

ALLAN GRAY

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

31 DECEMBER 2020

## Contents

Allan Gray Africa ex-SA Equity Fund Limited strategy	1
Schedule of net assets	4
Approval of the annual financial statements	5
Independent auditor's report	6
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in net assets attributable to holders of redeemable shares	12
Statement of cash flows	13
Notes to the annual financial statements	14
Important notes for investors	34
Characteristics and directory	37

## ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

As at 31 December 2020

### Inception date

1 January 2012

### Portfolio managers

Rami Hajjar, Rory Kutisker-Jacobson

### Fund description and summary of investment policy

Allan Gray Africa ex-SA Equity Fund Limited (the 'Fund') invests in a focused portfolio of companies with significant business interests in Africa regardless of the location of the stock exchange listing (excluding South Africa). The Fund price is reported in US dollars, but the underlying holdings are denominated in various currencies. Returns are likely to be volatile.

### Fund objective and benchmark

The Fund aims to outperform African equity markets (excluding South Africa) over the long term without taking on greater risk of loss. The Fund's benchmark is the Standard Bank Africa Total Return Index. The Fund does not seek to mirror the benchmark but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns. To the extent that its investments differ from those in the benchmark, the Fund faces the risk of underperforming the benchmark.

### Suitable for those investors who

- Seek exposure to African (excluding South African) equities
- Are comfortable with stock market and currency fluctuations
- Are prepared to take on the risk of capital loss
- Typically have an investment horizon of more than five years

### Capacity

The Fund has limited capacity and thus may restrict inflows. Redemptions may be limited to US\$5m or 2.5% of the Fund (whichever is less) per dealing day.

### Commentary

The Fund returned 2.4% for 2020. Most African markets underperformed the MSCI World Index (total return) over the year, despite strong rebounds following the

lows of March 2020. In US dollars, the MSCI World returned +16% in 2020 compared to -9% for Kenya, -22% for Egypt and +2% for Morocco. Nigeria was the notable exception at +24%.

The Fund has a high weighting to Nigerian equities, and specifically Nigerian banks. The strong performance of Nigerian equities in 2020 was driven by investors seeking alternatives to low fixed income yields and foreigners struggling to repatriate funds. We believe that the likelihood of a further naira devaluation is high, but this is reflected in the valuations of the stocks we hold.

We are pricing the Fund's naira holdings at the official exchange rate, in line with the Fund's policy of using market pricing. The Fund's net asset value would be 5.4% lower were we to value the holdings at the unofficial rate, which is 17% lower than the Central Bank of Nigeria rate. We expect resolution over the coming months as pressure mounts within the Nigerian economy. We continue to monitor the situation and do what we believe is in the best interests of our clients.

We have increased our position in Nigerian Breweries, part of the Heineken stable. It is the dominant brewer in Nigeria, with a leading position across the value segment of the market. Competition has been intense as International Breweries, part of the AB InBev group, attempts to rapidly gain market share. Nevertheless, Nigerian Breweries has done reasonably well to defend its position. The business is well managed and positioned favourably to perform as competition becomes more rational, but especially if the local operating environment improves. Nigerian Breweries' current market capitalisation (around US\$1.1 billion) is a fraction of its 2014 peak (around US\$8.7 billion).

We have recently amended how we value our holdings listed on the Zimbabwe Stock Exchange. Previously we valued our Zimbabwean shares at the lower of the market price or our estimate of fair value, in the instances where we thought equity prices did not reflect reality. We now believe that the situation has sufficiently changed for us to resume using market

## ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

As at 31 December 2020

prices and the official exchange rate. Foreign exchange auctions have continued to take place weekly since late June 2020. We are encouraged both by the value traded (about US\$625 million since the first auction) and the stable exchange rate that the system has fostered. More recently, we have managed to repatriate some funds despite the relatively low allocation to portfolio investors. As we have been consistently reducing our estimate of fair value, and share prices in Zimbabwe remain extremely depressed, the move to once again use market prices for all the shares had an immaterial impact on the value of the Fund.

In addition to locally listed Zimbabwean investments, the Fund has meaningful positions in offshore-listed Zimbabwean businesses. Caledonia Mining is listed in the UK and US, and Zimplats is listed in Australia. Both of these entities are crucial sources of foreign exchange for the Zimbabwean government and we are cognisant of this risk. More fundamentally, both companies are currently benefiting from favourable precious metals prices, which should mean that they will generate significant amounts of free cashflow. We estimate that Zimplats is trading at a multiple of less than two times spot earnings. Both companies have net cash positions on their balance sheets and are therefore in a position to return healthy amounts of cash to shareholders.

We focus our attention on finding bottom-up opportunities that we think can provide handsome long-term returns to shareholders. We try to distinguish the facts from the noise, but acknowledge that, as contrarian investors, we need to be patient. We remain excited by the valuation of the portfolio where many stocks are trading at low multiples of normal earnings and high dividend yields.

