

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

31 DECEMBER 2023

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SCHEDULE OF NET ASSETS

As at 31 December 2023

Number held	Instrument (grouped by sector)	Market value US\$	% of Fund
GOVERNMENT		218 563 826	70.6%
37 100 000	Republic Of Senegal 5.375% 2037 Eurobond	32 093 350	10.4%
29 300 000	Ivory Coast 6.875% 2040 Eurobond	27 830 359	9.0%
81 260 000 000	Uganda Government Bond 17% Senior 2031	23 712 442	7.7%
17 200 000	Ivory Coast 4.875% 2032 Eurobond	17 214 728	5.6%
13 200 000	Benin 6.875% 2052 Eurobond	12 509 516	4.0%
170 000 000	RSA Government Bond 1.875% CPI 2033	11 199 788	3.6%
13 000 000	Egypt 8.5% 2047 Eurobond	8 588 632	2.8%
12 000 000	Egypt 7.903% 2048 Eurobond	7 619 562	2.5%
7 500 000	US TNote 4.625% 30/06/25	7 517 096	2.4%
170 000 000	RSA Government Bond 8.75% 2044	7 146 359	2.3%
220 000 000	TBill Egypt 09/01/2024	7 068 640	2.3%
10 000 000	Egypt 7.625% 2032 Eurobond	7 045 192	2.3%
9 645 000	Ghana 10.75% 2030 Eurobond	6 616 727	2.1%
14 400 000	Ghana 8.125% 2032 Eurobond	6 324 621	2.0%
9 500 000	Egypt 8.875% 2050 Eurobond	6 150 700	2.0%
7 500 000	Republic Of Senegal 6.75% 2048 Eurobond	6 087 068	2.0%
13 000 000	Ghana 8.625% 2034 Eurobond	5 702 954	1.8%
117 000 000	RSA Government Bond 8.25% 2032	5 650 534	1.8%
19 200 000 000	Uganda Government Bond 16% Senior 2030	5 311 594	1.7%
10 450 000	Holdings less than 1%	7 173 963	2.3%
CORPORATES		79 803 152	25.9%
7 300 000	Seplat 7.75% 2026 Eurobond	43 332 052	14.0%
3 450 000	Sasol 5.5% 2031 Eurobond	14 166 716	4.6%
16 500 000	Tullow 10.25% 2026 Eurobond	11 426 210	3.7%
46 000 000	ABSA AT1 6.375% 2026 Eurobond	6 966 008	2.3%
12 500 000	Kosmos Energy 7.75% 2027 Eurobond	3 280 956	1.1%
644 243	Holdings less than 1%	631 210	0.2%
CASH AND NET ACCRUALS		11 108 191	3.7%
NET ASSETS		309 475 168	100%

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

As at 31 December 2023

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 2023 and its financial performance and cash flows for the year ended 31 December 2023, are set out on pages 7 to 30 and have been approved by the directors of the Fund and are signed on its behalf by:



John Collis
Director
25 March 2024



Craig Bodenstab
Director
25 March 2024

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 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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 complexity in determining the fair value.

INDEPENDENT AUDITOR'S REPORT

As of 31 December 2023, the Fund's financial assets at fair value through profit or loss amounted to US\$289,487,067. 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 2023 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 IFRSs, 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.

Ernst & Young Ltd.

