

Drakens Africa ex S.A. UCITS Fund

Long Only Equity

February 2020

Performance Returns

For the month of February 2020 the Drakens Africa ex S.A. UCITS Fund's NAV declined 7.9%, which was behind the 5.9% decline of the MSCI EFM Africa Ex-South Africa Total Return 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.

Monthly Commentary

Fears surrounding the Covid-19 virus dented global markets in February with the MSCI World Index falling 8.6% in USD. The Africa ex-SA markets followed this trend despite avoiding the worst of the spread of the virus to date. By month end, cases of the virus had only been confirmed in Egypt, Algeria and Nigeria. But by time of writing Senegal, Morocco, Tunisia and South Africa had all confirmed cases. Whilst there originally was fear of the virus entering the continent through the strong trade ties with China, it currently appears that all the cases arrived from Italy and France. Africa is seen as vulnerable to the outbreak due to the limited healthcare capacity in the region. It does have certain advantages however, such as the knowledge gained from dealing with the Ebola outbreak in Central and West Africa. It is normal to hand sanitizer at the entrance to any office building in Lagos for example.

None of the companies in the portfolio have announced disruptions to their supply chains from the virus, though there is a broad realisation that contingencies need to be put in place for that possible eventuality. So far the biggest realised effect of the virus on these markets is the decline in the oil price (brent crude fell 13% to end the month at \$50.52 per barrel). This puts pressure on Nigeria's balance of payments and foreign currency reserves, though provides some balance of payment relief for other economies in this universe – in particular, Kenya.

In February, Kenya's inflation ticked up to 6.4% on higher than expected food inflation. There have been fears that the large swarms of locusts in East Africa could start to effect food production and inflation in Kenya, but it turns out that the heavy rain season was the culprit here as the planting season was affected. The locusts do remain a risk, though their presence has mainly been felt in the arid north of the country, with the key agricultural areas in the South West having only reported limited cases of locusts affecting them.

All of the fund's key markets ended lower for the month. Morocco, Egypt, Kenya and Nigeria fell 2.3%, 5.3%, 9.0% and 9.5% respectively in USD terms. Given these movements, the fund's overweight allocation to Kenya and underweight in Morocco were a large cause of the underperformance of the fund to the benchmark. The remaining cause was a selection effect in the Egyptian allocation, as benchmark heavyweight, CIB, was significantly more resilient than the rest of the Egyptian market. CIB makes up 21% of the benchmark, and thus the fund will continue to be underweight the stock due to UCITS diversification rules.

SOURCE: Bloomberg L.P. as of 29 February 2020, unless stated otherwise.

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 in 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	\$31.6 million
Inception	28 th November 2016
Share Class	Institutional
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.25%
Perf. Fee	0.00%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BD3S0347 USD: IE00BD3S0560 CHF: IE00BD3S0677 GBP: IE00BD3S0453

UCITS Fund Performance

Cumulative Performance (%)	1 mth	3mth	6mth	YTD	Since Inception
USD Inst. Class	-7.89%	-4.98%	-2.58%	-6.32%	15.64%
Benchmark	-5.92%	0.62%	4.15%	-4.11%	24.15%

Annual Performance (%)	2016*	2017	2018	2019	2020
USD Inst. Class	0.46%	33.81%	-12.00%	4.36%	-6.32%
Benchmark	4.25%	22.31%	-12.95%	16.65%	-4.11%

Share Class	Retail
Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	0.00%
Min Init. Sub.	10,000
ISIN Codes	EUR: IE00BD3S0784 USD: IE00BD3S0909 CHF: IE00BD3S0B24 GBP: IE00BD3S0891

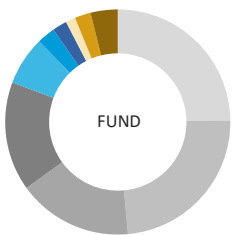
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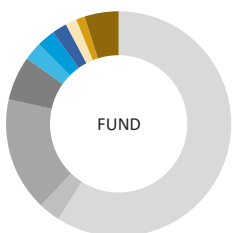
Portfolio Overview (%)

Country Breakdown



	% of Port.	vs. Index
Egypt	24.8	-0.2
Kenya	23.8	8.2
Morocco	16.5	-14.8
Nigeria	15.7	-1.1
Mauritius	7.0	-0.1
Tanzania	2.6	2.6
Multinational	2.1	2.1
Botswana	1.4	1.4
Other	2.3	-2.0
Cash	3.9	3.9

Sector Breakdown



	% of Port.	vs. Index
Financials	47.2	-3.8
Consumer Staples	22.5	11.0
Communication Services	13.1	-10.3
Healthcare	5.1	5.1
Industrials	2.1	0.8
Energy	2.1	0.8
Consumer Discretionary	1.7	1.2
Materials	1.3	-8.7
Utilities	1.0	0.0
Cash	3.9	3.9

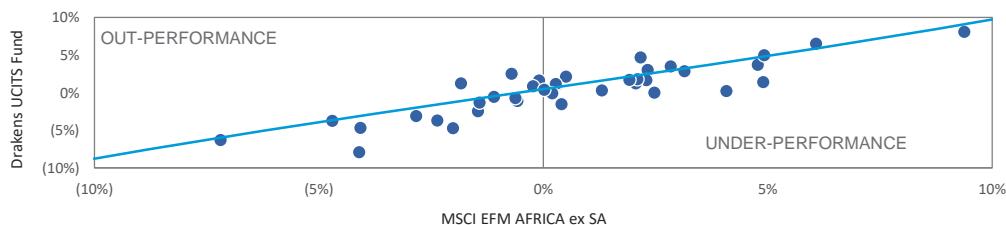
Top 10 Holdings (100%)

SAFARICOM PLC	8.5%
MCB GROUP LTD	7.2%
EQUITY GROUP HOLDINGS	6.2%
COMMERCIAL INTERNATIONAL BANK	6.1%
ATTIJARIWAFABANK	5.5%
CREDIT AGRICOLE EGYPT	5.4%
LABEL VIE	5.3%
ZENITH BANK	4.4%
EAST AFRICAN BREWERIES	4.3%
KCB GROUP LTD	4.1%

Financial Ratios

	Fund	Index
Price Earnings (12 months forward)	7.5	9.7
Price to Book	1.7	2.4
Return on Equity	21.1	22.8
Dividend Yield	5.5	4.5

Active Monthly Returns*



*Since Inception to 29 February 2020, USD Inst. Share Class: Monthly, %

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