

**ANNUAL REPORT  
ALLAN GRAY AFRICA EX-SA  
EQUITY FUND LIMITED**

31 DECEMBER 2022

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## SCHEDULE OF NET ASSETS

As at 31 December 2022

Number held	Security (grouped by sector)	Market value US\$	% of Fund
	<b>FINANCIALS</b>	115 618 436	27.5%
496 195 701	Zenith Bank	25 826 712	6.1%
909 030 608	Access Holdings	16 757 233	4.0%
229 314 594	Stanbic IBTC Holdings	16 635 379	4.0%
300 389 005	Guaranty Trust Bank	14 983 620	3.6%
13 484 381	CFC Stanbic Holdings	11 145 923	2.6%
24 674 563	Equity Group	8 898 039	2.1%
24 634 500	Bank of Kigali Group	6 263 458	1.5%
282 189	Societe Generale de Banques en Cote d'Ivoire	5 344 270	1.3%
7 065 017	QNB Alahli Bank	4 965 918	1.2%
21 469 198	Positions less than 1%	4 797 884	1.1%
	<b>CONSUMER STAPLES</b>	111 644 992	26.5%
59 031 113	Eastern Tobacco	34 123 823	8.1%
51 867 393	Delta Corporation	27 791 446	6.6%
19 396 158	Innsco Africa	15 516 926	3.7%
132 624 030	Nigerian Breweries	11 792 638	2.8%
3 066 410	British American Tobacco	11 430 702	2.7%
574 426	Soc Ivoirienne Des Tabacs	6 421 372	1.5%
2 461 396	Positions less than 1%	4 568 085	1.1%
	<b>BASIC MATERIALS</b>	58 534 644	13.9%
1 866 579	Zimplats Holdings	32 722 537	7.8%
1 346 593	Caledonia Mining	17 024 879	4.0%
293 397	Endeavour Mining	6 219 009	1.5%
325 000	Positions less than 1%	2 568 219	0.6%
	<b>TELECOMMUNICATIONS</b>	43 737 223	10.4%
121 693 886	Econet Wireless	17 449 174	4.1%
539 596	Sonatel	13 384 910	3.2%
3 146 256	Press Corporation	6 692 489	1.6%
8 373 076	Positions less than 1%	6 210 650	1.5%
	<b>ENERGY</b>	37 296 949	8.9%
19 233 253	Seplat Energy London	24 432 811	5.8%
4 028 427	Seplat Energy Nigeria	9 610 214	2.3%
36 339 194	Positions less than 1%	3 253 924	0.8%
	<b>UTILITIES</b>	11 795 686	2.8%
159 239 160	Umeme	11 787 556	2.8%
135 210	Positions less than 1%	8 130	0.0%
	<b>HEALTH CARE</b>	7 465 215	1.8%
9 764 658	Integrated Diagnostics Holdings	6 190 793	1.5%
864 101	Positions less than 1%	1 274 422	0.3%
	<b>TECHNOLOGY</b>	6 278 042	1.5%
105 171 279	EcoCash Holdings	6 278 042	1.5%
	<b>INDUSTRIALS</b>	2 042 308	0.5%
22 660 701	Positions less than 1%	2 042 308	0.5%
	<b>CONSUMER DISCRETIONARY</b>	2 144 895	0.5%
5 860 369	Positions less than 1%	2 144 895	0.5%
	<b>CASH, FUTURES CONTRACTS, BONDS AND NET ACCRUALS</b>	24 045 775	5.7%
	<b>NET ASSETS</b>	<b>420 604 165</b>	<b>100%</b>

Note: There may be slight discrepancies in the totals due to rounding.

\*The Investment Manager adopted and used a fair value methodology utilising unobservable inputs to estimate the fair value of one Zimbabwean financial asset at 31 December 2022. This valuation process is subjective and the results may vary according to the inputs and process applied.

\*\* The schedule of net assets has been prepared in accordance with the Funds internal pricing valuation policy as at 31 December 2022.

**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 30 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 ex-SA Equity Fund Limited

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of Allan Gray Africa ex-SA Equity 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.

