

**ANNUAL REPORT
ALLAN GRAY AFRICA
BOND FUND LIMITED**

31 DECEMBER 2022

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SCHEDULE OF NET ASSETS

As at 31 December 2022

Number held	Instrument (grouped by sector)	Market value US\$	% of Fund
	GOVERNMENT	224 980 310	68.3%
77 090 000 000	Uganda Government Bond 17% Senior 2031	23 250 203	7.0%
24 200 000	Ivory Coast 4.875% 2032 Eurobond	22 011 305	6.7%
19 500 000	Kenya 8.25% 2048 Eurobond	15 727 511	4.8%
20 500 000	Republic Of Senegal 5.375% 2037 Eurobond	15 682 613	4.8%
213 000 000	RSA Government Bond 8.0% 2030	11 604 962	3.5%
12 500 000	Ivory Coast 6.875% 2040 Eurobond	10 349 097	3.1%
8 100 000	US TIPS 0.625% CPI 2024	10 159 136	3.1%
12 000 000	Egypt 7.903% 2048 Eurobond	7 955 368	2.4%
10 000 000	Egypt 7.625% 2032 Eurobond	7 493 390	2.3%
8 500 000	SOAF 7.3% 2052 Eurobond	7 463 174	2.3%
9 645 000	Ghana 10.75% 2030 Eurobond	7 242 431	2.2%
22 800 000 000	Uganda Government Bond 16.00% Senior 2027	6 550 820	2.0%
9 500 000	Egypt 8.875% 2050 Eurobond	6 522 607	2.0%
7 500 000	Benin 6.875% 2052 Eurobond	6 353 479	1.9%
10 500 000	Ivory Coast 5.75% 2032 Eurobond	6 161 469	1.9%
117 000 000	RSA Government Bond 8.25% 2032	6 026 989	1.8%
8 000 000	Egypt 8.5% 2047 Eurobond	5 629 068	1.7%
7 500 000	Republic Of Senegal 6.75% 2048 Eurobond	5 488 333	1.7%
17 000 000 000	Uganda Government Bond 16% Senior 2030	4 822 785	1.5%
13 000 000	Ghana 8.625% 2034 Eurobond	4 724 457	1.4%
10 500 000	Ghana 7.625% 2029 Eurobond	3 926 367	1.2%
5 000 000	Egypt 5.625% 2030 Eurobond	3 925 631	1.2%
5 000 000	Egypt 6.875% 2040 Eurobond	3 301 380	1.0%
8 066 200 000	Holdings less than 1%	22 607 735	6.8%
	CORPORATES	93 848 306	28.4%
46 000 000	Seplat 7.75% 2023 Eurobond	37 880 735	11.4%
19 500 000	Sasol 5.5% 2031 Eurobond	16 217 171	4.9%
23 800 000	Tullow 7.00% 2025 Eurobond	15 106 859	4.6%
11 700 000	First Quantum 6.875% 2027 Eurobond	11 209 854	3.4%
5 750 000	MTN 6.5% 2026 Eurobond	5 845 802	1.8%
5 000 000	Absa AT1 6.375% 2026 Eurobond	4 550 417	1.4%
3 087 054	Holdings less than 1%	3 037 468	0.9%
	CASH AND NET ACCRUALS	10 988 004	3.3%
	NET ASSETS	329 816 620	100.0%

Note: There may be slight discrepancies in the totals due to rounding. The bonds have been disclosed inclusive of interest receivable.

*The bonds have been disclosed inclusive of accrued interest.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

As at 31 December 2022

The directors of the Fund are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements, which comprise the financial position as at 31 December 2022 and its financial performance and cash flows for the year ended 31 December 2022, are set out on pages 7 to 31 and have been approved by the directors of the Fund and are signed on its behalf by:



John Collis
Director
20 March 2023



Craig Bodenstab
Director
20 March 2023

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Allan Gray Africa Bond Fund Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Allan Gray Africa Bond Fund Limited (the "Fund") which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities of the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk:

Valuation of financial assets at fair value through profit or loss

The valuation of the Fund's financial assets at fair value through profit or loss is a key audit matter because it significantly impacts the Fund's performance and net asset value and is quantitatively significant to the Fund. We have thus assessed the Fund's investments in financial assets as an area of higher risk of material misstatement due to the complexity in determining the fair value.

INDEPENDENT AUDITOR'S REPORT

As of 31 December 2022, the Fund's financial assets at fair value through profit or loss amounted to US\$ 309,630,551. Financial assets include money market instruments and bonds. As disclosed in Notes 1.3.7 and 6.2 to the financial statements, the Fund records its investments in financial assets carried at fair value through profit or loss based on a quoted price in an active market. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

Our response to the risk:

We evaluated management's valuation methodology applied to determine the fair value of the Fund's financial assets and performed the following procedures, among others.

For the Fund's investments in money market instruments and bonds, we compared the values recorded by the Fund to independently quoted prices, observable trades and/or vendor prices. For those investments not based on quoted market prices, we assessed the reasonableness of management's valuation methodology and compared data inputs used by management to independent sources.

We independently recalculated the fair value of all financial instruments at fair value through profit or loss which we compared to the Fund's recorded fair value.

Other information included in the Fund's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

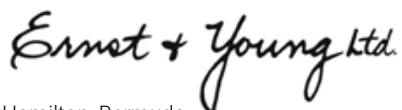
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Jessel Mendes.