Hamilton, Bermuda
25 March 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 US\$	2022 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	289 487 067	309 630 551
Cash and cash equivalents		11 356 237	11 216 744
Trade and other receivables	3	8 715 064	9 003 040
TOTAL ASSETS		309 558 368	329 850 335
LIABILITIES			
Trade and other payables	4	83 200	33 715
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		83 200	33 715
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		309 475 168	329 816 620

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 2023

	Note	2023 US\$	2022 US\$
NET INVESTMENT INCOME/(LOSS)		44 484 424	(37 609 041)
Unrealised gains/(losses) on investments		32 564 621	(20 967 029)
Interest income		27 485 593	29 809 889
Realised losses on disposal of investments		(13 740 179)	(42 255 962)
Foreign exchange losses		(1 825 611)	(4 195 939)
EXPENSES		(383 523)	(406 648)
Management fees	1.3.2	(146 776)	(175 199)
Custodian fees		(171 612)	(161 588)
Directors' fees		(15 000)	(24 000)
Audit fees		(32 036)	(20 084)
Other expenses		(17 712)	(19 160)
Bank charges		(387)	(6 617)
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXES		44 100 901	(38 015 689)
Withholding and other taxes		(811 807)	(828 783)
TOTAL COMPREHENSIVE INCOME/(LOSS)		43 289 094	(38 844 472)

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 2023

	Note	Net assets attributable to holders of redeemable shares US\$	Number of share in issue
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
Net capital redemptions		(63 630 546)	(420 616)
Total comprehensive income for the year		43 289 094	-
BALANCE AT 31 DECEMBER 2023	7	309 475 168	1 771 607

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 2023

	Note	2023 US\$	2022 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	5.1	(383 523)	(406 648)
Working capital changes	5.2	31 031	1 426 471
Interest received, net of withholding tax		29 148 701	29 363 393*
NET CASH GENERATED BY OPERATING ACTIVITIES		28 796 209	30 383 216
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from sale and maturity of investments		154 359 238	284 781 554*
Acquisition of investments		(117 559 798)	(322 026 187)*
NET CASH GENERATED/(UTILISED) IN INVESTING ACTIVITIES		36 799 440	(37 244 633)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		4 665 696	3 032 425
Redemption of redeemable shares		(68 296 241)	(46 921 024)
NET CASH UTILISED IN FINANCING ACTIVITIES		(63 630 545)	(43 888 599)
Net increase/(decrease) in cash and cash equivalents		1 965 104	(50 750 016)
Cash and cash equivalents at the beginning of the year		11 216 744	66 162 699
Effect of exchange rate changes on cash and cash equivalents		(1 825 611)	(4 195 939)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		11 356 237	11 216 744

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

*The above amounts have been adjusted to show the gross cash inflows and outflows that relate to purchasing investments for all in consideration. The impact is as follows: Interest received decreased by US\$935 307, acquisition of investments increased by US\$7 891 863 and receipts from sale and maturity of investments increased by US\$8 827 170

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 25 March 2024.

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 2023.

The material 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 2023, 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	Impact
IAS 1	Presentation of Financial Statements (amendment: classification of Liabilities as Current or Non-current)	01 January 2024	No material impact
IAS 21	Lack of Exchangeability (amendment)	01 January 2025	No material impact

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 2023

1.3.1 Net investment income

Net investment income comprises interest income, foreign currency gains or losses on investments and realised and unrealised gains or 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 realised gains or losses made on the disposal of these financial assets, calculated using the average cost method, are recognised in the Statement of comprehensive income.

1.3.2 Management fee

The management fee is the fee accrued 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 the Statement of comprehensive income.

1.3.3 Expenses

Any interest expense is recognised on an accrual basis using the effective interest method. All other expenses are recognised in the Statement of comprehensive income 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 2023, and has concluded that no asset/liability relating to tax positions that are certain 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 2023

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 and derivatives as financial assets at fair value through profit or loss.

Financial instruments designated as at fair value through profit or loss upon initial recognition comprises of 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 the Statement of comprehensive income.

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 2023

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 other payables 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.

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 the Statement of comprehensive income 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.

Gains and losses are recognised in the Statement of comprehensive income when financial assets and financial liabilities at amortised cost are derecognised or impaired, and through the amortisation process.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 the Statement of comprehensive income.