## INDEPENDENT AUDITOR'S REPORT

### **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.

As of 31 December 2022, the Fund's financial assets at fair value through profit or loss amounted to US\$ 400,706,148. Financial assets include equities, bonds and futures contracts. As disclosed in Notes 1.3.6 and 7.2 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.

We obtained the listing of financial assets as at 31 December 2022. For the Fund's investment in equities, bonds and futures contracts we compared the values recorded by the Fund to independently quoted prices, observable trades and/or vendor prices.

#### **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.

## INDEPENDENT AUDITOR'S REPORT

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.

### **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.

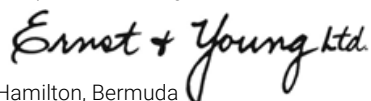
## INDEPENDENT AUDITOR'S REPORT

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.

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 the 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.



Hamilton, Bermuda

20 March 2023



**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Note	2022 US\$	2021 US\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	400 706 148	445 952 114
Cash and cash equivalents	3	18 006 924	16 048 582
Trade and other receivables	4	4 083 108	8 247 069
<b>TOTAL ASSETS</b>		<b>422 796 180</b>	<b>470 247 765</b>
<b>LIABILITIES</b>			
Trade and other payables	5	2 192 015	364 556
Financial liabilities at fair value through profit or loss	2	-	1 101 225
<b>TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>2 192 015</b>	<b>1 465 781</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>420 604 165</b>	<b>468 781 984</b>

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\$
<b>NET INVESTMENT (LOSS)/INCOME</b>		(49 509 946)	120 786 383
Realised (losses)/gains on disposal of investments		(761 307)	2 377 172
Unrealised (losses)/gains on investments		(80 070 693)	90 013 373
Dividend income		34 249 234	29 374 174
Foreign exchange losses		(3 527 663)	(1 463 638)
Other income		320 008	213 137
Interest income		280 475	272 165
<b>OPERATING EXPENSES</b>		(3 618 651)	(1 319 544)
Management fees	1.3.2	(2 119 920)	-
Custodian fees		(1 065 864)	(919 701)
Other expenses		(222 000)	(209 990)
Administration fees		(135 577)	(134 042)
Audit fees		(51 290)	(31 811)
Directors' fees		(24 000)	(24 000)
<b>(LOSS)/PROFIT FOR THE YEAR BEFORE TAXES</b>		(53 128 597)	119 466 839
Withholding and other taxes		(4 765 163)	(2 286 492)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		(57 893 760)	117 180 347

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 shares
<b>BALANCE AT 31 DECEMBER 2020</b>	8	352 315 509	2 470 391
Total comprehensive income for the year		117 180 347	-
Net capital redemptions		(713 872)	22 532
<b>BALANCE AT 31 DECEMBER 2021</b>	8	468 781 984	2 492 923
Total comprehensive loss for the year		(57 893 760)	-
Net capital contributions		9 715 941	117 524
<b>BALANCE AT 31 DECEMBER 2022</b>	8	420 604 165	2 610 447

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\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net cash outflow to operations before working capital changes	6.1	(1 178 723)	(1 106 407)
Working capital changes	6.2	283 890	(254 647)
Interest received		89 081	94 660
Dividends received, net of withholding tax		35 403 107	24 068 515
Management fees paid		(1 119 920)	-
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>33 477 435</b>	<b>22 802 121</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(116 279 428)	(56 362 463)
Proceeds from sale of investments		79 572 057	42 633 739
<b>NET CASH UTILISED BY INVESTING ACTIVITIES</b>		<b>(36 707 371)</b>	<b>(13 728 724)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of redeemable shares*		78 326 562	31 825 916
Redemption of redeemable shares		(69 610 621)	(32 539 788)
<b>NET CASH FLOWS GENERATED/(UTILISED) BY FINANCING ACTIVITIES</b>		<b>8 715 941</b>	<b>(713 872)</b>
Net increase in cash and cash equivalents		5 486 005	8 359 525
Cash and cash equivalents at the beginning of the year		16 048 582	9 152 695
Effect of exchange rate changes on cash and cash equivalents		(3 527 663)	(1 463 638)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>18 006 924</b>	<b>16 048 582</b>

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

\*Proceeds from issue of redeemable shares is presented net of non-cash transactions amounting to US\$1 000 000 which relates to shares issued (5 463 Class E shares) to the Investment Manager in settlement of investment management fees payable.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**Corporate information**

Allan Gray Africa ex-SA Equity Fund Limited (the 'Fund') was incorporated on 31 October 2011 and is a limited liability company of unlimited duration. The Fund was launched to the public on 1 January 2012 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 annual accounting period 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 relevant to 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, dividend income, foreign currency gains or losses on investments, other 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.