The image shows the handwritten signature of Ernst & Young Ltd. in a cursive, black ink style.

Hamilton, Bermuda
20 March 2023

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 US\$	2021 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	309 630 551	335 502 384
Cash and cash equivalents		11 216 744	66 162 699
Trade and other receivables	3	9 003 040	11 105 971
TOTAL ASSETS		329 850 335	412 771 054
LIABILITIES			
Trade and other payables	4	33 715	221 363
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		33 715	221 363
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		329 816 620	412 549 691

The above Statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 US\$	2021 US\$
NET INVESTMENT (LOSS)/INCOME		(37 609 041)	21 498 048
Realised (losses)/gains on disposal of investments		(42 255 962)	2 790 310
Unrealised losses on investments		(20 967 029)	(14 644 513)
Interest income		29 809 889	34 837 363
Foreign exchange losses		(4 195 939)	(1 485 112)
EXPENSES		(406 648)	(748 588)
Management fees	1.3.2	(175 199)	(251 559)
Custodian fees		(161 588)	(357 108)
Directors' fees		(24 000)	(24 000)
Audit fees		(20 084)	(24 033)
Other expenses		(19 160)	(80 929)
Bank charges		(6 617)	(10 959)
(LOSS)/PROFIT BEFORE TAXES		(38 015 689)	20 749 460
Withholding and other taxes		(828 783)	(1 004 022)
TOTAL COMPREHENSIVE (LOSS)/INCOME		(38 844 472)	19 745 438

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

For the year ended 31 December 2022

	Note	Net assets attributable to holders of redeemable shares US\$	Number of share in issue
BALANCE AT 31 DECEMBER 2020	7	413 418 907	2 600 972
Net capital redemptions		(20 614 654)	(123 519)
Total comprehensive income for the year		19 745 438	-
BALANCE AT 31 DECEMBER 2021	7	412 549 691	2 477 453
Net capital redemptions		(43 888 599)	(285 230)
Total comprehensive loss for the year		(38 844 472)	-
BALANCE AT 31 DECEMBER 2022	7	329 816 620	2 192 223

The above Statement of changes in net assets attributable to holders of redeemable shares should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 US\$	2021 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	5.1	(406 648)	(748 588)
Working capital changes	5.2	1 426 471	156 726
Interest received, net of withholding tax		30 298 700	34 240 492
NET CASH GENERATED BY OPERATING ACTIVITIES		31 318 523	33 648 630
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		275 954 384	330 649 980
Acquisition of investments		(314 134 324)	(319 257 420)
NET CASH (UTILISED)/GENERATED BY INVESTING ACTIVITIES		(38 179 940)	11 392 560
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		3 032 425	4 248 108
Redemption of redeemable shares		(46 921 024)	(24 862 762)
NET CASH UTILISED IN FINANCING ACTIVITIES		(43 888 599)	(20 614 654)
Net (decrease)/increase in cash and cash equivalents		(50 750 016)	24 426 536
Cash and cash equivalents at the beginning of the year		66 162 699	43 221 275
Effect of exchange rate changes on cash and cash equivalents		(4 195 939)	(1 485 112)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		11 216 744	66 162 699

The above Statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

Corporate information

Allan Gray Africa Bond Fund Limited ('the Fund'), was incorporated on 16 November 2012 and is a limited liability company of unlimited duration under the laws of Bermuda. The Fund was launched to the public on 27 March 2013 and is a Bermuda exempted Mutual Fund Company. The investment manager of the Fund is Allan Gray Bermuda Limited ('the Investment Manager'). Allan Gray Proprietary Limited, a fellow subsidiary within the Allan Gray group, is the Investment Adviser to the Fund.

The financial statements of the Fund were authorised for issue by the directors of the Fund on 20 March 2023.

1. Accounting standards and policies**1.1 Basis of preparation**

The financial statements have been prepared on a going concern basis, using the historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost, in accordance with International Financial Reporting Standards, ('IFRS'). These financial statements are presented in US dollars, being the functional currency of the Fund.

1.2 IFRS

The Fund has adopted all new and revised standards, interpretations and amendments issued by the International Accounting Standards Board (the 'IASB') and the IFRS Interpretations Committee ('IFRIC') of the IASB that are relevant to its operations and effective for the year ended 31 December 2022.

The significant accounting policies adopted in the preparation of the financial statements are set out below and are in accordance with and comply with IFRS.

A number of other changes, that are effective for the accounting periods beginning on or after 1 January 2022, have been issued by the IASB and IFRIC. However, these are not considered to have a material impact on the Fund's operations.

The following new or revised IFRS standards, interpretations and amendments applicable to the Fund have been issued but are not yet effective:

Standards		Effective date: Years beginning on/after
IAS 1	Presentation of Financial Statements	01 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2023

The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

1.3 Accounting policies

The Fund has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are set out below and have been consistently applied.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

1.3.1 Net investment income

Net investment income comprises interest income and realised and unrealised gains and losses on investments.

Interest income

Interest is recognised in the Statement of comprehensive income using the effective interest method.

Investment gains and losses

Changes in the fair value of financial assets held at fair value through profit or loss, and gains or losses made on the disposal of these financial assets, calculated using the average cost method, are recognised in profit or loss.

1.3.2 Management fee

The management fee is the fee paid by the Fund to the Investment Manager for the management of the Fund. Management fees are calculated and accrued based on the weekly net asset value of the share class and recognised on an accrual basis in profit or loss.

