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

Masaki
Dar es Salaam

05 November, 2026

Dear Investor,

October 1 marked the six-year anniversary of the day I started deploying capital for African Lions Fund. It's been a fantastic journey so far.

In this letter, I thought I'd reflect on some of the lessons learned in those six years and how we can continue to progress from here.

While the Fund's track record has been extraordinary, recording a compound annual return of 27.93% for the six years – about ***double our targeted rate*** – this only tells a small part of the story.

We have clearly got a process that works. It has ***delivered gains in every market we have entered*** thus far.

We have had 31 winners, including two 10-baggers, and 14, mostly small, losers.

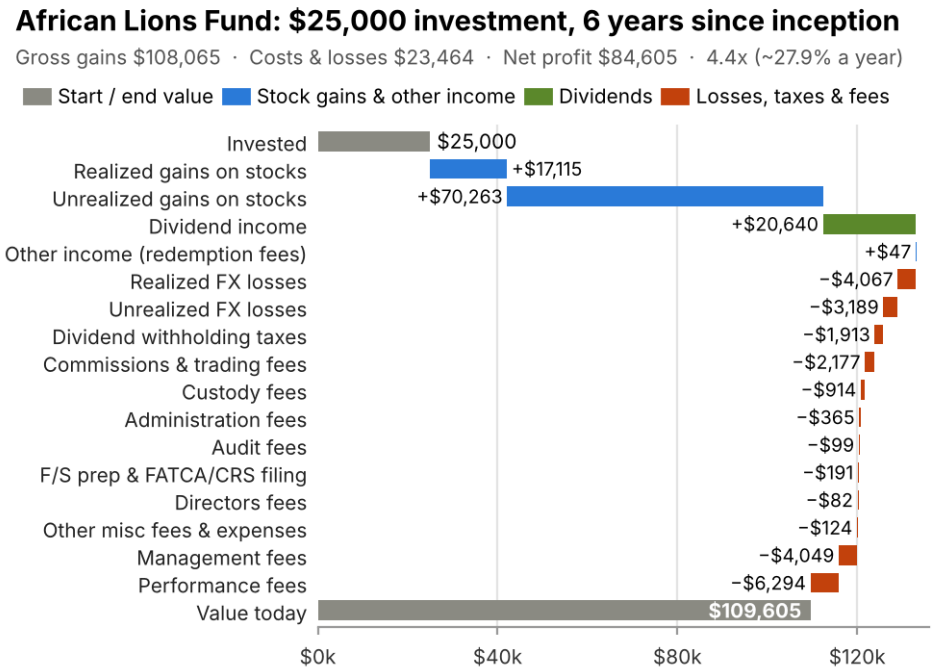
Ruthless discipline in cutting losers and admitting when we've made a mistake means we only lost a modest amount of capital across those 14 losers – just $1.068mn.

Meanwhile, among our winners, we've had **13 that each made us over $1mn**.

Four of those **made us over $5mn each**: NMB Bank, Tanzania Cigarette Company, KCB Group, and MTN Ghana. And we've **made over $10mn in UAC Nigeria**.

To see where the returns have come from on a more granular basis, and what the major expenses of the Fund have been, take a look at this detailed breakdown for a Day 1 investor who put the minimum $25,000 to work with us, back on October 1, 2020.

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You can see all the normal features of frontier markets investing in this profit and loss breakdown: FX losses are significant, trading costs are high, and so are custody fees.

But look at the dividend income – a very healthy $20,640, less $1,913 of withholding taxes over 6 years, or $18,727 net, on just a $25,000 initial investment. That's $3,121 a year, on average, or a 12.5% annual yield on the initial investment cost basis. And these dividends are compounding.

Over time, your dividend stream alone should provide you with an adequate annual return on your initial investment in African Lions Fund. Of course, these dividends are not currently paid out, but continue to accumulate within the fund. This is the most tax-efficient way for most investors in the fund to accumulate wealth.