#### Dividend income

Dividends are recognised when the Fund's right to receive payment of the dividend is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of comprehensive income.

#### Other income

Investors are charged 1% when subscribing for Fund shares. Investors may be charged 1% when redeeming Fund shares in the case of significant redemptions. These charges are paid into the Fund to offset the costs associated with the transactions that are borne by the Fund. The Investment Manager may waive these charges if transactions substantially offset one another.

#### 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

All expenses are recognised on an accrual basis in profit or loss.

### 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

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 for the year ended 31 December 2022, and has recorded a tax 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. There are no uncertain tax positions. Additionally, the Fund has recorded withholding and other taxes applicable to certain income types.

**1.3.6 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 investment in equity instruments, related derivatives and bonds as financial assets at fair value through profit or loss.

The Fund's investments in equity instruments 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 dividends 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 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.

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.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**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 applies a 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 impact of which has been considered 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 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 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 7.2.

**Offsetting financial instruments**

A financial asset and a financial liability are offset, and the net amount 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**1.3.7 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.

**1.3.8 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.

**1.3.9 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 earlier of 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 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.

The exchange rate applied in preparing these financial statements is based on the principles set out in IAS21. In the instances where the Fund has limited access to an exchange rate such that they conclude there is long term lack of exchangeability, an estimated exchange rate is applied.

All foreign currency translations were at the official exchange rate as at 31 December 2022 except for the Zimbabwean market. The IFRS principles applied in determining the estimated exchange rate for the Zimbabwean dollar are disclosed in Note 12.

**1.3.10 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 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.

**1.3.11 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**

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**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 7.2

**The effect of changes in foreign exchange rates**

The Fund applied its judgement in assessing whether the official exchange rate for the Zimbabwean dollar is considered observable, accessible and legal.

The Fund has further applied its judgement in determining an estimated exchange rate applied in respect of the Zimbabwe dollar-based line items reported in the financial statements. Further details are provided in Note 12.

**1.3.12 Events subsequent to year end**

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

**1.3.13 Comparative information**

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

**2. Financial assets and liabilities at fair value through profit or loss**

	2022 US\$	2021 US\$
<b>FINANCIAL ASSETS</b>		
Equities	396 556 648	443 184 984
Bonds	3 017 172	2 767 130
Futures contracts	1 132 328	-
<b>TOTAL</b>	<b>400 706 148</b>	<b>445 952 114</b>
<b>FINANCIAL LIABILITIES</b>		
Futures contracts	-	1 101 225
<b>TOTAL</b>	<b>-</b>	<b>1 101 225</b>

**3. Cash and cash equivalents**

Cash held at banks	18 006 924	16 048 582
<b>TOTAL</b>	<b>18 006 924</b>	<b>16 048 582</b>

**4. Trade and other receivables**

Margin accounts on futures contracts	2 219 056	2 345 200
Interest receivable	1 051 509	860 115
Dividends receivable, net of withholding tax	795 170	4 642 490
Prepaid expenses	17 373	17 694
Amounts due from brokers	-	381 570
<b>TOTAL</b>	<b>4 083 108</b>	<b>8 247 069</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**5. Trade and other payables**

	2022 US\$	2021 US\$
Tax payable	2 051 604	-
Other payables	140 411	106 218
Amounts due to brokers	-	258 338
<b>TOTAL</b>	<b>2 192 015</b>	<b>364 556</b>