1.3.3 Expenses

Any interest expense is recognised on an accrual basis using the effective interest method. All other expenses are recognised in profit or loss on an accrual basis.

1.3.4 Distributions to holders of redeemable shares

Distributions from the Fund will be automatically reinvested in additional redeemable shares, unless a holder of redeemable shares requests in writing that any dividends be paid to them. Distributions to holders of redeemable shares are recognised in the Statement of comprehensive income as finance costs.

1.3.5 Taxation

There is no income tax, corporation tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate or stamp duty or inheritance tax in Bermuda payable by the Fund or its members in respect of shares in the Fund. The government of Bermuda has undertaken that in the event that any income, profit, capital, capital gains, estate or inheritance taxes are levied in Bermuda in the future, the Fund and its shares will be exempt from such taxes until 31 March 2035.

Income and capital gains on the Fund's investments, however, may be subject to taxes in certain countries.

The Fund evaluates tax positions to determine whether, for all tax years still subject to assessment or challenge by the relevant taxation authorities, the tax positions are probable to be accepted on examination by the relevant tax authorities. If it is probable that the Fund's tax positions will be accepted, the taxable profit/tax loss should be consistent with the Fund's tax filings. If it is not probable, the Fund must reflect the effect of the uncertainty in determining its taxable profit/tax loss. The effect of the uncertain tax treatment is determined by applying either the expected value method or the most likely method.

The Fund has analysed its tax positions at and for the year ended 31 December 2022, and has concluded that no asset/liability relating to tax positions that are certain, where it is probable that the Fund's tax positions will be accepted by the relevant taxation authorities, should be recorded. There are no uncertain tax positions. Additionally, the Fund has recorded withholding and other taxes applicable to certain income types.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

1.3.6 Income adjustments

Income adjustments on creation/cancellation of shares represent the income portion of the price received or paid when shares are created or cancelled. The income portion of the price received by the Fund on creation of shares is, in effect, a payment by shareholders for entitlement to a distribution of income that was earned by the Fund before they joined. The income portion of the price paid to shareholders when shares are cancelled is, in effect, compensation for the income distribution they will forfeit when exiting the Fund before the distribution date. Income adjustments on creation/cancellation of shares are classified as equity transactions and are recognised as net assets attributable to shareholders from transactions in shares in the Statement of changes in net assets attributable to holders of redeemable shares, when shares are purchased and sold.

1.3.7 Financial instruments: Financial assets and liabilities**Classification****Financial assets**

The Fund determines the classification of its financial assets on initial recognition, when it becomes a party to the contract governing the instrument. The classification depends on how the Fund manages its financial assets in order to generate cash flows.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when:

- They are held for trading;
- The contractual cash flows do not represent solely payments of principal and interest; or
- Designated as such upon initial recognition to eliminate or significantly reduce a measurement or recognition inconsistency.

The Fund classifies its investments in debt instruments, derivatives and cash and cash equivalents held for investment purposes as financial assets at fair value through profit or loss.

Financial instruments designated as at fair value through profit or loss upon initial recognition comprise debt instruments that are not held for trading. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Fund, as set out in the Fund's offering document. Derivatives are categorised as held for trading and are not designated as effective hedging instruments in terms of IFRS 9. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Financial assets at amortised cost

The Fund classifies financial assets at amortised cost when:

- The financial asset is held with the objective to collect contractual cash flows; and
- The terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost comprise cash and cash equivalents and trade and other receivables, which include interest receivable and amounts due from brokers, which are short-term in nature. Amortised cost approximates fair value due to the short-term nature of the financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

Financial liabilities

The Fund determines the classification of its financial liabilities on initial recognition, when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Fund that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost

The Fund classifies its trade and other payables and distributions payable as financial liabilities at amortised cost, which are measured at amortised cost. Trade and other payables include accrued expenses and amounts due to brokers, which are short-term in nature. Amortised cost approximates fair value due to the short-term nature of the financial liabilities.

Recognition and measurement

A 'regular way' contract is one that requires the delivery of an asset within the time frame established, generally by regulation or convention within the marketplace concerned. Regular way purchases and sales of financial assets are recognised using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or to sell an asset.

Financial instruments are recognised on the trade date at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Fund determines the classification of its financial instruments on initial recognition, when the Fund becomes a party to the contract governing the instrument.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities designated as at fair value through profit or loss are measured at fair value. Subsequent to initial recognition, investments at fair value through profit or loss are marked to market on a daily basis with changes in fair value taken through profit or loss as gains and losses. Attributable transaction costs are recognised in profit or loss as incurred.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets and financial liabilities at amortised cost are measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost approximates fair value due to the short-term nature of financial assets and financial liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

Gains and losses are recognised in profit or loss when financial assets and financial liabilities at amortised cost are derecognised or impaired, and through the amortisation process.

Derecognition of financial assets and liabilities

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset; or
- The Fund has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Fund assesses at each reporting date whether an allowance for expected credit losses ('ECL') should be recognised. The ECL allowance does not require any trigger event to occur but rather relies on an expectation of future losses.

Assets carried at amortised cost

The allowance for ECL is determined based on the difference between the contractual cash flows and the cash flows expected to be received, discounted at the original effective interest rate. The Fund has adopted the simplified approach in determining the ECL based on its historical credit loss experience, days past due of the trade and other receivables and cash and cash equivalents and consideration of forward-looking factors specific to the counterparty and economic environment. The exposure has been assessed and concluded to be immaterial.