Commentary contributed by Kamal Govan

### Performance in US\$ net of all fees and expenses

% Returns	Fund	Benchmark <sup>1</sup>
<b>Cumulative:</b>		
Since inception (1 January 2012)	28.6	2.7
<b>Annualised:</b>		
Since inception (1 January 2012)	2.8	0.3
Latest 5 years	4.8	8.4
Latest 3 years	-4.1	6.8
Latest 2 years	-3.5	16.7
Latest 1 year	2.4	16.5
<b>Risk measures (since inception based on month-end prices)</b>		
Maximum drawdown <sup>2</sup>	-51.7	-54.4
Percentage positive months <sup>3</sup>	54.6	50.9
Annualised monthly volatility <sup>4</sup>	19.3	20.5
Highest annual return <sup>5</sup>	69.1	26.6
Lowest annual return <sup>5</sup>	-38.6	-43.4

Relative to benchmark return required to reach high watermark: 40.2%

Note: The Fund's returns shown above are all for Class A.

- Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 31 December 2020. Calculation based on the latest available data as supplied by third parties.
- Maximum percentage decline over any period. The maximum drawdown occurred from August 2014 to July 2016 and maximum benchmark drawdown occurred from July 2014 to March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
- This is the highest or lowest rolling 12-month return the Fund has experienced since inception. The Fund's highest annual return occurred during the 12 months ended 31 January 2018 and the benchmark's occurred during the 12 months ended 30 April 2018. The Fund's lowest annual return occurred during the 12 months ended 31 August 2015 and the benchmark's occurred during the 12 months ended 31 August 2015. All rolling 12-month figures for the Fund and the benchmark are available from the Allan Gray service team on request.

## ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

As at 31 December 2020

### Annual management fee

The management fee consists of a base fee of 1% and a performance component. The fee rate is calculated weekly by comparing the Fund's total performance for the week, after the base fee is deducted, to that of the benchmark.

**Fee for performance equal to the Fund's benchmark:**  
1.00% p.a.

For each percentage point above or below the benchmark we add or deduct 0.2%. This means that Allan Gray shares in approximately 20% of the performance relative to the benchmark.

The fee is capped at 5% over any 12 month rolling period and can decrease to a minimum of 0%. If the fee would have been negative, the negative fee will be carried forward to reduce the next week's fee (and all subsequent weeks until the underperformance is recovered).

### Total expense ratio ("TER") and Transaction costs<sup>6</sup>

The annual management fee charged is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1 and 3-year period ending 31 December 2020	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.38</b>	<b>1.47</b>
Fee for benchmark performance	1.00	1.00
Performance fees	-1.00	-0.03
Custody fees	0.28	0.43
Other costs excluding transaction costs	0.10	0.07
VAT	0.00	0.00
<b>Transaction costs</b>	<b>0.28</b>	<b>0.34</b>
<b>Total investment charge (including VAT)</b>	<b>0.66</b>	<b>1.81</b>

Note: The fees, TERs and Transaction costs provided are for Class A only. Further information on fees, TERs and transaction costs for all classes is available from the Allan Gray service team.

6. Prior to 1 September 2017, the Fund was subject to VAT.

### Sector allocation as at 31 December 2020

Sector	% of Fund	Benchmark <sup>7</sup>
Oil and gas	6.4	7.4
Basic materials	11.3	38.7
Industrials	0.8	8.6
Consumer goods	19.3	5.1
Healthcare	0.2	0.0
Consumer services	0.0	0.8
Telecommunications	10.8	11.5
Utilities	2.7	0.0
Financials	40.6	27.8
Technology	2.6	0.0
Money market and bank deposits	5.3	0.1
<b>Total<sup>7</sup></b>	<b>100.0</b>	<b>100.0</b>

### Country of primary listing as at 31 December 2020

Country	% of Equities	Benchmark <sup>7</sup>
Nigeria	42.0	16.1
Zimbabwe	14.4	0.0
Egypt	10.9	14.2
Kenya	6.8	12.0
United Kingdom	6.6	6.9
Australia	5.8	5.5
BRVM	5.1	1.3
Uganda	2.9	0.0
Rwanda	1.7	0.0
Malawi	1.6	0.0
Ghana	1.0	0.7
Tanzania	0.6	1.2
France	0.3	0.0
Zambia	0.3	0.0
Canada	0.0	29.0
Morocco	0.0	5.8
Mauritius	0.0	3.8
Tunisia	0.0	2.8
United States	0.0	0.8
<b>Total<sup>8</sup></b>	<b>100.0</b>	<b>100.0</b>

7. Standard Bank Africa Total Return Index (source: Standard Bank). Calculation based on the latest available data as supplied by third parties.  
8. There may be slight discrepancies in the totals due to rounding.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**SCHEDULE OF NET ASSETS**

