

Drakens Africa ex S.A. UCITS Fund

Long Only Equity

November 2019

Performance Returns

For the month of November 2019 the Drakens Africa ex S.A. UCITS Fund's NAV returned 0.3%, which was behind the performance of the MSCI EFM Africa Ex-South Africa Total Return benchmark which rose 1.3%.

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

Equity Group was one of the main drivers of the positive portion of the fund's performance during November. The release of results showed nine-month earnings growing 10.0% year on year, with an accompanying annualised 23.0% ROE; these results achieved in a rate cap environment. Given Kenyan inflation is running at 5.6% year on year for the month of November, the Equity numbers showed solid real earnings growth. Also announced was the acquisition of Banque Commerciale du Congo (BCDC) in the Democratic Republic of the Congo (DRC) and a 7.7% increase in Equity Group's holding in Equity Bank Congo (previously known as ProCredit and acquired in 2015). Whilst not without risk, the DRC is a vast currently underserved potential market, and given the ROE improvements and growth Equity Group has managed in its Equity Bank Congo subsidiary post its acquisition, Equity becoming the 2nd largest bank in the DRC was viewed favourably. The stock rose 10.1% in November.

Across the continent, Guaranty Bank also provided a key boost to fund performance as the stock rose 22.4% off a two-year low, as investors appeared to refocus on quality names. Zenith Bank also rose 9.6% in the month. Whilst macro concerns persist in Nigeria, the recent increase of VAT to 7.5% from 5.0% will help the government's budget deficit somewhat. We do remain cautious on the country, and have focused the fund's investments into quality companies, which appears prudent, especially given the deep discount such names are trading at. Zenith Bank for example, ended November trading at a 15.1% dividend yield, a price to book of 0.7x, a price to earnings of 2.9x and a return on equity of 24.1%. The risk reward payoff of being invested in quality names, currently trading at deep value, is highly favourable.

On the negative side poor performance from Tullow Oil had the most impact on absolute and relative performance, reducing both by over 1%, without which the fund would've performed slightly ahead of its benchmark. The company holds good assets, however the vagaries of operating in the E&P sector have created headwinds.

Moving into the end of the year we feel the fund is positioned appropriately. Macroeconomic conditions in both Egypt (inflation having moderated, the central bank rate having been lowered markedly, and a government led industrial stimulus package having been announced) and Kenya (both the rate cap reversal and the payment of government debts to local enterprises should provide needed lubrication to the economy) should improve over the next 12 to 18 months, and as such they remain the fund's largest country exposures.

SOURCE: Bloomberg L.P. as of 30 November 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%	1.22%	0.39%	1.83%	0.29%		2.88%
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%	2.06%	0.02%	2.15%	1.31%		11.16%
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 (USD Inst. Class) 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 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	\$33.1 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

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: IE00BD3S0824 GBP: IE00BD3S0891

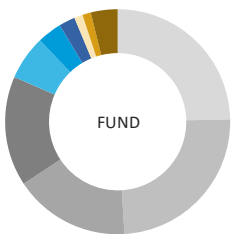
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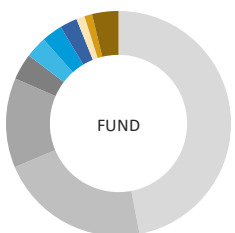
Portfolio Overview (%)

Country Breakdown



	% of Port.	vs. Index
Kenya	24.4	8.0
Egypt	24.1	0.2
Nigeria	16.5	-1.9
Morocco	15.6	-14.9
Mauritius	6.3	-0.4
Multinational	3.5	3.5
Tanzania	2.3	2.3
BRVM	1.2	-1.0
Other	1.2	-0.8
Cash	3.8	3.8

Sector Breakdown



	% of Port.	vs. Index
Financials	47.1	-3.3
Consumer Staples	21.7	9.4
Communication Services	12.9	-11.3
Energy	3.8	2.6
Healthcare	3.1	1.3
Industrials	3.0	2.1
Consumer Discretionary	2.5	3.1
Materials	1.1	-7.8
Utilities	1.2	0.2
Cash	3.8	3.8

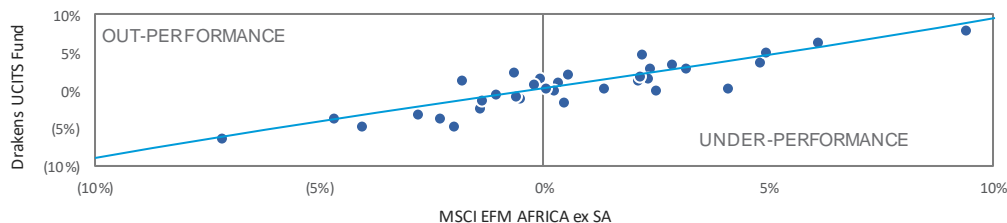
Top 10 Holdings (100%)

SAFARICOM PLC	8.3%
MCB GROUP LTD	6.5%
EQUITY GROUP HOLDINGS	6.5%
COMMERCIAL INTERNATIONAL BANK	5.7%
CREDIT AGRICOLE EGYPT	5.3%
ATTIJARIWABA BANK	5.1%
LABEL VIE	4.9%
KCB GROUP LTD	4.5%
ZENITH BANK	4.3%
NESTLE NIGERIA	4.1%

Financial Ratios

	Fund	Index
Price Earnings (12 months forward)	8.0	10.0
Price to Book	1.7	2.5
Return on Equity	20.4	24.0
Dividend Yield	5.4	4.5

Active Monthly Returns*



*Since Inception to 30 November 2019, USD Inst. Share Class: Monthly, %

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