A financial asset is classified as in default when the contractual payments are 30 days past due, unless there is specific information indicating that the Fund is unlikely to receive the outstanding amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Fund holds trade receivables and cash and cash equivalents with no financing component and which have maturities of less than 12 months. All trade receivables are expected to be received within 30 days.

Determination of fair value

Financial instruments carried at fair value are valued based on a quoted market price. For all financial instruments that are not valued based on a quoted market price, the fair value is determined by using appropriate valuation techniques. An analysis of fair values of financial instruments and further details as to how they are measured, are provided in Note 6.2.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

Offsetting financial instruments

A financial asset and a financial liability are offset, and the net amount is presented in the Statement of financial position, only when the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are only offset to the extent that their related instruments have been offset in the Statement of financial position.

1.3.8 Cash and cash equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash commitments, rather than for investment or other purposes, are current assets and disclosed separately on the face of the Statement of financial position.

1.3.9 Amounts due from and to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased (in a regular way transaction) that have been contracted for but not yet settled or delivered on the Statement of financial position date. These are included in trade and other receivables, and in trade and other payables, respectively.

A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

1.3.10 Foreign currencies

The Fund's functional currency is the US dollar, which is the currency in which the performance of the Fund is evaluated and its liquidity is managed. Foreign currency items are recorded at the exchange rate ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at rates of exchange ruling at the Statement of financial position date or when settled. Gains and losses arising from the translation of these monetary assets and liabilities are recognised in profit or loss.

Realised and unrealised foreign currency gains or losses on investments measured at fair value through profit or loss are included in the Statement of comprehensive income in realised gains and losses on disposal of investments and unrealised gains and losses on investments, respectively. Realised and unrealised foreign currency gains or losses on all other financial instruments denominated in foreign currencies are included in the Statement of comprehensive income in foreign exchange gains or losses.

1.3.11 Redeemable shares and net assets attributable to holders of redeemable shares

Shares issued by the Fund are classified as financial liabilities and disclosed as net assets attributable to holders of redeemable shares. The value of net assets attributable to holders of redeemable shares is what is commonly known as the capital value of the Fund. This financial liability (as defined by IAS 32) represents the holders' right to a residual interest in the Fund's net assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

1.3.12 Critical judgement in applying the Fund's accounting policies

The preparation of the Fund's financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Fair value

When the fair values of financial assets and liabilities recorded in the Statement of financial position cannot be derived from quoted market prices, they are determined using a variety of valuation techniques. Refer to Note 6.2.

1.3.13 Events subsequent to year end

There were no significant events subsequent to year end up to the date of approval of these financial statements.

1.3.14 Comparative information

Where necessary, comparative figures are adjusted to comply with changes in presentation in the current year.

2. Financial assets at fair value through profit or loss

	2022 US\$	2021 US\$
FINANCIAL ASSETS		
Bonds	308 398 505	320 298 558
Money market instruments	1 232 046	15 203 826
TOTAL	309 630 551	335 502 384

3. Trade and other receivables

Interest receivable	9 003 040	9 491 852
Amounts due from brokers	-	1 614 119
TOTAL	9 003 040	11 105 971

4. Trade and other payables

Other payables	33 715	221 363
TOTAL	33 715	221 363

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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5. Notes to the statement of cash flows

5.1 Net cash outflow from operations before working capital changes

	2022 US\$	2021 US\$
Total comprehensive (loss)/income for the year	(38 844 472)	19 745 438
ADJUSTMENTS		
Realised losses/(gains) on disposal of investments	42 255 962	(2 790 310)
Unrealised losses on investments	20 967 029	14 644 513
Foreign exchange losses	4 195 939	1 485 112
Interest income, net of withholding tax	(28 981 106)	(33 833 341)
TOTAL	(406 648)	(748 588)

5.2 Working capital changes

Decrease in trade and other receivables	1 614 119	1 662 884
(Decrease)/increase in trade and other payables	(187 648)	(1 506 158)
TOTAL	1 426 471	156 726

6. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 1 to the financial statements.

Categorisation of financial instruments at 31 December 2022

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Total US\$
ASSETS				
Financial assets at fair value through profit or loss	-	309 630 551	-	309 630 551
Cash and cash equivalents	11 216 744	-	-	11 216 744
Trade and other receivables	9 003 040	-	-	9 003 040
TOTAL ASSETS	20 219 784	309 630 551	-	329 850 335
LIABILITIES				
Trade and other payables	-	-	33 715	33 715
TOTAL LIABILITIES	-	-	33 715	33 715

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

Categorisation of financial instruments at 31 December 2021

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Total US\$
ASSETS				
Financial assets at fair value through profit or loss	-	335 502 384	-	335 502 384
Cash and cash equivalents	66 162 699	-	-	66 162 699
Trade and other receivables	11 105 971	-	-	11 105 971
TOTAL ASSETS	77 268 670	335 502 384	-	412 771 054
LIABILITIES				
Trade and other payables	-	-	221 363	221 363
TOTAL LIABILITIES	-	-	221 363	221 363

6.1 Financial risk management policies and objectives

The Fund's investment portfolio may comprise interest-bearing securities, cash and cash equivalents, government and corporate debt, convertible bonds, securitised debt, preference shares and derivative instruments where the underlying asset is a debt security. The Fund may invest in listed and unlisted securities as well as unrated securities and these securities may be denominated in local or foreign currency.