As at 31 December 2020

Number held	Security (ranked by sector)	Market value US\$	% of Fund	Standard Bank Africa Total Return Index (%)
	<b>FINANCIALS</b>	<b>143 072 443</b>	<b>40.6%</b>	<b>27.8%</b>
525 861 825	Zenith Bank	32 576 557	9.2%	
308 130 427	Guaranty Trust Bank	24 899 506	7.1%	
1 171 772 090	Access Bank	24 733 280	7.0%	
178 914 598	Stanbic IBTC Holdings	19 686 729	5.6%	
7 335 428	QNB Alahli Bank	8 379 352	2.4%	
10 417 950	CFC Stanbic Holdings	8 109 210	2.3%	
23 704 757	Equity Group	7 934 147	2.3%	
24 634 500	Bank of Kigali	5 791 928	1.6%	
	Positions less than 1%	10 961 733	3.1%	
	<b>CONSUMER GOODS</b>	<b>68 093 236</b>	<b>19.3%</b>	<b>5.1%</b>
31 351 548	Eastern Tobacco	25 973 582	7.4%	
48 475 427	Delta Corporation	13 945 666	4.0%	
86 020 329	Nigerian Breweries	12 032 919	3.4%	
17 936 517	Innscor Africa	8 137 736	2.3%	
1 167 500	British American Tobacco	3 859 592	1.1%	
	Positions less than 1%	4 143 739	1.2%	
	<b>TELECOMMUNICATIONS</b>	<b>40 587 019</b>	<b>11.5%</b>	<b>11.5%</b>
146 394 716	Econet Wireless	19 553 232	5.5%	
388 906	Sonatel	9 831 893	2.8%	
3 146 256	Press Corporation	5 328 343	1.5%	
	Positions less than 1%	5 873 552	1.7%	
	<b>BASIC MATERIALS</b>	<b>39 785 979</b>	<b>11.3%</b>	<b>38.7%</b>
1 234 093	Caledonia Mining	20 330 632	5.8%	
1 913 398	Zimplats	19 455 347	5.5%	
	<b>OIL AND GAS</b>	<b>22 547 790</b>	<b>6.4%</b>	<b>7.4%</b>
22 856 313	Seplat Petroleum Development Co	20 779 596	5.9%	
	Positions less than 1%	1 768 194	0.5%	
	<b>UTILITIES</b>	<b>9 582 652</b>	<b>2.7%</b>	<b>0.0%</b>
159 689 860	Umeme	9 582 652	2.7%	
	<b>TECHNOLOGY</b>	<b>8 986 800</b>	<b>2.6%</b>	<b>0.0%</b>
112 917 079	Cassava Smartech	8 986 800	2.6%	
	<b>INDUSTRIALS</b>	<b>2 686 796</b>	<b>0.8%</b>	<b>8.6%</b>
	Positions less than 1%	2 686 796	0.8%	
	<b>HEALTHCARE</b>	<b>707 410</b>	<b>0.2%</b>	<b>0.0%</b>
	Positions less than 1%	707 410	0.2%	
	<b>CASH, FUTURES CONTRACTS AND ACCRUALS</b>	<b>16 265 383</b>	<b>4.6%</b>	<b>0.1%</b>
	<b>NET ASSETS</b>	<b>352 315 509</b>	<b>100.0%</b>	

\*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 2020 and 31 December 2019. This valuation process is subjective and the results may vary according to the inputs and process applied.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

As at 31 December 2020

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 2020 and its financial performance and cash flows for the year ended 31 December 2020 are set out on pages 10 to 33 and have been approved by the directors of the Fund and are signed on its behalf by:



John Collis  
Director  
29 April 2021



Craig Bodenstab  
Director  
29 April 2021

## 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 2020, 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 2020 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 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 2020, the Fund's financial assets at fair value through profit or loss amounted to US\$ 338,731,620. Financial assets include bonds and gilts, equities, 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 2020. For the Fund's investment in equities, bonds and gilts, 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 2020 Annual Report**

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

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

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

#### **Responsibilities of management and the board of directors for the financial statements**

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

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, related safeguards.

## INDEPENDENT AUDITOR'S REPORT

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  
29 April 2021

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

	Note	2020 US\$	2019 US\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	338 731 620	353 980 047
Cash and cash equivalents	3	9 152 695	5 445 702
Trade and other receivables	4	4 504 318	1 147 973
<b>TOTAL ASSETS</b>		<b>352 388 633</b>	<b>360 573 722</b>
<b>LIABILITIES</b>			
Trade and other payables	5	73 124	132 817
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>73 124</b>	<b>132 817</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>352 315 509</b>	<b>360 440 905</b>