**6. Notes to the Statement of cash flows**

**6.1 Net cash outflow from operations before working capital changes**

	2022 US\$	2021 US\$
Total comprehensive (loss)/income for the year	(57 893 760)	117 180 347
<b>ADJUSTMENTS</b>		
Realised losses/(gains) on disposal of investments	761 307	(2 377 172)
Unrealised losses/(gains) on investments	80 070 693	(90 013 373)
Foreign exchange losses	3 527 663	1 463 638
Interest income	(280 475)	(272 165)
Dividend income, net of withholding tax	(31 555 787)	(27 087 682)
Management fees	2 119 920	-
Other tax expenses	2 071 716	-
<b>TOTAL</b>	<b>(1 178 723)</b>	<b>(1 106 407)</b>

**6.2 Working capital changes**

Decrease/(increase) in trade and other receivables	508 035	(546 079)
(Decrease)/increase in trade and other payables	(224 145)	291 432
<b>TOTAL</b>	<b>283 890</b>	<b>(254 647)</b>

**7. 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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\$	Financial liabilities measured at fair value US\$	Total US\$
<b>ASSETS</b>					
Financial assets at fair value through profit or loss	-	400 706 148	-	-	400 706 148
Cash and cash equivalents	18 006 924	-	-	-	18 006 924
Trade and other receivables	4 083 108	-	-	-	4 083 108
<b>TOTAL ASSETS</b>	<b>22 090 032</b>	<b>400 706 148</b>	<b>-</b>	<b>-</b>	<b>422 796 180</b>
<b>LIABILITIES</b>					
Trade and other payables	-	-	2 192 015	-	2 192 015
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>2 192 015</b>	<b>-</b>	<b>2 192 015</b>

## 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\$	Financial liabilities measured at fair value US\$	Total US\$
<b>ASSETS</b>					
Financial assets at fair value through profit or loss	-	445 952 114	-	-	445 952 114
Cash and cash equivalents	16 048 582	-	-	-	16 048 582
Trade and other receivables	8 247 069	-	-	-	8 247 069
<b>TOTAL ASSETS</b>	<b>24 295 651</b>	<b>445 952 114</b>	<b>-</b>	<b>-</b>	<b>470 247 765</b>
<b>LIABILITIES</b>					
Financial liabilities at fair value through profit or loss	-	-	-	1 101 225	1 101 225
Trade and other payables	-	-	364 556	-	364 556
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>364 556</b>	<b>1 101 225</b>	<b>1 465 781</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**7.1 Financial risk management policies and objectives**

The Fund's investment portfolio may comprise equities, equity-linked securities, interest-bearing non-equity linked securities and cash and cash equivalents. The Fund may invest in listed and unlisted 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 equities' as equities in companies with significant business interests in Africa (excluding South Africa), regardless of the location of the stock exchange listing. The Fund's investing activities expose holders of Fund shares to various types of risks 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.

The following table shows the Fund's exposure to price and interest rate risks, split into the different types of financial instruments held by the Fund at year end. The analysis only relates to instruments subject to those specific risks.

Exposure	2022 US\$	2021 US\$
<b>SUBJECT TO PRICE RISK</b>		
Equities	396 556 648	443 184 984
<b>SUBJECT TO INTEREST RATE RISK</b>		
Cash and cash equivalents	18 006 924	16 048 582
Bonds	3 017 172	2 767 130
Margin accounts	2 219 056	2 345 200

**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Holders of redeemable shares are exposed to changes in the market values of the individual investments underlying the Fund. Exposure to price risk is mainly through listed instruments.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

As a result of the nature of the Fund's underlying investments, there will be significant price fluctuations in the pursuit of superior long-term returns, and there will be periods when the equities in the Fund underperform the Fund's benchmark and/or generate negative absolute returns. Short-term performance can be volatile and investors are encouraged to focus on long-term returns when evaluating the Fund's performance, as the Investment Manager takes a long-term view when making investment decisions.

