

Drakens Africa ex S.A. UCITS Fund

Long Only Equity

January 2020

Performance Returns

For the month of January 2020 the Drakens Africa ex S.A. UCITS Fund's NAV returned 1.7%, which was behind the 1.9% return 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

Global markets started the year strongly with a noticeable pro-emerging market bias, as investors felt that a trade truce between China and the US would weaken the US dollar and benefit trade-dependent emerging economies. This sentiment turned very quickly as details of the corona virus in China began to emerge. The uncertainty as to how far the virus could spread, and how extensive the efforts to contain the virus could be, brought doubt to the trade-recovery story. As such, the USD strengthened towards the latter part of the month and emerging markets sold off. The Africa ex-South Africa markets did see some effect from the emerging market sell off, but this was limited compared to the more liquid emerging markets.

In US dollar terms, we saw positive returns in all major African ex. South Africa markets for January with the exception of Kenya and the BRVM which declined 1.5% and 5.3% respectively. The best performing market was Nigeria up an impressive 7.7%. According to Bloomberg, the Nigerian market was the best performing equity market in the world in January. This may seem surprising given that there was no significant positive policy or economic announcement in the period – on the contrary, the corona virus sent the oil price tumbling 12% which is negative for the country's trade balance and fiscal outlook. The gains were driven by an increase in local pension administrators' allocation to equities. This was in turn driven by a fall in treasury yields. This fall in yields is the result of central bank manipulation, as the Central Bank of Nigeria has regulated which players can invest in the different interest-bearing instruments. This resulted in a spread forming between OMOs and treasuries, which previously would trade in line. The central bank has become increasingly unpredictable in its attempt to control domestic markets, which was a key factor in our decision to reduce the portfolio's weight to the country. During January the regulator increased the cash reserve ratio for banks to an incredibly onerous level of 27.5%. On a separate note, there was positive stock-specific news from Nigeria, in that the attorney general and minister of justice announced they would be dropping the case against MTN Nigeria for \$1.3bn in back taxes.

For the month the slight underperformance to the benchmark was driven by overweight allocations to Kenya and to Multinationals, as well as a poor selection effect in Nigeria. This was partially countered by strong selection in Morocco (retailer Label Vie rallied 19%), as well as some strong performances in smaller countries such as Botswana and Tanzania, aided by good selection in Mauritius.

SOURCE: Bloomberg L.P. as of 31 January 2020, unless stated otherwise.

UCITS Fund Performance

Cumulative Performance (%)	1 mth	3mth	6mth	YTD	Since Inception
USD Inst. Class	1.70%	3.45%	7.05%	1.70%	25.54%
Benchmark	1.92%	8.36%	12.99%	1.92%	31.96%

Annual Performance (%)	2016*	2017	2018	2019	2020
USD Inst. Class	0.46%	33.81%	-12.00%	4.36%	1.70%
Benchmark	4.25%	22.31%	-12.95%	16.65%	1.92%

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	\$34.2 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: IE00BD3S0B24 GBP: IE00BD3S0891

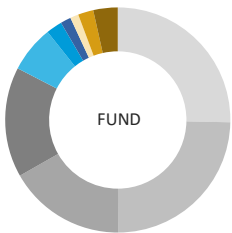
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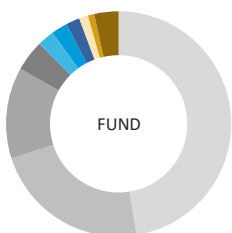
Portfolio Overview (%)

Country Breakdown



	% of Port.	vs. Index
Egypt	25.3	0.5
Kenya	24.6	7.4
Nigeria	16.8	-1.1
Morocco	15.8	-13.3
Mauritius	6.7	-0.1
Tanzania	2.3	2.3
Multinational	1.5	1.5
BRVM	1.2	-0.9
Other	2.2	0.2
Cash	3.5	3.5

Sector Breakdown



	% of Port.	vs. Index
Financials	47.5	-3.4
Consumer Staples	22.6	10.4
Communication Services	13.1	-10.5
Healthcare	4.5	4.5
Consumer Discretionary	2.4	1.9
Industrials	2.3	0.8
Energy	2.0	0.8
Materials	1.3	-8.1
Utilities	0.9	0.0
Cash	3.5	3.5

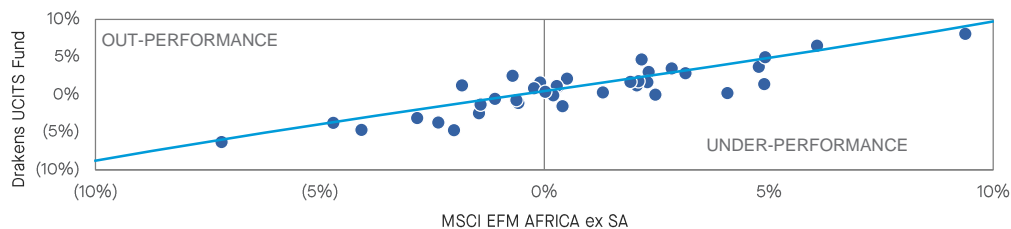
Top 10 Holdings (100%)

SAFARICOM PLC	8.5%
MCB GROUP LTD	6.9%
EQUITY GROUP HOLDINGS	6.3%
COMMERCIAL INTERNATIONAL BANK	6.0%
CREDIT AGRICOLE EGYPT	5.2%
ATTIJARIWAFABANK	5.1%
LABEL VIE	4.9%
ZENITH BANK	4.6%
KCB GROUP LTD	4.4%
EAST AFRICAN BREWERIES	4.4%

Financial Ratios

	Fund	Index
Price Earnings (12 months forward)	8.2	10.3
Price to Book	1.8	2.6
Return on Equity	21.6	24.7
Dividend Yield	5.1	4.3

Active Monthly Returns*



*Since Inception to 31 January 2020, USD Inst. Share Class: Monthly, %

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