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

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	Note	2020 US\$	2019 US\$
<b>NET INVESTMENT INCOME/(LOSS)</b>		<b>8 930 223</b>	<b>(27 180 962)</b>
Dividends		23 431 623	22 751 465
Interest		249 362	422 919
Realised (losses)/gains on disposal of investments		(42 915 651)	7 344 355
Unrealised gains/(losses) on investments		28 979 409	(54 305 708)
Foreign exchange losses		(828 488)	(3 637 072)
Other income		13 968	243 079
<b>OPERATING EXPENSES</b>		<b>(1 205 270)</b>	<b>(2 377 531)</b>
Management fees	1.3.2	(14 045)	(227 829)
Audit fees		(20 583)	(29 708)
Custodian fees		(885 095)	(1 877 558)
Directors' fees		(18 000)	(18 000)
Transaction fees		-	(3 261)
Administration fees		(96 672)	(99 666)
Other expenses		(170 875)	(121 509)
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>7 724 953</b>	<b>(29 558 493)</b>
Withholding and other taxes		(2 075 862)	(1 908 799)
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR</b>		<b>5 649 091</b>	<b>(31 467 292)</b>

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

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

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

For the year ended 31 December 2020

	Note	Net assets attributable to holders of redeemable shares US\$	Number of shares
<b>BALANCE AT 31 DECEMBER 2018</b>		375 252 510	2 462 549
Total comprehensive loss for the year		(31 467 292)	
Net capital contributions		16 655 687	125 243
<b>BALANCE AT 31 DECEMBER 2019</b>	8	360 440 905	2 587 792
Total comprehensive profit for the year		5 649 091	
Net capital redemptions		(13 774 487)	(117 401)
<b>BALANCE AT 31 DECEMBER 2020</b>	8	352 315 509	2 470 391

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

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	Note	2020 US\$	2019 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net cash outflow from operations before working capital changes	6.1	(1 191 302)	(1 965 644)
Working capital changes	6.2	(2 258 078)	1 620 949
Interest received		205	277 890
Dividends received, net of withholding tax		20 446 958	21 247 027
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>16 997 783</b>	<b>21 180 222</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(50 667 661)	(233 203 286)
Proceeds from sale of investments		51 979 846	193 102 333
<b>NET CASH GENERATED/(UTILISED) BY INVESTING ACTIVITIES</b>		<b>1 312 185</b>	<b>(40 100 953)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redemption of redeemable shares		8 022 231	(39 573 463)
Proceeds from issue of redeemable shares		(21 796 718)	56 229 150
<b>NET CASH FLOWS GENERATED/(UTILISED) BY FINANCING ACTIVITIES</b>		<b>(13 774 487)</b>	<b>16 655 687</b>
Net increase/(decrease) in cash and cash equivalents		4 535 481	(2 265 044)
Cash and cash equivalents at the beginning of the year		5 445 702	11 347 818
Effect of exchange rate changes on cash and cash equivalents		(828 488)	(3 637 072)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>9 152 695</b>	<b>5 445 702</b>

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

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

## 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 is the Investment Adviser to the Fund.

The financial statements of the Fund were authorised for issue by the directors of the Fund on 29 April 2021.

## 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 2020.

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.

The following new, revised and amended IFRS standards, interpretations and amendments applicable to the Fund were adopted during the year.

	Standards	Effective date: Years beginning on/after	Impact
IAS 1	Presentation of Financial Statements	1 January 2020	No material impact
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020	No material impact

#### Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Fund or expected to be in future.



ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

A number of other changes, that are effective for accounting periods ended after 31 December 2020, have been issued by the IASB and IFRIC. However, these are not considered relevant to the Fund's operations.

### **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.

#### **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 declared. 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**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 2020, and has concluded that no asset/liability relating to tax positions that are certain, where it is probable that the Fund's tax positions will be accepted by the relevant taxation authorities should be recorded. There are no uncertain tax positions. Additionally, the Fund has recorded withholding and other taxes applicable to certain income types.

**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 money market instruments 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

***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.

**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***

The Fund's financial liabilities at fair value through profit or loss include net assets attributable to holders of redeemable shares.

***Financial liabilities at amortised cost***

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

**Recognition and measurement**

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

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

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

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**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.

**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 receivables 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

An analysis of fair values of financial instruments and further details as to how they are measured, is provided in note 7.

**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.

**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.

Subsequent to initial recognition, cash and cash equivalents, accounts receivable and accounts payable are measured at amortised cost using the effective interest rate method.

**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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. Amortised cost approximates fair value due to the short-term nature of amounts due from and to brokers. 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 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.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

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.

**1.3.10 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.

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 7.2.

**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.

	2020 US\$	2019 US\$
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**2. Financial assets at fair value through profit or loss**

Bonds and gilts	2 557 095	2 382 399
Foreign equities	333 492 739	351 597 648
Futures contracts	2 681 786	-
<b>TOTAL</b>	<b>338 731 620</b>	<b>353 980 047</b>

**3. Cash and cash equivalents**

Cash held at banks	9 152 695	5 445 702
<b>TOTAL</b>	<b>9 152 695</b>	<b>5 445 702</b>

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

	2020 US\$	2019 US\$
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**4. Trade and other receivables**

Interest receivable	682 610	433 453
Margin account on futures contract	2 112 937	-
Dividends receivable	1 623 323	714 520
Amounts due from brokers	80 263	-
Prepaid expenses	5 185	-
<b>TOTAL</b>	<b>4 504 318</b>	<b>1 147 973</b>