However, should you require income from the fund, you can set up a regular redemption (quarterly, semi-annually, or annually) that substitutes for a dividend.

As well as we've done ...

It remains difficult to convince people to invest in Africa

Despite what the Fund has achieved, the capital contributed into the Fund to date is modest, all things considered, at $45.4 million over the past six years.

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Summary of Total Capital Contributed (2020–2026 YTD)		
Financial Year	**Shares Issued**	**Capital Contributed (@ $5,000/share)**
2020–2021	2,317.69	$11,588,450
2022	1,623.82	$8,119,100
2023	262.00	$1,310,000
2024	778.46	$3,892,300
2025	2,193.14	$10,965,700
2026 (YTD)	1,901.00	$9,505,000
Total	**9,076.11**	**$45,380,550**

Most of the progress from our initial $3.85mn of assets under management on October 1, 2020 to $105.4mn as of September 30, 2026 is the result of gains on our investments and reinvested dividends and profits.

I find this reluctance from investors to put capital into the Fund curious, and a bit puzzling. So, I asked some of our specialist Africa-focused peers whether they have seen any significant capital inflows into their funds over the same timeframe that we've been operating.

All said, "No." In fact, some said they've had net redemptions.

Different reasons have been put forward for this, but the simplest explanation, which may well be correct, is that with US equity markets continuing to do so well, there is really little incentive for most investors and allocators to stick their neck out and take career risk by making significant investments outside of the USA.

Whether that situation continues remains to be seen.

I am by no means an expert on US markets, or macro factors that may affect them. But it's interesting to me that the forward P/E multiple on the S&P 500 has contracted somewhat lately, to only around 18, due to a significant draw-down in the high-flying semiconductor sector. This has occurred even as the earnings projections for the S&P 500 have been increasing, and the results that companies are reporting for the most part remain strong.

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I would not be surprised to see US markets rally further, now that the mid-term elections are out of the way, and the seasonally difficult month of October is over.

That means I am not holding my breath for any sudden influx of fresh capital into African markets, which will instead continue to be characterized by increasing participation from local investors. But we don't need new money coming in to do well.

African company fundamentals continue to be strong

Earnings growth for the African Lions Fund portfolio should come in well over 30% for the current year. 2027 will see that slow somewhat, off a high base, as there were some exceptionally strong numbers in 2026 for UAC Nigeria, which made a large acquisition, and Safaricom where the Ethiopian division's losses narrowed markedly. There is also a one-off gain at Jubilee Holdings in 2026 from the sale of its general insurance division.

The African Lions Fund portfolio continues to trade on attractive valuation multiples of about 7.3x indicative earnings, and a 7% indicative dividend yield.

The portfolio's return on equity, which is my short-hand measure of profitability is also healthy at over 25%. Meanwhile, the whole portfolio can be bought for around 1.8x book value, which remains a bargain given the level of profitability and high quality of the blue-chip businesses we own.

What we're most excited about owning going forward and why…

As you know, our mandate at African Lions Fund is to buy companies that we're confident can double their revenue and profits over the next 5 to 10 years. We also aim to buy these companies on valuations low enough that we think they can double, too. If we get both those things correct, we are potentially looking at making four times our money every five to ten years.

So far, so good. We've made over 4 times our money in the first 6 years. Every $25,000 invested at inception grew into $109,605.

But what do we think can double from here? And what's still so cheap we see valuations doubling?

The sector we're most excited about is telecommunications and mobile money / fintech.

Based on the following growth drivers, we see future revenue growth as baked in:

1. Each year the population above the age of 16 (used as a proxy for the likely time an African consumer might get their first mobile phone) grows by over 3% across our universe.
2. Each year the proportion of smartphones used grows.
3. Each year the number of services and applications that use mobile data grows, and the intensity of data use grows. AI adds to this.
4. Each year incomes also grow, so people transact more frequently on mobile money platforms, and in bigger amounts

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5. Each year people also use mobile money and fintech apps for more purposes, including more advanced services such as investment management and insurance.