The Fund invests in a focused portfolio of assets that are selected for their perceived superior fundamental value and expected risk and return profile. The Fund seeks to take advantage of opportunities that arise and may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets with exposure to a basket of African countries.

The Fund defines 'African securities' as securities issued by entities that are African and non-African development institutions and corporate issuers, where the funds raised are earmarked for use in Africa. The Fund's asset allocation will be flexible amongst the various fixed income asset classes. The Fund's investing activities expose holders of Fund shares to various types of risk that are associated with the financial instruments and markets in which the Fund invests.

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate, foreign currency and other price risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk as it invests in interest-bearing instruments. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

The Fund does not hedge interest rate risk. Instead, the Investment Manager tries to mitigate interest rate risk by monitoring the duration and term of the Fund compared to its benchmark, and relative to the long-term outlook on interest rate levels. Interest rate risk is linked to foreign currency risk, as currency weakness typically results in inflationary pressure which, in turn, poses significant upside risk to the outlook for interest rates. Where the Investment Manager believes there is an outlook for higher interest rates, the Investment Manager would look to manage this through lowering the duration in the portfolio.

The following tables illustrate the effect of reasonably possible changes in prevailing interest rates, with all other variables held constant. This analysis ignores operating bank accounts in the underlying Fund. Modified duration is used to estimate the change in the net assets attributable to holders of redeemable shares as a result of a change in interest rates. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance.

2022	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
MONEY MARKET INSTRUMENTS	1 232 046	456	912
Denominated in US dollar	1 232 046	456	912
BONDS	308 398 505	8 101 013	16 202 026
Denominated in US dollar	194 292 810	5 103 684	10 207 369
Denominated in Euro	58 326 621	1 532 124	3 064 248
Denominated in Ugandan shilling	35 956 586	944 508	1 889 015
Denominated in South African rand	17 072 367	448 457	896 914
Denominated in Botswanan pula	1 859 429	48 843	97 687
Denominated in Namibian dollar	890 692	23 397	46 793
CASH AND CASH EQUIVALENTS	11 216 744	56 083	112 167
Denominated in US dollar	10 230 468	51 152	102 305
Denominated in Nigerian naira	459 644	2 298	4 596
Denominated in Namibian dollar	182 373	912	1 824
Denominated in Botswanan pula	184 468	922	1 845
Denominated in Egyptian pound	52 750	264	528
Denominated in Ghanaian cedi	41 237	206	412
Denominated in Zambian kwacha	27 238	136	272
Denominated in Kenyan shilling	25 934	130	259
Denominated in South African rand	4 771	24	48
Denominated in Malawian kwacha	4 756	24	48
Denominated in Ugandan shilling	2 029	10	20
Denominated in Euro	1 042	5	10
Denominated in pounds	34	-	-

Coupon rates on bonds range between 0.6% and 17% (2021: 4.8% and 21%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

2021	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
MONEY MARKET INSTRUMENTS	15 203 826	10 903	21 806
Denominated in Nigerian naira	11 231 106	8 054	16 108
Denominated in Egyptian pound	3 972 720	2 849	5 698
BONDS	320 298 558	7 677 794	15 355 590
Denominated in US dollar	178 186 807	4 271 271	8 542 541
Denominated in Ghanaian cedi	28 449 019	681 944	1 363 888
Denominated in Ugandan shilling	41 288 092	989 706	1 979 413
Denominated in Euro	17 645 509	422 976	845 952
Denominated in Zambian kwacha	3 433 478	82 303	164 606
Denominated in Egyptian pound	4 088 990	98 016	196 032
Denominated in Botswanan pula	2 049 060	49 117	98 235
Denominated in Kenyan shilling	8 250 863	197 779	395 559
Denominated in South African rand	29 360 174	703 785	1 407 570
Denominated in Namibian dollar	7 546 566	180 897	361 794

Foreign currency risk

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund undertakes certain transactions denominated in foreign currencies and hence is exposed to the effects of exchange rate fluctuations.

The Fund hedges foreign currency risk. The Investment Manager's primary concern in managing the Fund is the risk of permanent capital loss. As such, the Investment Manager is cognisant of all macro and political risks, including any currency devaluation risk. This risk is incorporated in the assessment of the attractiveness of the securities the Fund invests in. As part of the investment research, the Investment Manager also determines what is believed to be the long-term fair value of each currency in which the Fund invests. As part of this analysis, the Investment Manager looks at which markets are in a period of currency weakness or strength alongside what level of currency risk the markets are pricing in relative to history. For long-term investors, the ability to find cheap assets in discounted macro-weak environments can help to mitigate the currency risk.

The following tables indicate the currencies to which the Fund had exposure at 31 December 2022 and 31 December 2021 on its monetary financial assets and liabilities. It illustrates the effect of reasonably possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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A positive number indicates a decrease in net assets attributable to holders of redeemable shares where the US dollar strengthens against the relevant currency. For a weakening of the US dollar against the relevant currency, there would be an equal and opposite impact on the net assets attributable to holders of redeemable shares, and the balances below would be negative.

