each and every one of you for your investment, and if you are currently topping up or thinking of doing so, this is especially welcome. As ever, ***we have more ideas than capital to invest.***

Until next time . . .

Good Investing!

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