**5. Trade and other payables**

Management fees	-	19 350
Other payables	73 124	113 467
<b>TOTAL</b>	<b>73 124</b>	<b>132 817</b>

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

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

Total comprehensive profit/(loss) for the year	5 649 091	(31 467 292)
Adjustments:		
Realised losses/(gains) on disposal of investments	42 915 651	(7 344 355)
Unrealised (gains)/losses on investments	(28 979 409)	54 474 516
Foreign exchange losses	828 488	3 637 072
Interest income	(249 362)	(422 919)
Dividend income, net of withholding tax	(21 355 761)	(20 842 666)
<b>TOTAL</b>	<b>(1 191 302)</b>	<b>(1 965 644)</b>

**6.2 Working capital changes**

(Increase)/decrease in trade and other receivables	(2 198 385)	1 796 780
Decrease in trade and other payables	(59 693)	(175 831)
<b>TOTAL</b>	<b>(2 258 078)</b>	<b>1 620 949</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.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**Categorisation of financial instruments at 31 December 2020**

	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	-	336 049 834	-	-	336 049 834
Cash and cash equivalents	9 152 695	-	-	-	9 152 695
Futures contract	-	2 681 786	-	-	2 681 786
Trade and other receivables	4 504 318	-	-	-	4 504 318
<b>TOTAL ASSETS</b>	<b>13 657 013</b>	<b>338 731 620</b>			<b>352 388 633</b>
<b>LIABILITIES</b>					
Trade and other payables	-	-	73 124	-	73 124
<b>TOTAL LIABILITIES</b>			<b>73 124</b>		<b>73 124</b>

**Categorisation of financial instruments at 31 December 2019**

	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	-	353 980 047	-	-	353 980 047
Cash and cash equivalents	5 445 702	-	-	-	5 445 702
Trade and other receivables	1 147 973	-	-	-	1 147 973
<b>TOTAL ASSETS</b>	<b>6 593 675</b>	<b>353 980 047</b>			<b>360 573 722</b>
<b>LIABILITIES</b>					
Trade and other payables	-	-	132 817	-	132 817
<b>TOTAL LIABILITIES</b>			<b>132 817</b>		<b>132 817</b>

**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.



ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

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.

The Investment Manager continues to monitor developments related to the COVID-19 pandemic and the potential impact on the financial performance of the Fund. The Investment Manager has evaluated the impact of these events on the financial statements for the year ended 31 December 2020 and has determined that the impact of COVID-19 has been taken into account where necessary and no material events have been identified which would require further adjustment to or disclosure in the financial statements.

**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	2020 US\$	2019 US\$
<b>SUBJECT TO PRICE RISK</b>		
Equities	333 492 739	351 597 648
<b>SUBJECT TO INTEREST RATE RISK</b>		
Cash and cash equivalents	9 152 695	5 445 702
Bonds and gilts	2 557 095	2 382 399

**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. 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 indicates 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

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.

	2020 US\$	2019 US\$
<b>INVESTMENTS SUBJECT TO PRICE RISK</b>		
<b>EQUITIES</b>		
Effect on net assets attributable to holders of redeemable shares		
Gross exposure	333 492 739	351 597 648
+/-5%	16 674 637	17 579 882
+/-10%	33 349 274	35 159 765
+/-20%	66 698 548	70 319 530

**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:

% of equity securities	2020 %	2019 %
Financials	42.9	47.1
Consumer goods	20.4	17.0
Basic materials	11.9	11.8
Telecommunications	11.4	9.8
Oil and Gas	6.8	7.3
Utilities	2.9	2.7
Technology	2.7	2.5
Industrials	0.8	1.5
Healthcare	0.2	0.3
<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 and bonds and gilts. 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.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

	2020 US\$	2019 US\$
<b>INVESTMENTS SUBJECT TO INTEREST RATE RISK</b>		
<b>CASH AND CASH EQUIVALENTS</b>	9 157 695	5 445 702
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	45 763	27 229
+/- 1.0%	91 527	54 457
<b>BONDS AND GILTS</b>	2 557 095	2 382 399
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	12 785	11 912
+/- 1.0%	25 571	23 824

**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 2020 and 31 December 2019 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.