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 a simplified approach in determining the ECL based on, among other criteria, 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 other 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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 or losses on disposal of investments and unrealised gains or 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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

Fair value

When the fair value 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

	2023 US\$	2022 US\$
FINANCIAL ASSETS		
Bonds	283 575 487	308 398 505
Money market instruments	5 911 580	1 232 046
TOTAL	289 487 067	309 630 551

3. Trade and other receivables

Interest receivable, net of withholding tax	8 696 610	9 003 040
Other receivables	18 454	-
TOTAL	8 715 064	9 003 040

4. Trade and other payables

Other payables	83 200	33 715
TOTAL	83 200	33 715

5. Notes to the statement of cash flows**5.1 Net cash outflow from operations before working capital changes**

	2023 US\$	2022 US\$
Total comprehensive income/(loss) for the year	43 289 094	(38 844 472)
ADJUSTMENTS		
Realised losses on disposal of investments	13 740 179	42 255 962
Unrealised (gains)/losses on investments	(32 564 621)	20 967 029
Foreign exchange losses	1 825 611	4 195 939
Interest income, net of withholding tax	(26 673 786)	(28 981 106)
TOTAL	(383 523)	(406 648)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

5.2 Working capital changes

	2023 US\$	2022 US\$
(Increase)/decrease in trade and other receivables	(18 454)	1 614 119
Increase/(decrease) in trade and other payables	49 485	(187 648)
TOTAL	31 031	1 426 471

6. Financial instruments

Details of the material 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 2023

	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	-	289 487 067	-	289 487 067
Cash and cash equivalents	11 356 237	-	-	11 356 237
Trade and other receivables	8 715 064	-	-	8 715 064
TOTAL ASSETS	20 071 301	289 487 067	-	309 558 368
LIABILITIES				
Trade and other payables	-	-	83 200	83 200
TOTAL LIABILITIES	-	-	83 200	83 200

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

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6.1 Financial risk management policies and objectives

The Fund's investment portfolio comprises interest-bearing securities, derivatives, cash and cash equivalents, government debt and corporate debt 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 debt securities issued by African governments, African public entities, African local authorities, African development agencies and non-African development institutions and corporate issuers, where the funds raised are earmarked for use in Africa. Corporate issuers include companies domiciled or geographically located in Africa and/or companies domiciled outside Africa with significant business interests in Africa. The Fund's asset allocation will be flexible among 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.

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. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

2023	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
MONEY MARKET INSTRUMENTS	5 911 580	975	1 951
Denominated in Egyptian pound	5 911 580	975	1 951
BONDS	283 575 487	7 730 124	15 460 248
Denominated in US dollar	144 051 148	3 926 761	7 853 522
Denominated in Euro	87 914 385	2 396 502	4 793 003
Denominated in Ugandan shilling	28 160 531	767 642	1 535 284
Denominated in South African rand	23 449 423	639 219	1 278 439
CASH AND CASH EQUIVALENTS	11 356 237	56 781	113 562
Denominated in US dollar	10 003 054	50 015	100 031
Denominated in Egyptian pound	520 771	2 604	5 208
Denominated in Ugandan shilling	378 819	1 894	3 788
Denominated in Nigerian naira	222 677	1 113	2 227
Denominated in South African rand	95 196	476	952
Denominated in Ghanaian cedi	34 430	172	344
Denominated in Euro	34 014	170	340
Denominated in Namibian dollar	24 506	123	245
Denominated in Kenyan shilling	20 441	102	204
Denominated in Zambian kwacha	19 168	96	192
Denominated in Malawian kwacha	2 902	15	29
Denominated in Botswanan pula	224	1	2
Denominated in Canadian dollar	35	-	-

Coupon rates on bonds range between 0.01% and 10.01% (2022: 0.6% and 17%).