The Fund's portfolio is constructed based on proprietary investment research. This research is intended to enable the Fund to be invested in equities which offer superior fundamental value. Whether an equity offers superior fundamental value is determined by comparing the share price with an assessment of the equity's intrinsic value. Price risk is not managed in the Fund. Shares are typically bought when research and analysis indicate that the intrinsic value of the company far exceeds its market price, in anticipation of the price rising to its intrinsic value and it is believed there is a margin of safety. The lower the price of a share when compared to its assessed intrinsic value, the more attractive the equity's fundamental value is considered to be.

There has been no change to the Fund's exposure to price risk or the manner in which it manages and measures the risk. The following analysis indicates the possible impact on net assets attributable to holders of redeemable shares to price risk, until such time as the investments are sold. The table also illustrates the effect of possible changes in fair value of investments for price risk, assuming that all other variables remain constant. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance.

	2022 US\$	2021 US\$
<b>INVESTMENTS SUBJECT TO PRICE RISK</b>		
<b>EQUITIES</b>		
Effect on net assets attributable to holders of redeemable shares		
Gross exposure	396 556 648	443 184 984
+/- 5%	19 827 832	22 159 249
+/- 10%	39 655 665	44 318 498
+/- 20%	79 311 330	88 636 997

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**Concentration of equity price risk**

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by sector allocation:

<b>% of equity securities</b>	<b>2022 %</b>	<b>2021 %</b>
Financials	29.3	31.8
Consumer staples	28.3	25.2
Basic materials	14.8	10.5
Telecommunications	11.0	17.9
Energy	9.4	6.4
Utilities	2.9	1.9
Healthcare	1.8	1.6
Technology	1.5	4.2
Consumer discretionary	0.5	-
Industrials	0.5	0.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

**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 through its exposure to holding cash and cash equivalents, margin accounts and bonds. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

The following table illustrates the effect of reasonably possible changes in prevailing interest 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.

	<b>2022 US\$</b>	<b>2021 US\$</b>
<b>INVESTMENTS SUBJECT TO INTEREST RATE RISK</b>		
<b>CASH AND CASH EQUIVALENTS</b>	<b>18 006 924</b>	<b>16 048 582</b>
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	90 035	80 243
+/- 1.0%	180 069	160 486
<b>BONDS</b>	<b>3 017 172</b>	<b>2 767 130</b>
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	15 086	13 836
+/- 1.0%	30 172	27 671
<b>MARGIN ACCOUNTS</b>	<b>2 219 056</b>	<b>2 345 200</b>
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	11 095	11 726
+/- 1.0%	22 191	23 452



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**Foreign currency risk**

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

The following tables indicate the currencies to which the Fund had exposure at 31 December 2022 and 31 December 2021 on its financial assets and liabilities.

A positive number indicates an increase in net assets attributable to holders of redeemable shares where the US dollar weakens against the relevant currency. For a strengthening 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.

The foreign currency risk disclosure reports the Zimbabwean dollar net assets converted using the estimated exchange rate as at 31 December 2022 and 31 December 2021. Further information relating to estimated exchange rate has been disclosed in Note 12.

Currency impact US\$					
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2022					
CURRENCY		NET ASSETS US\$	+/- 5%	+/- 10%	+/- 20%
Australian dollar	AUD	32 728 985	1 636 449	3 272 899	6 545 797
British pound	GBP	48 175 010	2 408 750	4 817 501	9 635 002
Canadian dollar	CAD	2 572 829	128 641	257 283	514 566
Egyptian pound	EGP	43 664 214	2 183 211	4 366 421	8 732 843
Euro	EUR	2 160	108	216	432
Ghanaian cedi	GHS	1 240 168	62 008	124 017	248 034
Kenyan shilling	KES	34 085 962	1 704 298	3 408 596	6 817 192
Malawian kwacha	MWK	6 799 870	339 994	679 987	1 359 974
Nigerian naira	NGN	103 753 196	5 187 660	10 375 320	20 750 639
Norwegian krone	NOK	2 847 223	142 361	284 722	569 445
Rwandan franc	RWF	6 926 467	346 323	692 647	1 385 293
Tanzanian shilling	TZS	1 996 969	99 848	199 697	399 394
Ugandan shilling	UGX	11 787 556	589 378	1 178 756	2 357 511
West African franc	XOF	29 426 574	1 471 329	2 942 657	5 885 315
Zambian kwacha	ZMW	466 786	23 339	46 679	93 357
Zimbabwean dollar	ZWL	68 016 429	3 400 821	6 801 643	13 603 286
			19 724 518	39 449 041	78 898 080