African mobile telecommunications carriers are ubiquitous "platform companies." Almost everyone uses their services, several times, every single day. And the carriers are all investing in upgrading their infrastructure to the latest 4G and 5G technology to better serve their customers.

Mobile phone data is one of the first things that any young African spends money on, each day. Sometimes spending on mobile data even comes ahead of food.

It's a basic necessity, plain and simple. And it's taking a bigger and bigger share of consumers' wallets. The Fund is well-placed to profit from this trend.

Pulling it all together and doing a simple 5-year forecast (with the help of AI), I come up with a forecast revenue growth of 10.3% in USD terms across a selection of seven African mobile telecom companies in our investment universe.

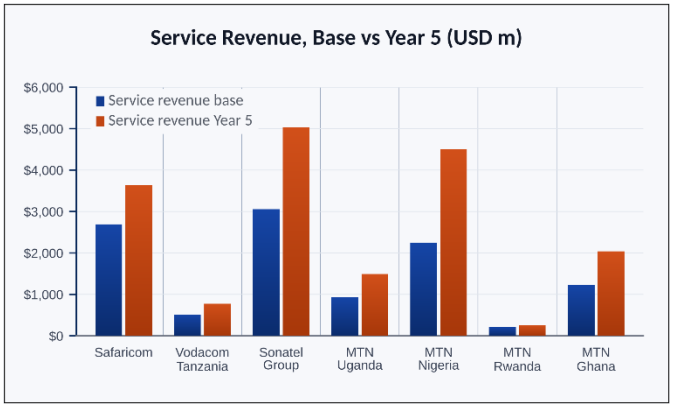
Summary – today vs Year 5

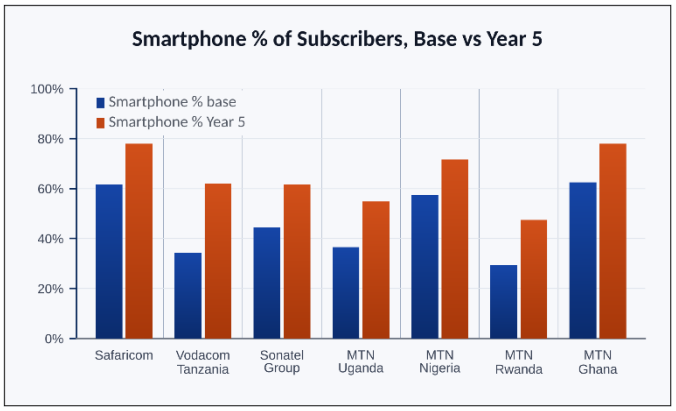
Subscribers, service revenue and monthly revenue per user, by operator

	Subscribers (m)			Service revenue (LCU bn)			Service revenue (USD m)			Revenue per user (USD/mth)	
Operator	Today	Year 5	CAGR	Today	Year 5	CAGR	Today	Year 5	CAGR	Today	Year 5
Safaricom	48.0	54.6	**2.6%**	350.0	522.3	8.3%	$2,692	$3,639	**6.2%**	$4.67	$5.56
Vodacom Tanzania	23.0	28.3	**4.2%**	1,330.0	2,464.3	13.1%	$508	$773	**8.8%**	$1.84	$2.28
Sonatel Group	43.0	51.3	**3.6%**	1,850.0	3,048.6	10.5%	$3,053	$5,031	**10.5%**	$5.92	$8.16
MTN Uganda	21.0	26.1	**4.4%**	3,470.0	6,481.9	13.3%	$925	$1,491	**10.0%**	$3.67	$4.77
MTN Nigeria	80.9	95.7	**3.4%**	3,335.0	9,786.4	24.0%	$2,253	$4,500	**14.8%**	$2.32	$3.92
MTN Rwanda	7.6	8.9	**3.3%**	275.0	452.9	10.5%	$207	$254	**4.2%**	$2.27	$2.37
MTN Ghana	29.0	32.7	**2.4%**	17.9	38.0	16.3%	$1,226	$2,041	**10.7%**	$3.52	$5.21
Total	**252.5**	**297.5**	**3.3%**				**$10,864**	**$17,730**	**10.3%**		

