

FACTSHEET

Performance Returns

For the month of July 2019 the Drakens Africa ex S.A. UCITS Fund's NAV declined 4.7%, behind the 2.0% fall of the MSCI EFM Africa Ex-South Africa benchmark.

Investment Objective & Strategy

Drakens Capital employs a long only equity strategy with a heavy focus on sustainability that is the result of two decades of investing in emerging markets. The investment philosophy at Drakens Capital is distilled into a four factor investment valuation model that encompasses Socially Responsible Investing, Risk, Quality and Value. The Fund invests in equities which derive the majority of earnings from the African continent, with the exception of those listed in South Africa. The tremendous growth opportunities found on the continent provide a rapidly expanding pool of investment opportunities. Growth and volatility often go hand in hand hence the Fund's measured and systematic investment approach seeks to tap into the emergence of the African continent whilst mitigating the risks associated with the Africa Rising story.

Market Commentary

Moroccan and Mauritan markets evidenced positive performance in the month, rising 1.8% and 0.2% respectively in USD. All the other major African markets declined, with Nigeria the worst performer, declining almost 8% in USD terms over the month. This weighed on fund performance, as entering the month Nigeria had been the fund's second largest country allocation. Whilst there were announced regulatory changes in the month from the Central Bank of Nigeria, the fall in the Nigerian market was not due to significant new macro-economic news (in fact the latest inflation numbers have inflation at a 10 month low) but rather low liquidity, and low investor appetite. The latest statistics from Nigeria's National Pension Commission (as at 1Q 2019) has the allocation of local pension funds to the Nigerian stock market at 6.5% (it was 13% 5 years ago) and mutual fund allocations at around 2% (from 24% 5 years ago). Foreigners have also been net sellers of the Nigerian Stock exchange over the last 12 months (generally from GEM funds). This has seen share prices continue to decline even though some earnings growth is expected from quality names. Locals are waiting for more foreign participation and have moved the bulk of assets into high yielding short term instruments, whilst foreigners are waiting for signs of more local participation, a conundrum.

Consensus expectations are for Nestle Nigeria, Zenith Bank and Guaranty Trust Bank to increase earnings next year, and these stocks are trading on remarkably attractive multiples. On a PE basis Nestle Nigeria has only been cheaper once over the last 7 years (this was for a few weeks in early 2016), on a dividend yield basis one must go back 10 years to find a more attractive yield. The counter was down 9% in July (in USD). Guaranty Trust Bank and Zenith Bank fell 14% and 8% respectively in USD in July. Zenith ended the month on a PE of 3.0x, Guaranty a PE of 4.2x, they had dividend yields of 15.3% and 9.7% respectively. These are quality names with ROEs well in excess of their cost of capital (Zenith and Guaranty's ROEs at month end were 24.7% and 33.1% respectively) and trade at extremely attractive multiples. The only potential reason for the banks sell-off was the aforementioned CBN regulatory changes. The CBN stated in a circular that banks must have a 60% minimum loan to deposit ratio (by September 2019) and reduced the amount of cash "parked" at the CBN that will earn interest. This is an attempt at forcing banks to lend more. All the Nigeria banks we follow already have met, or are confident they will easily meet the 60% threshold. We have also seen a reduction in Nigerian government treasury bill yields since the beginning of the year. Thus whilst we are cognisant of the implications of the regulatory changes, the fall in the share price of the top banks is excessive. Year to date Zenith Bank has dropped 20.3% in USD terms and Guaranty Trust Bank 17.3%.

The continued turmoil in global markets is having a disproportionately large effect on Africa markets due to their low liquidity and nascent status as an asset class. Quality names able to navigate the turmoil are at attractive prices at present, as such the fund will maintain its focus on quality.

SOURCE: Bloomberg L.P. as of 31 July 2019, unless stated otherwise.

UCITS Fund Performance

Fund	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	2.87%	3.47%	-0.75%	0.02%	-3.13%	1.67%	-4.73%						-0.86%
2018	6.49%	-0.54%	4.69%	1.16%	-6.28%	-1.52%	-2.47%	-3.68%	-3.74%	-4.68%	-0.07%	-1.31%	-12.00%
2017	1.06%	2.52%	1.59%	1.76%	8.08%	3.68%	4.97%	-1.10%	1.22%	0.84%	3.01%	2.14%	33.81%
2016											0.23%	0.23%	0.46%
Benchmark	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	3.15%	2.84%	-0.62%	2.48%	-2.83%	2.30%	-2.01%						5.22%
2018	6.08%	-1.10%	2.17%	0.28%	-7.19%	0.41%	-1.45%	-2.36%	-4.70%	-4.07%	0.20%	-1.42%	-12.95%
2017	0.31%	-0.70%	-0.09%	2.06%	9.38%	4.78%	4.92%	-0.58%	-1.83%	-0.22%	2.32%	0.51%	22.31%
2016											0.16%	4.08%	4.25%

The performance figures quoted above represent the performance of the Drakens Africa ex S.A UCITS Fund since launch on 28th November 2016. These performance figures refer to the past and past performance is not a reliable guide to future performance.