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Currency impact US\$					
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2021					
CURRENCY		NET ASSETS US\$	+/- 5%	+/- 10%	+/- 20%
Australian dollar	AUD	31 730 944	1 586 547	3 173 094	6 346 189
British pound	GBP	37 158 564	1 857 928	3 715 856	7 431 713
Canadian dollar	CAD	4 882	244	488	976
Egyptian pound	EGP	40 792 741	2 039 637	4 079 274	8 158 548
Euro	EUR	2 313	116	231	463
Ghanaian cedi	GHS	2 646 437	132 322	264 644	529 287
Kenyan shilling	KES	29 434 666	1 471 733	2 943 467	5 886 933
Malawian kwacha	MWK	7 269 435	363 472	726 944	1 453 887
Nigerian naira	NGN	131 918 152	6 595 908	13 191 815	26 383 630
Rwandan franc	RWF	6 240 504	312 025	624 050	1 248 101
Tanzanian shilling	TZS	1 984 740	99 237	198 474	396 948
Ugandan shilling	UGX	8 446 610	422 331	844 661	1 689 322
West African franc	XOF	25 809 398	1 290 470	2 580 940	5 161 880
Zambian kwacha	ZMW	1 103 276	55 164	110 328	220 655
Zimbabwean dollar	ZWL	128 320 835	6 416 042	12 832 084	25 664 167
			22 643 176	45 286 350	90 572 699

**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 comprised cash and cash equivalents, trade and other receivables and bonds. 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.

The compliance departments of Citibank Europe plc (the 'Administrator') and the Investment Adviser monitor compliance with applicable regulations and the investment mandate on a daily basis.

The following table provides an analysis of the credit quality of the Fund's cash and cash equivalents, margin accounts and bonds 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.

	2022	2021
CREDIT RATING	% OF FUND	% OF FUND
AAA	0.5%	0.5%
A+	4.3%	3.4%
NR	0.7%	0.6%
	5.5%	4.5%

Note that the balance (94.5% of the Fund's net assets, 2021: 95.5%) comprises other financial assets at fair value through profit or loss, trade and other receivables and trade and other payables which have been excluded from the table above.

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**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 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 within 90 days. The Investment Adviser's compliance department monitors compliance with the applicable requirements.

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, per dealing day. If any redemption requests are not satisfied in full, the balance thereof 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 distributions payable are settled within 30 days.

**7.2 Fair value**

The directors of the Fund are of the opinion that the fair value of all financial instruments, other than those measured at fair value through profit or loss, approximates the carrying amount in the Statement of financial position as these balances are due within 30 days. IFRS 7 and IFRS 13 require fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy, as follows:

- **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)

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

The fair values of financial assets and financial liabilities traded in active liquid markets, such as listed equity securities, are based on quoted market prices at the close of trading, and are classified within level 1.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Certain investments that are not valued using quoted market prices can be valued based on other observable market data at the discretion of the Investment Manager. Securities not traded through recognised public securities exchanges can be valued on the valuation date based on other reliable sources, such as quotations by recognised investment dealers. Investments not listed on public securities exchanges, or for which reliable quotations are not readily available, are valued using valuation models based on assumptions that may not be supported by observable market inputs. These investments are classified as level 2 or 3.

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 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>FINANCIAL ASSETS</b>				
Equities	396 113 997	442 651	-	396 556 648
Bonds	-	-	3 017 172	3 017 172
Futures contracts	-	1 132 328	-	1 132 328
	396 113 997	1 574 979	3 017 172	400 706 148

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.