That means revenues will double in about 7 years. Profits will grow even faster for most of these firms, as there is good operational leverage, resulting in each additional dollar of sales adding marginally more to net profit.

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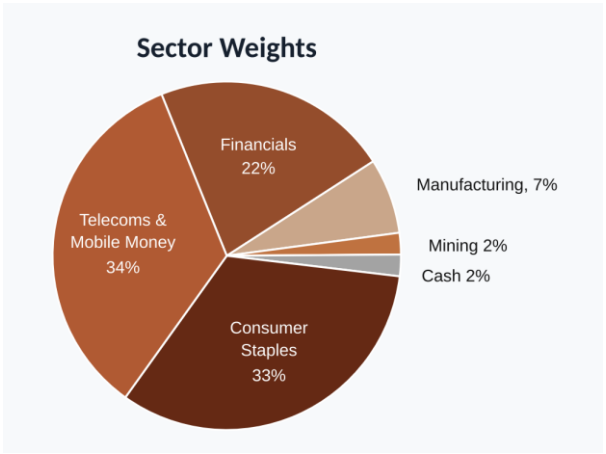


Valuations remain relatively low for most of these businesses as well. MTN Ghana trades on just 7x forward earnings. MTN Rwanda is at 4.9x. We think these valuations can still double, or more.

Safaricom has just reported first-half FY2027 results and its earnings per share put it on a current year P/E multiple of about 11.3x. That's also cheap.

Considering half of its business is now the M-Pesa mobile money and fintech division, and that M-Pesa's recently listed mobile money peer, **Airtel Mobile Commerce (AMC on the London Stock Exchange)** trades on about 19x earnings, I don't think it would be a stretch to see Safaricom trade at 15x to 16x, or about a 30% valuation uplift. Our price target remains at least KES 45, vs KES 34 now. And that's without factoring in any future profit growth beyond this year.

In short, there's much growth, and potential valuation multiple expansion to look forward to across the African Lions Fund portfolio, especially in Telecoms, which for the first time, has now overtaken consumer stocks as our biggest sector allocation.



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The Future

In many of these letters over the years, I have discussed the potential "capacity" of the Fund, and where we might consider a "soft close."

Given that some of our biggest, most liquid investments remain in the "Buy Zone," and given that there are now new IPOs starting to come to market, such as Airtel Mobile Commerce, and Quickmart in Kenya, both of which we are prepared to allocate significant capital to, **there is no immediate need to cap the size of the Fund**.

We have many more ideas to allocate capital to than we have capital to allocate.

Housekeeping notes

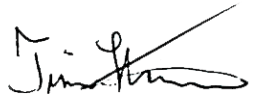
The African Lions Fund team continues to grow. Rob Fleming has joined us as an Analyst. For now, Rob is based in London, but he intends to relocate to Nairobi in the new year. Rob brings sharp analytical skills, including the use of the latest AI tools, and the team and I will be working closely with him to overhaul and update many of our existing operations and processes.

The whole African Lions team, including Rob, was in Harare last month, which I wrote about at Global Value Hunter. Muammar and David are off to Nigeria and Ghana on a company visit trip in late November and early December. I will be in Singapore December 20-22, and most likely in Sydney January 2-9. If you are interested in meeting up, shoot me an email.

As always, I'd like to thank you for being an investor, and if you've added to your investment in recent months, that is much appreciated.

Until next time...

Good investing!



Tim Staermose
Founder, African Lions Fund