Currency impact in US\$					
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2022					
Currency		Financial asset US\$	+/- 5%	+/- 10%	+/- 20%
Botswanan pula	BWP	2 036 977	101 849	203 698	407 395
Canadian dollar	CAD	34	2	3	7
Egyptian pound	EGP	52 750	2 638	5 275	10 550
Euro	EUR	58 327 663	2 916 383	5 832 766	11 665 533
Ghanaian cedi	GHS	41 237	2 062	4 124	8 247
Kenyan shilling	KES	25 934	1 297	2 593	5 187
Malawian kwacha	MWK	4 756	238	476	951
Namibian dollar	NAD	1 098 543	54 927	109 854	219 709
Nigerian naira	NGN	379 194	18 960	37 919	75 839
South African rand	ZAR	17 077 138	853 857	1 707 714	3 415 428
Ugandan shilling	UGX	35 825 481	1 791 274	3 582 548	7 165 096
Zambian kwacha	ZMW	27 238	1 362	2 724	5 448
			5 744 849	11 489 694	22 979 390

Currency impact in US\$					
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2021					
Currency		Financial asset US\$	+/- 5%	+/- 10%	+/- 20%
Botswanan pula	BWP	2 101 872	105 094	210 187	420 374
Canadian dollar	CAD	37	2	4	7
Egyptian pound	EGP	8 466 413	423 321	846 641	1 693 283
Euro	EUR	18 136 254	906 813	1 813 625	3 627 251
Ghanaian cedi	GHS	29 234 269	1 461 713	2 923 427	5 846 854
Kenyan shilling	KES	8 481 049	424 052	848 105	1 696 210
Malawian kwacha	MWK	5 984	299	598	1 197
Namibian dollar	NAD	7 995 931	399 797	799 593	1 599 186
Nigerian naira	NGN	38 606 820	1 930 341	3 860 682	7 721 364
Ugandan shilling	UGX	41 294 555	2 064 728	4 129 456	8 258 911
South African rand	ZAR	29 647 807	1 482 390	2 964 781	5 929 561
Zambian kwacha	ZMW	3 613 328	180 666	361 333	722 666
			9 379 216	18 758 432	37 516 864

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For the year ended 31 December 2022

The closing foreign exchange rates at 31 December 2022 and 31 December 2021 are as follows:

	2022	2021
USD: BWP	12.77	11.74
USD: CAD	1.35	1.27
USD: EGP	24.76	15.71
USD: EUR	0.94	0.88
USD: GBP	0.80	-
USD: GHS	9.99	6.18
USD: KES	123.35	113.15
USD: MWK	1 027.11	816.40
USD: NAD	16.98	15.93
USD: NGN	461.10	424.11
USD: UGX	3 723.00	3 545.00
USD: ZAR	16.98	15.93
USD: ZMW	18.11	16.66

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

At year end, financial assets exposed to credit risk included debt instruments and cash accounts. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. The Investment Manager monitors the creditworthiness of the Fund's counterparties (e.g. brokers, custodians and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis. In accordance with the investment restrictions as described in the Fund's Prospectus, no more than 10% of the Fund may be invested in any one corporate's debt securities. This limit does not apply to cash held in a bank. The Fund may own no more than 25% of any one corporate's outstanding debt. The sum of individual corporate credit exposures exceeding 5% may not exceed 60% of the Fund. The Fund may not enter into uncovered derivative positions. The Investment Adviser's compliance department monitors compliance with applicable regulations and the investment mandate on a daily basis.

The carrying amount of financial assets recorded in the financial statements represents redeemable shareholders' maximum exposure to credit risk. None of the financial assets disclosed in the financial statements are past due.

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The following table provides an analysis of the credit quality of the Fund's debt securities at reporting date by rating agency category. The credit quality has been assessed by reference to Fitch credit ratings and, where unavailable, Moody's ratings have been used. Ratings are presented in ascending order of credit risk.

Credit rating	2022 % of debt securities	2021 % of debt securities
AAA	11.1	12.0
AA+	1.6	-
AA	1.8	-
A+	0.2	6.8
A	3.2	9.6
BBB+	0.6	-
BB	4.9	-
B+	35.9	25.6
B	28.3	36.2
B-	6.3	8.2
CCC	5.8	-
C	-	0.9
Unrated	0.3	0.7
	100.0	100.0

Risk concentrations of the maximum exposure to credit risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk is managed by counterparty and geographical region.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

The following table contains an analysis of the concentration of credit risk in the Fund's debt portfolio by geographical distribution (based on counterparties' country of domicile):

Country of issuer on 31 December	2022 % of Fund	2021 % of Fund
Nigeria	13.6	16.3
Ivory Coast	11.7	4.0
Uganda	11.2	10.4
Egypt	11.0	10.5
Ghana	9.8	16.8
South Africa	9.0	10.2
USA	8.4	-
Senegal	6.4	6.5
Kenya	5.6	4.5
Canada	4.0	-
Cash and accruals	3.3	16.4
Benin	2.8	-
Mauritius	1.8	-
Botswana	0.6	0.5
Zambia	0.5	0.9
Namibia	0.3	1.8
Tunisia	-	1.2
TOTAL	100.0	100.0

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund invests in markets that are considered emerging markets. Such markets are generally less mature and developed than those in advanced countries. Liquidity risk management rests with the Investment Manager, which has built an appropriate liquidity risk management framework for the management of the Fund's short-, medium- and long-term funding and liquidity management requirements.

The Fund's redeemable shares are redeemable for cash or in specie equal to the proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to weekly redemptions by the holders of redeemable shares.

The Fund may not borrow other than to meet redemptions. Such borrowing is limited to 10% of the Fund's net asset value and must be repaid as soon as practically possible. The Investment Adviser's compliance department monitors compliance with the applicable requirements.