	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>FINANCIAL ASSETS</b>				
Equities	440 209 674	2 975 310	-	443 184 984
Bonds	-	-	2 767 130	2 767 130
	440 209 674	2 975 310	2 767 130	445 952 114
<b>FINANCIAL LIABILITIES</b>				
Futures contracts	-	1 101 225	-	1 101 225
	-	1 101 225	-	1 101 225

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**Transfers between level 1 and level 2**

During the year ended 31 December 2022, certain shares held by the Fund which were previously assessed to be thinly traded due to relatively low trading volumes appeared to have sufficient trading volume to indicate an active market. These shares are valued at quoted market prices. This resulted in a transfer out of level 2 into level 1 at the beginning of the reporting period. The amount transferred from level 2 into level 1 is US\$1 898 206 for the 2022 financial year.

The Investment Manager uses a discounted cash flow valuation technique to estimate the fair value of a Zimbabwean bond at 31 December 2022 and 31 December 2021. The key unobservable assumption used in the valuation is the discount rate of 12.5%. This valuation process is subjective and the results may vary according to the inputs and process applied.

For fair value measurements in level 3 of the fair value hierarchy, changing the discount rate would have the following effect on fair value gains and losses:

Effect on profit or loss	2022	2021
<b>INCREASE/(DECREASE) OF DISCOUNT RATE</b>		
+/- 5%	7 335	26 671
+/- 10%	14 669	52 342

There were no transfers in or out of level 3.

**8. Share capital**

Notwithstanding that the net assets attributable to holders of redeemable shares are classified as financial liabilities, the directors of the Fund consider these to represent the Fund's capital. The number of shares issued and redeemed during the years is reported below. The Fund is not subject to any externally imposed capital requirements. The Fund's authorised share capital at 31 December 2022 and 31 December 2021 is detailed below. Fund shares are divided into five share classes (Class A, Class B, Class C, Class D and Class E), which participate pro rata in the Fund's net assets and dividends, and are redeemable and non-voting. 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 payables in the Statement of financial position. As at 31 December 2022 and 31 December 2021, only Class A, Class C and Class E shares were in issue.

	Allan Gray Africa ex-SA Equity 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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Fund share transactions (units)	Class A	Class C	Class E	Total
<b>BALANCE AT 31 DECEMBER 2020</b>	361 621	22 726	2 086 044	2 470 391
Subscriptions	163 010	644	35 024	198 678
Redemptions	(6 781)	(3 386)	(165 979)	(176 146)
<b>BALANCE AT 31 DECEMBER 2021</b>	517 850	19 984	1 955 089	2 492 923
Subscriptions	489 115	564	18 793	508 472
Redemptions	(59 368)	(1 154)	(330 426)	(390 948)
<b>BALANCE AT 31 DECEMBER 2022</b>	947 597	19 394	1 643 456	2 610 447

Fund share transactions (US\$)	2022 US\$	2021 US\$
Subscriptions	79 326 562	31 825 916
Redemptions	(69 610 621)	(32 539 788)
<b>NET CAPITAL CONTRIBUTIONS/(WITHDRAWALS)</b>	9 715 941	(713 872)

Net asset value per share	Class A US\$	Class C US\$	Class E US\$
On 31 December 2021	159.97	159.97	195.77
On 31 December 2022	139.77	140.71	173.68

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

## 9. Commitments

The Fund has a daily uncommitted intraday US\$4 500 000 intraday overdraft facility for custody, US\$2 000 000 cash overdraft facility, US\$100 000 intraday overdraft facility, US\$7 000 000 foreign exchange settlement facility and a US\$5 000 000 pre-settlement foreign exchange facility in place to facilitate the settlement of trade instructions. These facilities expire annually on 31 May and automatically roll over.

## 10. Related party transactions

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 25 and 9 689 respectively (2021: 25 and 9 658).

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 8.

The Allan Gray South African and Namibian Unit Trusts collectively held 1 328 099 shares in the Fund (2021: 1 554 942 shares). Allan Gray Life Limited, a subsidiary of the Investment Adviser, held 199 466 shares in the Fund (2021: 263 277 shares).

No rights, contingent or otherwise, to subscribe for shares have been granted to Investment Manager's directors and the directors of the Fund. The Investment Manager acquired and disposed of 5 463 Class E shares in the Fund during the current year (2021: nil shares).

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For the year ended 31 December 2022

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, a director waived his fee of US\$8 000 (2021: US\$8 000).