		Currency impact US\$			
<b>EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2020</b>					
CURRENCY		NET ASSETS US\$	-/+5%	-/+10%	-/+20%
Australian dollar	AUD	19 462 634	973 132	1 946 263	3 892 527
British pound	GBP	38 024 993	1 901 250	3 802 499	7 604 999
Canadian dollar	CAD	4 851	243	485	970
Egyptian pound	EGP	37 669 013	1 883 451	3 766 901	7 533 803
Euro	EUR	925 092	46 255	92 509	185 018
Ghanaian cedi	GHS	3 391 923	169 596	339 192	678 385
Kenyan shilling	KES	22 731 656	1 136 583	2 273 166	4 546 331
Malawian kwacha	MWK	5 434 139	271 707	543 414	1 086 828
Nigerian naira	NGN	131 212 099	6 560 605	13 121 210	26 242 420
Rwandan franc	RWF	6 096 207	304 810	609 621	1 219 241
Sout African rand	ZAR	296 860	14 843	29 686	59 372
Tanzanian shilling	TZS	1 988 439	99 422	198 844	397 688
Ugandan shilling	UGX	9 552 605	477 630	955 261	1 910 521
West African franc	XOF	17 073 985	853 699	1 707 398	3 414 797
Zambian kwacha	ZMW	869 581	43 479	86 958	173 916
Zimbabwean dollar	ZWL	49 215 825	2 460 791	4 921 582	9 843 165
			17 197 496	34 394 989	68 789 981

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

		Currency impact US\$			
<b>EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2019</b>					
CURRENCY		NET ASSETS US\$	-/+5%	-/+10%	-/+20%
Australian dollar	AUD	14 339 807	716 990	1 433 981	2 867 961
Botswana pula	BWP	4 723	236	472	945
British pound	GBP	43 027 361	2 151 368	4 302 736	8 605 472
Canadian dollar	CAD	718 941	35 947	71 894	143 788
Egyptian pound	EGP	40 891 139	2 044 557	4 089 114	8 178 228
Euro	EUR	1 355 297	67 765	135 530	271 059
Ghanaian cedi	GHS	8 458 997	422 950	845 900	1 691 799
Kenyan shilling	KES	40 359 658	2 017 983	4 035 966	8 071 932
Malawian kwacha	MWK	6 259 168	312 958	625 917	1 251 834
Nigerian naira	NGN	127 301 087	6 365 054	12 730 109	25 460 217
Rwandan franc	RWF	6 884 756	344 238	688 476	1 376 951
South African rand	ZAR	308 603	15 430	30 860	61 721
Tanzanian shilling	TZS	2 048 386	102 419	204 839	409 677
Ugandan shilling	UGX	8 579 629	428 981	857 963	1 715 926
West African franc	XOF	15 866 052	793 303	1 586 605	3 173 210
Zambian kwacha	ZMW	1 306 995	65 350	130 700	261 399
Zimbabwean dollar	ZWL	36 259 020	1 812 951	3 625 902	7 251 804
			17 698 480	35 396 964	70 793 923

**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 accounts and trade and other receivables. 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 Manager 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.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

	2020	2019
<b>CREDIT RATING</b>	<b>% OF FUND</b>	<b>% OF FUND</b>
A+	2.6	1.4
B	0.6	-
NR	0.7	0.7
	1.9	2.1

Note that the balance (96.1% of the Fund's net assets, 2019: 97.9%) 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.

**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 Manager'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.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**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)

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 table below analyses financial instruments, measured at fair value at 31 December 2020, 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	319 535 055	13 957 684	-	333 492 739
Futures contracts	-	2 681 786	-	2 681 786
Bonds and gilts	-	-	2 557 095	2 557 095
	<b>319 535 056</b>	<b>16 639 470</b>	<b>2 557 095</b>	<b>338 731 621</b>

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

The table below analyses financial instruments, measured at fair value at 31 December 2019, 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	335 388 366	16 209 282	-	351 597 647
Bonds and gilts	-	-	2 382 399	2 382 399
	335 388 366	16 209 282	2 382 399	353 980 046

**Transfers between level 1 and level 3**

During the year ended 31 December 2019, certain shares held by the Fund were assessed to be thinly traded due to relatively low trading volumes. These shares are valued at quoted prices for identical or similar assets in markets that are not active. This resulted in a transfer out of level 1 into level 2 at the beginning of the reporting period.

During the year ended 31 December 2019, Zimbabwe reintroduced its national currency. As a result the Investment Manager changed the valuation technique used to measure the fair value of Zimbabwean equities from a fair value methodology utilising unobservable inputs used in prior periods to quoted market prices in Zimbabwe dollars at 31 December 2019. This resulted in a transfer out of level 3 into level 1 at the beginning of the reporting period. As at 31 December 2020, Zimbabwean equities are measured at quoted market prices.

There were no transfers between levels during the year ended 31 December 2020.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements of financial assets held at fair value through profit or loss, in level 3 of the fair value hierarchy:

	2020 US\$	2019 US\$
Opening balance	2 382 399	99 188 838
Disposals	-	(6 000 000)
Net gains recognised in profit or loss	174 696	5 340 086
Transfer into level 1	-	(96 146 525)
<b>CLOSING BALANCE</b>	<b>2 557 095</b>	<b>2 382 399</b>

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

Total gains or losses included in profit or loss are presented in the Statement of comprehensive income as follows:

	2020 US\$	2019 US\$
Unrealised gains recognised in profit or loss	174 696	516 087
Realised gains recognised in profit or loss	-	4 823 999
<b>TOTAL NET GAINS RECOGNISED IN PROFIT OR LOSS</b>	<b>174 696</b>	<b>5 340 086</b>