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

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For the year ended 31 December 2023

2022	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
CASH AND CASH EQUIVALENTS	11 216 710	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

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 certain 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 indicates the currencies to which the Fund had exposure at 31 December 2023 and 31 December 2022 on its monetary financial assets and liabilities. They illustrate 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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

		Currency impact in US\$			
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2023					
Currency		Financial asset US\$	+/- 5%	+/- 10%	+/- 20%
Botswanan pula	BWP	224	11	22	45
Canadian dollar	CAD	35	2	4	7
Egyptian pound	EGP	7 357 999	367 900	735 800	1 471 600
Euro	EUR	91 515 433	4 575 772	9 151 543	18 303 087
Ghanaian cedi	GHS	34 430	1 722	3 443	6 886
Kenyan shilling	KES	20 441	1 022	2 044	4 088
Malawian kwacha	MWK	2 902	145	290	580
Namibian dollar	NAD	24 506	1 225	2 451	4 901
Nigerian naira	NGN	183 703	9 185	18 370	36 741
Ugandan shilling	UGX	29 316 504	1 465 825	2 931 650	5 863 301
South African rand	ZAR	24 091 877	1 204 594	2 409 188	4 818 375
Zambian kwacha	ZMW	19 168	958	1 917	3 834
			7 628 361	15 256 722	30 513 445

		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
Ugandan shilling	UGX	35 825 481	1 791 274	3 582 548	7 165 096
South African rand	ZAR	17 077 138	853 857	1 707 714	3 415 428
Zambian kwacha	ZMW	27 238	1 362	2 724	5 448
			5 744 849	11 489 694	22 979 390

The closing foreign exchange rates at 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
USD: BWP	13.42	12.77
USD: CAD	1.33	1.35
USD: EGP	30.92	24.76
USD: EUR	0.90	0.94
USD: GBP	0.78	0.80
USD: GHS	11.97	9.99
USD: KES	156.50	123.35
USD: MWK	1 683.37	1027.11
USD: NAD	18.51	16.98
USD: NGN	951.79	461.10
USD: UGX	3780.00	3 723.00
USD: ZAR	18.51	16.98
USD: ZMW	25.74	18.11

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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 and cash equivalents. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. The compliance department of the Investment Adviser 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.

The following table provides an analysis of the credit quality of the Fund's debt securities and cash and cash equivalents 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	2023 % of debt securities	2022 % of debt securities
AAA	7.8	11.1
AA+	4.7	1.6
AA	-	1.8
A+	0.3	0.2
A	3.5	3.2
BBB+	-	0.6
BB	-	4.9
BB+	4.6	-
B+	32.5	35.9
B	14.0	28.3
B-	15.9	6.3
CCC	1.3	5.8
C	15.4	-
Unrated	-	0.3
	100.0	100.0

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For the year ended 31 December 2023

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.

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	2023 % of Fund	2022 % of Fund
South Africa	14.6	9.0
Ivory Coast	14.5	11.7
Nigeria	14.2	13.6
Senegal	12.3	6.4
Egypt	12.2	11.0
Ghana	9.7	9.8
Uganda	9.4	11.2
Benin	4.6	2.8
Cash and accruals	3.7	3.3
United States of America	3.5	8.4
Zambia	1.3	0.5
Kenya	-	5.6
Canada	-	4.0
Mauritius	-	1.8
Botswana	-	0.6
Namibia	-	0.3
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 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.

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Trade and other payables are expected to be settled within 30 days. Net assets attributable to holders of redeemable shares and distributions payable are settled within 30 days.

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 and such borrowing is limited to 10% of the Fund's net asset value and must be repaid as soon as practically possible. The Investment Manager'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.
- 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 following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2023. Bonds, money market instruments and cash and cash equivalents have been disclosed exclusive of accrued interest to date for the purpose of the liquidity analysis.