The Fund manages its obligation to repurchase shares when required to do so and its overall liquidity risk in the following ways:

- Where total members' redemptions on any dealing day are more than US\$5 000 000 or 2.5% of the total net asset value of the Fund (whichever is less), the Investment Manager may, at its discretion, redeem only 2.5% of the total net asset value of the Fund or US\$5 000 000 (whichever is less), on a pro rata basis among the members of the Fund, per dealing day.

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- If any redemption requests are not satisfied in full, the balance will be carried forward to the following dealing day, subject to the same 2.5% restriction.
- The Investment Manager retains the right to distribute all or part of the redemption proceeds in specie (in kind).

The Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. Trade and other payables are due on demand. Net assets attributable to holders of redeemable shares and distribution payable are settled within 30 days.

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2022. Bonds, money market instruments and cash and cash equivalents have been disclosed inclusive of accrued interest to date for the purpose of liquidity analysis.

Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
FINANCIAL ASSETS						329 850 335
Cash and cash equivalents	11 216 744	-	-	-	-	11 216 744
Money market instruments	-	1 246 563	-	-	-	1 246 563
Bonds	-	9 928 429	26 643 760	73 595 458	207 193 902	317 361 549
Trade and other receivables	-	25 479	-	-	-	25 479
FINANCIAL LIABILITIES						329 850 335
Net assets attributable to holders of redeemable shares	329 816 620	-	-	-	-	329 816 620
Trade and other payables	-	33 715	-	-	-	33 715

The maturity analyses for financial assets are prepared on a discounted basis and exclude future interest cash flows.

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2021.

Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
FINANCIAL ASSETS						412 771 054
Cash and cash equivalents	66 162 699	-	-	-	-	66 162 699
Money market instruments	-	16 336 849	-	-	-	16 336 849
Bonds	-	13 562 467	26 011 073	109 961 539	179 490 194	329 025 273
Trade and other receivables	-	1 246 233	-	-	-	1 246 233
FINANCIAL LIABILITIES						412 771 054
Net assets attributable to holders of redeemable shares	412 549 691	-	-	-	-	412 549 691
Trade and other payables	-	221 363	-	-	-	221 363

The maturity analyses for financial assets are prepared on a discounted basis and exclude future interest cash flows.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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6.2 Fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets at amortised cost are usually held for the instrument's entire life, being periods not exceeding a year. The carrying amount of these instruments closely approximates the fair value. For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

- **Level 1** - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** - those involving inputs that are directly or indirectly observable
- **Level 3** - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In the event that the Fund's financial instruments are not measured at the quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves.

Financial instruments are valued using discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. To the extent that these inputs are observable, the Fund classifies the fair value of these instruments as level 2.

The Fund holds investments in listed and unlisted debt instruments. Debt instruments which are listed on an active exchange are classified as level 1. Non-listed debt instruments which are valued using observable inputs are classified as level 2.

The fair value of cash and cash equivalents is generally considered to be the amount held on deposit at the relevant institution. When considered necessary, a credit spread will be applied. This is considered a level 2 valuation. In terms of exchange requirements, margin deposits are pledged as collateral for derivatives in cash and cash equivalents for investment purposes. Where no credit spread is applied, the carrying amount approximates fair value.

Net assets attributable to holders of redeemable shares are classified as level 2 as the shares are not listed in an active market. It derives its value from instruments which are classified as a combination of level 1 and level 2.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

The following table analyses financial instruments, measured at fair value at 31 December 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	US\$		
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Total
FINANCIAL ASSETS			
Money market instruments	1 232 046	-	1 232 046
Bonds	304 682 998	3 715 507	308 398 505
	305 915 044	3 715 507	309 630 551
FINANCIAL LIABILITIES			
Net assets attributable to holders of redeemable shares	-	329 816 620	329 816 620
	-	329 816 620	329 816 620

There were no transfers between levels during the year ended 31 December 2022.

The following table analyses financial instruments, measured at fair value at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	US\$		
	Quoted market prices (Level 1) Restated*	Observable inputs (Level 2) Restated*	Total
FINANCIAL ASSETS			
Money market instruments	15 203 826	-	15 203 826
Bonds	*308 701 034	*11 597 524	320 298 558
	323 904 860	11 597 524	335 502 384
FINANCIAL LIABILITIES			
Net assets attributable to holders of redeemable shares	-	412 549 691	412 549 691
	-	412 549 691	412 549 691

*Certain bonds previously presented as level 1 and level 2 in the prior period have been reclassified to reflect as level 2 and level 1 respectively. The level 1 bonds were assessed to have sufficient trading volume to indicate an active market, and the level 2 bonds were reclassified due to an absence of quoted prices in an active market for prior and current year. The net impact of the level 1 and level 2 restatement is an increase and decrease of US\$20 138 574 respectively across different levels with no effect on the Fund net asset value.

There were no transfers between levels during the year ended 31 December 2021.

6.3 Derivative contracts

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund holds include futures and forwards. The Fund uses derivative financial instruments to hedge its risks associated primarily with fair value and currency risks relating to debt instruments.

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Derivatives often reflect at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying instrument of a derivative contract may have a significant impact on the profit or loss of the Fund.

At 31 December 2022 and 31 December 2021, the Fund had positions in the following derivatives:

Futures contracts

Futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Futures contracts are transacted in standardised amounts and are subject to daily cash margin requirements.