The Investment Manager's fee charged to the Fund consists of a base fee (Class A: 1%; Class C: 0.7%) and 20% sharing of the Fund's out- or underperformance of its benchmark subject to a minimum fee of 0% per annum, a maximum of 5% (Class A) or 4.7% (Class C) per annum and a high watermark principle. 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 E share class where the Investment Manger does not charge a fee to the Fund.

During the year ended 31 December 2022, the management fees incurred by the Fund were \$2 119 920 (2021: nil). At 31 December 2022 and 31 December 2021, there were no management fees payable.

**11. 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 risks relating to equity 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 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.

The Fund has credit exposure to the counterparties of futures contracts. The following table discloses the total exposure and fair value gains recognised over the period. Futures held for risk management purposes:

	2022 US\$	2021 US\$
Futures contracts total exposure	1 498 790	(1 457 622)
Fair value (losses)/gains recognised during the year	(304 440)	524 616

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**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. 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. Fair value losses of US\$897 184 relating to these contracts were recognised in profit or loss during the year. At 31 December 2021, there were no forward contracts.

**12. The effects of changes in foreign exchange rates**

In the previous year, the accessibility of the Zimbabwean dollar through the official channels deteriorated, given the capital controls implemented, limited liquidity available to investors and the persistent high levels of inflation. This was evidenced through delays in the official auction process whereby exchanging Zimbabwean dollars to US dollars within a reasonable time frame became difficult. The inaccessibility of the Zimbabwean dollar through the official channels has persisted in 2022, and thus the Fund has maintained its classification of the Zimbabwean dollar exchange rate as lacking accessibility in the current year.

Accordingly, the Fund's net assets denominated in Zimbabwean dollars have been translated using an estimated exchange rate which is considered to be a fair representation of the exchange rate achievable on the realisation of the Zimbabwean assets in US dollars.

Whilst there are still issues around the accessibility of US dollars for Zimbabwean investments, the Fund has observed some improvements in the prevailing economic conditions in Zimbabwe. These improvements include the increased frequency of the foreign exchange auctions and the change in legislation allowing US dollars to be used as legal tender. As a result, the official exchange rate has weakened over the current year, and the Fund considered it to be a fair representation of the alternative exchange rate. Therefore, the Fund has estimated the alternative Zimbabwean dollar exchange rate to be equal to the quoted exchange rate of 671 ZWL:USD as at 31 December 2022. As at 31 December 2021, the alternative exchange rate determined was 221 ZWL:USD compared to the 109 ZWL:USD quoted exchange rate.

The impact of applying the alternative exchange rate instead of the official exchange rate on the net assets of the Fund has been provided in the following table.

Net assets impacts	2022 US\$	2021 US\$
Financial assets at fair value through profit or loss	-	(128 381 691)
Cash and cash equivalents	-	(295 150)
Trade and other payables	-	(193 952)
Trade and other receivables	-	(1 556 772)



## 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 Motshubi BCom (Hons) CA (SA) ACPA CFA

### Investment Manager

Allan Gray Bermuda Limited  
Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

### Investment Adviser

Allan Gray Proprietary Limited  
1 Silo Square  
V&A Waterfront  
Cape Town 8001  
South Africa

### Registrar and transfer agent

Allan Gray Proprietary Limited  
1 Silo Square  
V&A Waterfront  
Cape Town 8001  
South Africa  
Tel +27 21 415 9380  
Fax +27 21 415 9352  
Email [allangraybermuda@allangray.com](mailto:allangraybermuda@allangray.com)

### Administrator

Citibank Europe plc  
Luxembourg Branch  
31 - Z.A. Bourmicht  
L-8070 Bertrange  
Luxembourg

### Custodian

Citibank N.A., New York Offices  
390 Greenwich Street  
New York, New York 10013  
USA

### Auditors

Ernst & Young Ltd.  
3 Bermudiana Road  
Hamilton, HM 08  
Bermuda

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

E [allangraybermuda@allangray.com](mailto:allangraybermuda@allangray.com)  
[www.allangray.com](http://www.allangray.com)