THE MANAGER



Sven Richter

Sven started investing in emerging markets 24 years ago. He joined Drakens Capital in 2011 and was instrumental in the 2016 management buyout. He came to the firm from Franklin Templeton where he launched one of the first Frontier Funds in the world which has today become a household name in frontier investing.

Orrin Flugel, CFA, CAIA

Orrin has over 12 years of industry experience as a macro economist and investment analyst. Orrin excelled at company research at Cape-Town based Oasis Asset Managers then progressed as a Senior Industrial Analyst at First National Bank. He joined the team in July 2011.

Paul Ross, CFA, CA(SA)

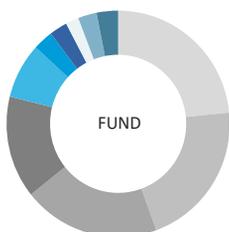
Joined in May 2011 as an Investment Analyst. Paul has over 12 years of investment experience and is a qualified Chartered Accountant. Prior to Drakens Capital, Paul was a sell-side analyst at Afrifocus Securities where he specialised in diversified industrials.

FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	\$ 31.9 million
Inception	28th November 2016
Share Class	Institutional
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.25%
Perf. Fee	0%
Min Init.	
Sub.	1,000,000
ISIN Codes	EUR: IE00BD3S0347 USD: IE00BD3S0560 CHF: IE00BD3S0677 GBP: IE00BD3S0453
Share Class	Retail
Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	0%
Min Init.	
Sub.	10,000
ISIN Codes	EUR: IE00BD3S0784 USD: IE00BD3S0909 CHF: IE00BD3S0B24 GBP: IE00BD3S0891

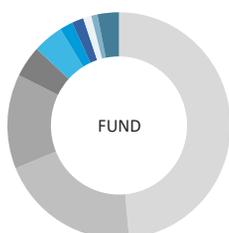
Portfolio Overview (%)

Country Breakdown



	% of Port.	vs. Index
Egypt	23.4	1.0
Kenya	21.0	3.1
Nigeria	19.8	2.0
Morocco	14.6	-16.2
Mauritius	7.9	1.5
Multinational	2.9	2.9
Tanzania	2.6	2.6
Botswana	1.9	1.9
Other	2.7	-2.0
Cash	3.1	3.1

Sector Breakdown



	% of Port.	vs. Index
Financials	48.6	-3.3
Consumer Staples	20.3	7.7
Communication Services	13.5	-8.1
Energy	4.5	3.4
Industrials	4.4	2.7
Consumer Discretionary	1.9	1.3
Materials	1.7	-8.1
Utilities	1.2	0.3
Other	0.9	0.9
Cash	3.1	3.1

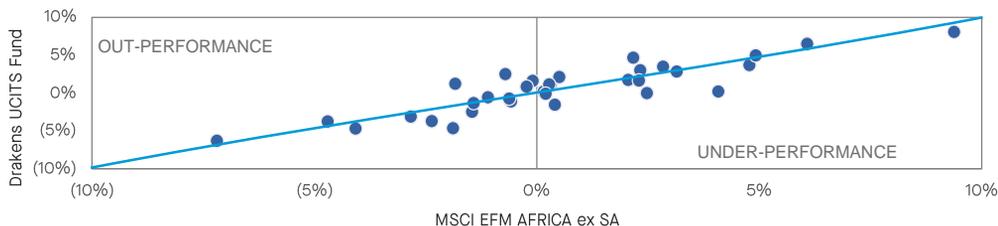
Top 10 Holdings (100%)

SAFARICOM PLC	7.9%
MCB GROUP LTD	6.4%
ATTIJARIWAFABANK	5.3%
COMMERCIAL INTERNATIONAL BANK	5.2%
CREDIT AGRICOLE EGYPT	5.2%
EQUITY GROUP HOLDINGS	4.8%
ZENITH BANK PLC	4.4%
LABEL VIE	4.2%
EFG HERMES HOLDINGS	4.2%
NESTLE NIGERIA PLC	4.0%

Financial Ratios

	Fund	Index
Price Earnings (12 months forward)	7.7	9.2
Price to Book	1.6	2.2
Return on Equity	18.1	22.5
Dividend Yield	5.5	4.6

Active Monthly Returns*



*Since Inception to 31 July 2019, USD Share Class: Monthly, %

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