The Investment Manager uses a discounted cash flow valuation technique to estimate the fair value of a Zimbabwean bond at 31 December 2020 and 31 December 2019. 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:

Effect on profit or loss:		
INCREASE/(DECREASE) OF DISCOUNT RATE:	GAIN	LOSS
<b>2020</b>		
+/-5%	41 340	(40 673)
+/-10%	83 347	(80 680)
<b>2019</b>		
+/-5%	52 675	(51 342)
+/-10%	106 685	(102 017)

## 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 2020 and 31 December 2019 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 payable in the Statement of financial position. As at 31 December 2020, only Class A, Class C and Class E shares were in issue (31 December 2019: only Class A, Class B and Class E shares were in issue). Class B shares were fully redeemed during the year ended 31 December 2020.



ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

	Fund shares par value (per share)	Authorised fund shares	Founder shares par value (per share)	Authorised and issued founder shares
Allan Gray Africa ex-SA Equity Fund Limited	US\$0.0001	99 990 000	US\$0.01	100

Fund share transactions (shares)	Class A	Class B	Class C	Class E	Total
<b>BALANCE AT 31 DECEMBER 2018</b>	355 415	107 465	-	1 999 669	2 462 549
Subscriptions	12 920	315	-	393 416	406 651
Redemptions	(71 986)	-	-	(209 422)	(281 408)
<b>BALANCE AT 31 DECEMBER 2019</b>	296 349	107 780	-	2 183 663	2 587 792
Subscriptions	11 070	25	486	54 388	65 969
Redemptions	(70 574)	-	(6 308)	(114 531)	(191 413)
Net switches in/(out) between classes	124 776	(107 805)	28 548	(37 476)	8 043
<b>BALANCE AT 31 DECEMBER 2020</b>	361 621	-	22 726	2 685 044	2 470 391

Fund share transactions (US\$)	2020 US\$	2019 US\$
Subscriptions	(21 796 718)	56 229 150
Redemptions	8 022 231	(39 573 463)
<b>NET CAPITAL CONTRIBUTIONS / (WITHDRAWALS)</b>	<b>(13 774 487)</b>	<b>16 655 687</b>

Net asset value per share	Class A US\$	Class B US\$	Class C US\$	Class E US\$
On 31 December 2019	117.17	116.92	-	143.39
On 31 December 2020	119.95	117.93*	119.95	146.79

\*Last traded price.

No income distributions were declared by the Fund for the years ended 31 December 2020 and 31 December 2019.

## 9. Commitments

The Fund has a daily uncommitted intraday US\$4.5 million clearing facility, US\$2 million overdraft facility, US\$100 000 daylight overdraft cash facility, US\$10 million settlement facility and a US\$5 million pre-settlement exposure 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 Orbis group of funds ('Orbis funds') are managed by Orbis Investment Management Limited. A related party relationship exists between Orbis Investment Management Limited and Allan Gray Bermuda Limited, the Investment Manager of the Fund, by virtue of a common ultimate shareholder. For the year ended 31 December 2020 and 31 December 2019, no Orbis funds held any shares directly in the Fund.

Directors of the Fund and the Investment Manager held approximately 10 000 shares indirectly in the Fund at 31 December 2020 (2019: 10 000 shares).

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

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

The directors of the Fund received total fees of US\$18 000 from the Fund (2019: US\$18 000).

During the year ended 31 December 2020, the management and performance fees incurred by the Fund were US\$14 045 and US\$0 respectively (2019 - US\$227 829 and US\$0). At 31 December 2020, the management and performance fee payable by the Fund were US\$0 and US\$0 respectively (2019 - US\$19 350 and US\$0).

The Investment Manager's fee consists of a base fee (Class A: 1%; Class C: 0.7%) and a performance component, and can vary between a minimum of 0% and a maximum of 5% (Class A) or 4.7% (Class C) depending on the Fund's out- or underperformance of the Fund's benchmark and the share class in question. The Investment Manager's fee for Class B is fixed at 1.75%. 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 Class E which does not incur fees.

At 31 December 2020, Allan Gray funds held 1 652 374 shares in the Fund (2019 - 1 683 586 shares). Allan Gray Life Limited, a subsidiary of the Investment Advisor, held approximately 333 099 shares in the Fund (2019 - 321 809 shares).

During the financial year ended 31 December 2020, a director waived his fee of US\$6 000 (2019 - US\$6 000) and Orbis Administration Limited waived any fees due in respect of company secretarial services rendered to the Fund.

## **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. 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 2020 the Fund had positions in futures contracts. At 31 December 2019, the Fund had no positions in futures contracts.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**Futures contracts**

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

At 31 December 2020, the Fund had credit exposure to the counterparties of futures contracts. At 31 December 2019, the Fund had no credit exposure to the counterparties of futures contracts as all open contracts settled prior to year-end. Fair value gains of US\$2 681 786 (2019: loss of US\$ 561 807) relating to these contracts were recognised during the year.