Maturities	US\$					
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	Total
FINANCIAL ASSETS						309 558 368
Cash and cash equivalents	11 356 237	-	-	-	-	11 356 237
Money market instruments	-	5 911 580	-	-	-	5 911 580
Bonds	-	2 143 172	68 173 858	17 353 077	195 905 380	283 575 487
Trade and other receivables	-	8 715 064	-	-	-	8 715 064
FINANCIAL LIABILITIES						309 558 368
Net assets attributable to holders of redeemable shares	309 475 168	-	-	-	-	309 475 168
Trade and other payables	-	83 200	-	-	-	83 200

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2022.

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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
Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
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

6.2 Fair value

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are 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. Where no credit spread is applied, the carrying amount approximates fair value.

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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.

The following table analyses financial instruments, measured at fair value at 31 December 2023, 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	-	5 911 580	5 911 580
Bonds	282 973 692	601 795	283 575 487
	282 973 692	6 513 375	289 487 067
FINANCIAL LIABILITIES			
Net assets attributable to holders of redeemable shares	-	309 475 168	309 475 168
	-	309 475 168	309 475 168

There were no transfers between levels during the year ended 31 December 2023.

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
	304 682 998	4 947 553	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

*Money Market instruments have been reclassified to level 2 as a result of the underlying valuation methodology whereby a quoted yield is adjusted with the term of the instrument, meeting the definition of level 2.

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

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).

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The derivative contracts that the Fund holds include forwards. The Fund uses derivative financial instruments to hedge its risks associated primarily with fair value and currency risks relating to debt instruments

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.

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 2023 and 31 December 2022, the Fund had no credit exposure to the counterparties of forward contracts as all open contracts settled prior to year end. 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. During the year ended 31 December 2023, no fair value gains and losses were recognised relating to forward contracts (2022: US\$75 486).

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

The Fund's authorised share capital at 31 December 2023 and 31 December 2022 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

The Fund's issued share capital at 31 December 2023 and 31 December 2022 is detailed below.

Fund share transactions	Class A	Class B	Class C	Total
BALANCE AT 31 DECEMBER 2021	149 328	2 318 922	9 203	2 477 453
Net 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 decrease in shares	(24 473)	(394 416)	(1 728)	(420 616)
BALANCE AT 31 DECEMBER 2023	89 147	1 675 618	6 841	1 771 607

Fund share transactions US\$	2023	2022
Subscriptions	4 665 696	3 564 465
Redemptions	(68 296 241)	(47 453 064)
NET CAPITAL REDEMPTIONS	(63 630 545)	(43 888 599)

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Net asset value per share	Class A US\$	Class B US\$	Class C US\$
On 31 December 2022	142.83	150.89	144.04
On 31 December 2023	165.65	175.20	167.29

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 2023 and 31 December 2022. The Fund is not subject to any externally imposed capital requirements.

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.

At 31 December 2023 and 31 December 2022, the directors of the Fund did not hold any shares directly and indirectly in the Fund. The directors of the Investment Manager held shares directly in the Fund at 31 December 2023. The number of shares held were 384 (2022: 386 shares).

At 31 December 2023, the Allan Gray Unit Trust Funds and Namibian Unit Trusts collectively held 1 308 717 shares in the Fund (2022: 1 668 819 shares). Allan Gray Life Limited, a subsidiary of the Investment Adviser, held 209 742 shares in the Fund (2022: 239 459 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\$15 000 from the Fund (2022: US\$24 000). During the financial year ended 31 December 2023, one of the directors waived their fee of US\$5 000 (2022: US\$8 000).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

The Investment Manager's fee is 1% and 0.7% per annum for Class A and Class C respectively, which is accrued weekly 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 are not charged a fee in the Fund.

During the financial year ended 31 December 2023, the management fees incurred by the Fund were US\$146 776 (2022: US\$175 199). At 31 December 2023, the management fees payable by the Fund were US\$23 657 (2022: US\$14 012).

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
Hamilton HM11
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 T 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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Cape Town 8001
South Africa

Primary Custodian

Standard Bank of South Africa Limited
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2nd Floor
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South Africa

Auditors

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Bermuda

Administrator, Registrar and Transfer Agent

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