

OVERVIEW

MARCH 2024

Strategy – South African listed equities

Unlevered. Long-only.
Concentrated portfolio, 10 to 15 high conviction holdings.
Value-oriented.
Fundamental, research-driven process.
Bottom-up, with an awareness of macro factors.
Benchmark agnostic.

Portfolio Manager – Rudi van Niekerk

South African native with local, on the ground presence & knowledge.
A decade of same strategy experience investing in South African public equities.
Prior experience includes private equity & commodity trading.

Alignment

Meaningful investment from Portfolio Manager and Founders
Portfolio Manager reinvests majority of profits

Performance

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR TO DATE		
													Desert Lion ⁽¹⁾	FTSE/JSE ALSI ⁽²⁾	Delta
2019				1.4%	-1.2%	2.9%	-0.9%	-10.7%	0.8%	6.1%	3.3%	3.9%	4.8%	4.7%	0.1%
2020	-7.7%	-14.4%	-25.8%	2.0%	3.5%	6.9%	3.4%	5.6%	10.3%	13.2%	9.6%	12.5%	11.2%	-1.0%	12.2%
2021	10.9%	-2.4%	6.9%	-2.5%	2.7%	-2.1%	-1.2%	-3.3%	-5.7%	5.9%	-4.6%	6.1%	9.6%	14.6%	-5.0%
2022	0.4%	-0.0%	2.0%	-7.3%	-6.0%	-7.1%	1.6%	-0.8%	-3.6%	-3.5%	14.8%	0.4%	-10.5%	-7.3%	-3.2%
2023	0.5%	-7.9%	4.1%	-0.3%	-9.2%	5.6%	7.8%	-5.5%	-4.5%	-0.7%	1.1%	4.3%	-6.1%	-2.1%	-4.0%
2024	-1.9%	0.2%	1.7%										0.0%	-6.4%	6.4%
Cumulative – inception to date ⁽³⁾													7.3%	1.0%	6.3%
Annualized – inception to date ⁽³⁾													1.4%	0.2%	1.2%

Fund Terms

Min subscription	\$250,000
Management fee	0.75%
Performance fee	25% of profits exceeding hard hurdle
Hurdle	6% hard, non-compounding
High water mark	Yes
Soft lock-up	3 years
Early withdrawal	5%
Fund expenses	Capped at 0.5%
Withdrawals	Quarterly, 90 days notice

Notes to Performance

- Performance represents the Fund's Standard Class and is representative of an annual management fee of 0.75%; fund expenses of 0.5% p.a.; 6% non-compounding hurdle; performance fee of 25% of profits exceeding the 6% hard hurdle; high water mark applies.
- FTSE/JSE All Share Index ("ALSH" or "J203") converted to USD returns.
- Net results to a Limited Partner in the Standard Class as of April 1, 2019 inception. Individual returns will vary by class and date of investment.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

Top 6 Holdings (alphabetically)

Argent Industrial	Calgro M3
Karoo000	Nu-World Holdings
Sibanye Stillwater	Stadio

Top 6 concentration 65%

General Information

Fund Domicile	U.S. (Delaware)
Inception	April 2019
AUM	US\$ 10m
Introducing Broker	BTIG, LLC
Clearing & Custodian	Pershing, LLC
Administrator	Opus Fund Services, LLC
Legal Counsel	Sadis & Goldberg LLP
Auditor	Spicer Jeffries LLP

March 2024 Commentary

Dear Partners and Friends,

Desert Lion's Fund returned approximately +1.7% net for the month of March. Year to date, the Fund has returned 0%, which is uninspiring, but comfortably ahead of the -6.4% decline of the JSE All Share Index (J203).

We recently hosted a select group of international investors to showcase the opportunities and quality of business managers in South Africa, despite the country's well-known challenges. To try and capture the essence of the trip, I am going to borrow from our SA partner Piet Viljoen's weekly newsletter (which can be found [here](#)):

This week, I've had the pleasure of accompanying some international investors to visits with the CEOs of some outstanding South African companies.

We met with Johnny Copelyn of HCI, Zak Calisto of Karooooo, Marco van Niekerk of Outdoor Investment Holdings and Michael Jordaan of Montegray Capital. They were kind enough to take time out of their busy day to meet with these investors and share the ups and downs of doing business in South Africa. Nothing was sugar-coated, but the realization that it wasn't all sackcloth and ashes was clear.

Shock and awe were the order of the day – shock at how cheap the businesses were and awe at how good management was.