At 31 December 2022, the Fund had no credit exposure to the counterparties of futures contracts as all open contracts settled prior to year end. Forwards contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Futures contracts result in market risk exposure. No fair value gains and losses were recognized during the 2022 year (2021: US\$280 080).

Forward contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

At 31 December 2022, the Fund had no credit exposure to the counterparties of forward contracts as all open contracts settled prior to year end. At 31 December 2021, the Fund held forward contracts valued at US\$75 486 that were included within cash and cash equivalents. The credit risk related to forward contracts is considered minimal because the contracts are held with institutions of good repute. Forward contracts result in market risk exposure. The following table discloses the total exposure and fair value losses recognised over the year.

Forward contracts held for risk management purposes:

	2022 US\$	2021 US\$
Forward contracts (total exposure)	-	(39 010 223)
Fair value gains/(losses) recognised during the year	75 486	(296 426)

7. Share capital**Authorised and issued capital**

The Fund's authorised share capital at 31 December 2022 and 31 December 2021 is detailed below.

	Allan Gray Africa Bond Fund Limited
Fund shares par value (per share)	US\$ 0.0001
Authorised Fund shares	99 990 000
Founder shares par value (per share)	US\$ 0.01
Authorised and issued Founder shares	100

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The Fund's issued share capital at 31 December 2022 and 31 December 2021 is detailed below.

Fund share transactions	Class A	Class B	Class C	Total
BALANCE AT 31 DECEMBER 2020	153 039	2 441 072	6 861	2 600 972
Net (decrease)/increase in shares	(3 711)	(122 150)	2 342	(123 519)
BALANCE AT 31 DECEMBER 2021	149 328	2 318 922	9 203	2 477 453
Net increase/(decrease) in shares	(35 708)	(248 888)	(634)	(285 230)
BALANCE AT 31 DECEMBER 2022	113 620	2 070 034	8 569	2 192 223

Net asset value per share	Class A US\$	Class B US\$	Class C US\$
On 31 December 2021	160.33	166.94	161.10
On 31 December 2022	142.83	150.89	144.04

Net assets attributable to holders of redeemable shares

The redeemable participating shares are issued as Class A, Class B or Class C shares, which participate pro rata in the Fund's net assets and dividends, and are redeemable and non-voting. The Fund's capital is represented by these redeemable participating shares. Quantitative information about the Fund's capital is provided in the Statement of changes in net assets attributable to holders of redeemable shares.

Founder shares

Founder shares do not participate in the Fund's portfolio, are redeemable at par value only after all Fund shares have been redeemed, and carry the right to vote. If the Fund is wound up or dissolved, the Founder shares will participate only to the extent of their par value. All of the authorised Founder shares of the Fund have been issued as fully paid and are held by the Investment Manager. The Founder shares are classified as a trade and other payable in the Statement of financial position.

Income distributions

No income distributions were declared by the Fund for the years ended 31 December 2022 and 31 December 2021.

8. Related party transactions

The Investment Manager held all of the authorised and issued Founder shares of the Fund. Further details on the number of shares held and their value are disclosed in Note 7.

The directors of the Fund and the Investment Manager held shares directly and indirectly in the Fund at 31 December 2022. The number of shares held were 386 (2021: nil shares).

At 31 December 2022, the Allan Gray Unit Trust Funds and the Allan Gray Namibia Unit Trust Funds collectively held 1 668 819 shares in the Fund (2021: 1 780 192 shares).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

The Allan Gray Life Limited, a subsidiary of the Investment Adviser, held 239 459 shares in the Fund (2021: 341 996 shares).

No rights, contingent or otherwise, to subscribe for shares have been granted to the Investment Manager, its directors or the directors of the Fund.

The directors of the Fund received total fees of US\$24 000 from the Fund (2021: US\$24 000). During the financial year ended 31 December 2022, one of the directors waived his fee of US\$8 000 (2021: US\$8 000).

The Investment Manager's fee charged to the Fund is 1% and 0.7% per annum for Class A and Class C respectively, which is accrued monthly in arrears. Affiliates of the Investment Manager within the Allan Gray Group manage global asset portfolios for their clients as well as a number of Allan Gray's institutional asset pools and collective investment schemes (collectively the 'Institutional Clients'). To avoid the layering of fees, applicable Institutional Clients are invested in the Class B shares and where the Investment Manger does not charge a fee to the Fund.

During the financial year ended 31 December 2022, the management fees incurred by the Fund were US\$175 199 (2021: US\$251 559). At 31 December 2022, the management fees payable by the Fund were US\$14 012 (2021: US\$24 149).

CHARACTERISTICS AND DIRECTORY

Domicile and structure

Bermuda open-ended investment company

Regulation

The Fund is incorporated and registered under the laws of Bermuda and is supervised by the Bermuda Monetary Authority. The Fund is also listed on the Bermuda Stock Exchange.

Registered Office

Clarendon House
2 Church Street
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Bermuda

Company Secretary

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Directors

Craig T Bodenstab BCom MBA CFA
John C R Collis BCom BA (Jurisprudence)
Elizabeth Denman BA (Hons) LLB
Tapologo Motshubi BCom (Hons) CA (SA) ACPA CFA

Investment Manager

Allan Gray Bermuda Limited
Clarendon House
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Bermuda

Investment Adviser

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V&A Waterfront
Cape Town 8001
South Africa

Primary Custodian

Standard Bank of South Africa Limited
Investor Services
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South Africa

Auditors

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Administrator, Registrar and Transfer Agent

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