

# Drakens Africa ex S.A. UCITS Fund

## Long Only Equity

September 2019

### Performance Returns

For the month of September 2019 the Drakens Africa ex S.A. UCITS Fund's NAV gained 0.4%, ahead of the MSCI EFM Africa Ex-South Africa benchmark which was flat for the month.

### 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

For the month of September only the Nigerian market experienced a positive performance in USD, up almost 1%. The rest of the major African (ex South Africa) markets declined, with the BRVM and Egypt falling the most, down 7.7%, and 4.2% respectively. Global trade fears and risk-off sentiment continues to weigh on African markets.

The US-China trade war standoff continues, as does Brexit uncertainty. Leading economic indicators of major developed economies continue to fall. The European Commission Manufacturing Confidence Index is at its lowest levels since 2012 for example. As such, Africa continues to suffer from global economic fallout. The nascent nature of African equities as an investment class results in an overreaction in share prices to negative news flow and underreaction to positive. This was evident in Egypt during the month with the market falling over 12% in the course of a week on the back of small protests in Egypt against corruption within the military, and also accusing President Sisi and his son of corrupt dealings. Whilst the allegations are not fresh, they brought about a starkly negative reaction in stock market prices, perhaps due to memories of the protests that ousted ex-president Hosni Mubarak. Interestingly the currency actually strengthened over this period. The protests failed to gain traction (which saw the market rebound 8%, still ending down for the month). This stock market movement was despite the release of inflation data which saw the August figure come in at 7.5% (and this has been followed up with a further fall in September to 4.8%), an announced decrease of 4% in selected fuel prices, and a lowering of energy prices for various manufacturing sectors. These are all positive for the Egyptian consumer, and economically supportive of further large central bank rate cuts, which is in turn itself supportive of the consumer and positive for future economic growth.

In Kenya the rate cap remains law with Parliament sending an updated bill (that keeps the current regime largely in place) to the president for approval. Market consensus is for the president to be unwilling to challenge parliament. Across the continent the central bank in Nigeria announced, at month end, an increase of the minimum loan to deposit ratio for banks to 65% (by year end) from the previously stipulated 60% (by end of September). Whilst the management of the fund's Nigerian bank holdings believe this will be manageable, we had already trimmed Nigerian bank holdings prior to this further announcement, on the increased policy uncertainty. Policy uncertainty remains the biggest investment risk to the fund.

Moving into the last quarter of the year, African markets will remain hostage to global developments, and we expect short term volatility. Over the longer term the investment thesis of increasingly developed countries, superior economic growth and growing internal consumer markets remains in place. We however reiterate that Africa is not a homogenous entity and requires a nuanced investment approach.

SOURCE: Bloomberg L.P. as of 30 September 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%				0.74%
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%				7.41%
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	\$32.4 million
Inception	28 <sup>th</sup> 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

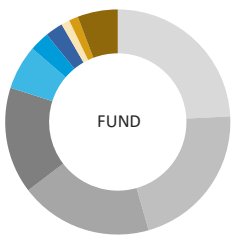
# Drakens Africa ex S.A. UCITS Fund

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September 2019

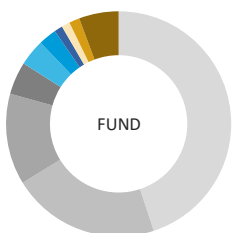
### Portfolio Overview (%)

#### Country Breakdown



	% of Port.	vs. Index
Egypt	23.9	0.3
Kenya	21.1	4.0
Nigeria	18.8	-1.0
Morocco	15.1	-13.7
Mauritius	6.3	-0.2
Multinational	2.8	2.8
Tanzania	2.5	2.5
BRVM	1.2	-1.0
Other	1.3	-0.7
Cash	5.7	5.7

#### Sector Breakdown



	% of Port.	vs. Index
Financials	45.0	-6.5
Consumer Staples	21.3	8.9
Communication Services	13.1	-9.6
Energy	4.7	3.6
Industrials	3.8	2.0
Consumer Discretionary	2.6	2.1
Materials	1.2	-7.8
Utilities	1.2	0.3
Healthcare	1.5	1.5
Cash	5.7	5.7

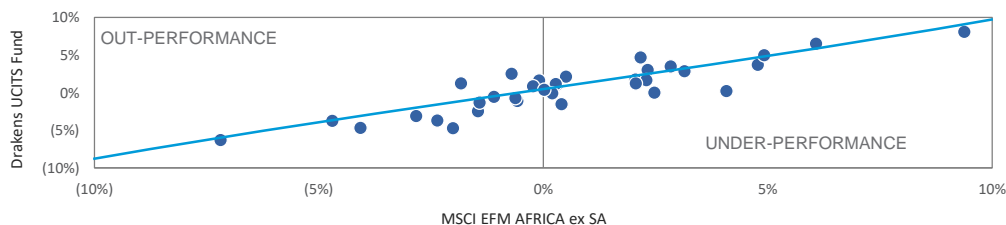
#### Top 10 Holdings (100%)

SAFARICOM PLC	8.1%
MCB GROUP LTD	6.7%
COMMERCIAL INTERNATIONAL BANK	5.7%
ATTIJARIWAFABA BANK	5.2%
CREDIT AGRICOLE EGYPT	5.1%
EFG HERMES HOLDINGS	4.6%
LABEL VIE	4.6%
EQUITY GROUP HOLDINGS	4.6%
ZENITH BANK PLC	4.5%
NESTLE NIGERIA PLC	4.5%

#### Financial Ratios

	Fund	Index
Price Earnings (12 months forward)	8.1	9.3
Price to Book	1.7	2.2
Return on Equity	20.5	23.3
Dividend Yield	5.6	4.7

### Active Monthly Returns\*



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

### Contact Details

#### Investor Contact

**MontLake Funds (UK) Ltd**  
Park House, 116 Park Street  
London, W1K 6AF  
T: +44 20 3709 4510  
investorrelations@montlakefunds.com

#### Management Company

**MontLake Management Ltd**  
23 St. Stephen's Green  
Dublin 2, Ireland  
T: +353 1 533 7020  
investorrelations@montlakefunds.com

#### Investment Manager

**Drakens Capital (Pty) Limited**  
191 Jan Smuts Avenue, Parktown North  
Johannesburg, 2193, South Africa  
T: +27 (0) 11 565 2310  
clientservices@drakenscapital.com

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