I am genuinely honored to have shared the interactions with such a thoughtful group of people, and profoundly proud of the businesses and the managers that we engaged with. To those we attended and are reading this, it was special to connect on a group and a personal level – we had a great time!

They say a picture is worth a thousand words. So, I'll proceed with a few pictures accompanied by some key takeaways...

Hosken Consolidated Investments (JSE:HCI)

Johnny Copelyn is the CEO and a major shareholder in Hosken Consolidated Investments (HCI), an active investment holding company with a superior track record of compounding. The bulk of the company's current earnings are generated by investments in tourism and hospitality, gaming, public transport services, media, coal mining, and properties. What interests us most, though, is the exposure to the extensive exploration acreage in the Orange Basin, which is emerging as the world's next hydrocarbon giant. Significant discoveries of oil have already been confirmed and HCI is part of a consortium, led by Total, that is commercializing these discoveries. We believe the earnings from these operations will effectively triple HCI's current earnings in about 5 years.



Karoo000 (JSE:KRO)

I've written extensively about Karoo000 in previous letters. Karoo000 is a day 1 investment for the Fund, and we are holding it as a long-term compounder. Zak Calisto is the CEO and 62% shareholder. Our audience was pleasantly surprised by Zak's rationality and honesty. Replying to a question on how AI changes the environment for Karoo000 and to what extent the company is adopting AI, Zak's response was that "AI is just a buzzword that companies use to hype up their share price. In reality, it infers accelerating evolving technology, and within that context, Karoo000 has been employing AI since inception." I find answers like that refreshing. Karoo000's earnings are currently understated, and we expect growth to ramp up from present levels.



Michael Jordaan – Montegray Capital

In 2013, venture capitalist and wine enthusiast Michael Jordaan stepped down as CEO of First National Bank (FNB), one of SA’s largest banks, with a customer base of nearly 9 million, to pursue his passion for entrepreneurship. With more than 20 years of experience in the financial services sector and nearly a decade at the helm of the FNB, Michael oversaw the move away from traditional banking, and led FNB to be named the “World’s Most Innovative Bank” in the 2012 Global Banking Innovation Awards. Michael is well known within the South African context as being on the forefront of leadership, innovation, and technology. He won the Sunday Times Business Leader Award in 2013 and was named The All Africa Business Leader of the Year by CNBC.

Michael now heads up a private investment company Montegray Capital and lends a strategic hand to various early stage and technology-oriented businesses.

Over a glass of superb Chardonnay at his private winery, Bartinney (highly recommended, get some [here](#)), Michael enlightened us with a fact-filled opening speech, followed by a rational all-round discussion about South Africa, politics, business, and technology. A big thanks to Michael for graciously making the time to host us.



Outdoor Investment Holdings (private company held via Astoria, JSE:ARA)

We also made our way to Safari and Outdoor, a destination shopping experience for hunting and outdoor enthusiasts. Safari and Outdoor is part of Outdoor Investment Holdings (OIH), a private company. Desert Lion is invested in the business via Astoria, a listed investment holding company. We were welcomed by Marco van Niekerk (no relation), CEO of OIH, and Jan van Niekerk (again, no relation), director of Astoria. Marco has retail flowing through his veins. Since he became a shareholder and joined OIH as CEO in 2015, the business has shown phenomenal growth. There were some retail experts in the group who quizzed him on detailed metrics, and they were impressed by the answers, to say the least. As an added extra, Marco is an entertainer of note, and we had a great time touring the shop with him.





With OIH as Astoria's single biggest investment, Astoria has benefitted proportionally. NAV has compounded at about 30% per annum, in USD, since 2020 when current management of Astoria took over the investment management of the portfolio. Yet the company is trading at a 50% discount to NAV. We are happy to buy growing businesses at half price, thank you.

In Closing

On the last day of our trip, I asked every delegate to give frank feedback about their impressions. The observations were almost unanimous: infrastructure is vastly better than expected, businesses make money and generate good returns despite the challenges, and the quality of the managers is excellent, while on the negative side, government and political risk remain concerns.

As a South African native, I was born into political risk and have been molded by it. We know how to navigate the environment. We know how and when to distinguish between headlines and bottom lines. Currently, the bottom lines of the opportunities presented to us are powerful, yet grossly underpriced. A true case of proper price dislocation, the like of which is not seen in many pockets of the market today... the type that market participants are fearful to assume in the moment, and later regret in hindsight as obvious error of omission.

To our limited partners, as always, I thank you for entrusting Desert Lion with your hard-earned capital. The majority of my wealth is invested in the Fund right alongside you.

All the best,

Rudi van Niekerk

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