Futures contracts held for risk management purposes:

	2020 US\$	2019 US\$
Futures contracts (total exposure)	(3 499 958)	-
Fair value gains/(losses) recognised during the year	2 681 786	(561 807)

## IMPORTANT NOTES FOR INVESTORS

### Fund information

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. The primary custodian of the Fund is Citibank N.A. The custodian can be contacted at 390 Greenwich Street, New York, New York, USA. The Investment Manager has appointed Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Representative') as its representative for the purpose of approval in terms of the Collective Investment Schemes Control Act 45 of 2002. The Representative is incorporated under the laws of South Africa and is supervised by the Financial Sector Conduct Authority ('FSCA').

The Fund may be closed to new investments at any time to be managed according to its mandate. If you have any questions regarding the status of the Fund, please contact the Registrar. Shares in the Fund are traded at ruling prices and the Fund can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. This report does not constitute a financial promotion, a recommendation, an offer to sell or a solicitation to buy shares in the Fund. Investments in the Fund are made according to the terms and conditions and subject to the restrictions set out in the prospectus. Certain capitalised terms are defined in the glossary section of the Fund's prospectus, a copy of which is available on request. The offering of shares in the Fund may be restricted in certain jurisdictions. Please contact the Allan Gray service team to confirm if there are any restrictions that apply to you.

### European Union Savings Directive and Directive on Administrative Cooperation

The European Union Savings Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments was repealed in November 2015, as a consequence of the adoption in December 2015 of the EU Directive on Administrative Cooperation 2014/107/EU. The Directive on Administrative Cooperation expands the scope of income and information subject to automatic exchange between EU Member States to include not only interest income, but also dividends and other types of capital income as well as the annual balance of the accounts producing such income. The directors of the Fund believe that the Fund is exempt from the application of the EU Directive on Administrative Cooperation.

### United Kingdom Reporting Fund Status

The Fund's application for reporting fund status has been successful. The directors intend to manage the Fund in such a way that it should continue to be certified as a reporting fund.

### Notice to investors in the European Economic Area ('EEA')

The Fund is not currently marketed in the EEA. As a result, the Investment Manager does not comply with the requirements of the Alternative Investment Fund Managers Directive ('AIFMD'), and persons located in any EEA member state ('European Investors') are only permitted to subscribe for shares in the Fund at the discretion of the Investment Manager and subject to compliance with applicable law. European Investors who are permitted to invest in the Fund will not benefit from any of the protections of the AIFMD to which a European Investor making an investment in a non-European fund would otherwise have, including but without limitation, certain initial disclosure requirements, periodic reporting on illiquid assets and leverage, and certain annual reporting requirements.

## IMPORTANT NOTES FOR INVESTORS

### Performance

Collective investment schemes in securities (unit trusts or mutual funds) are generally medium- to long-term investments. Where annualised performance is mentioned, this refers to the average return per year over the period. The value of shares may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may cause the value of underlying international investments to go up or down. Neither the Investment Manager, the Fund nor the Representative provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

### Benchmark data

The Fund's benchmark data is provided by Standard Bank Plc who require that we include the following legal note. The Standard Bank Africa Total Return Index is the proprietary information and registered trademark of Standard Bank Plc. All copyright subsisting in the Standard Bank Africa Total Return Index values and constituent lists vests in Standard Bank Plc. All their rights are reserved.

### Share price

Share prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund divided by the number of shares in issue. Forward pricing is used. The weekly price of the Fund is normally calculated each Friday. Purchase requests must be received by the Registrar of the Fund by 17:00 South African time on that dealing day to receive that week's price. Redemption requests must be received by the Registrar of the Fund by 17:00 South African time, on the particular dealing day on which shares are to be redeemed to receive that week's price. Share prices are available on [www.allangray.com](http://www.allangray.com)

### Fees and charges

Permissible deductions from the Fund may include management fees, brokerage, Securities Transfer Tax ("STT"), auditor's fees, bank charges and custody fees. A schedule of fees, charges and maximum commissions is available on request from the Representative.

### Total expense ratio ("TER") and Transaction costs

The total expense ratio ("TER") is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged) and other expenses like audit fees. Transaction costs (including brokerage, STT and investor protection levies where applicable) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the Investment Manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from published returns. As collective investment scheme expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and Transaction costs is shown as the Total investment charge ("TIC").

## IMPORTANT NOTES FOR INVESTORS

### African markets

African markets are generally less mature and developed than those in advanced countries and have varying laws and regulations. There are significant risks involved in investing in shares listed in the Fund's universe of African markets including liquidity risks, sometimes aggravated by rapid and large outflows of 'hot money' and capital flight, concentration risk, currency risks, political and social instability, the possibility of expropriation, confiscatory taxation or nationalisation of assets and the establishment of foreign exchange controls which may include the suspension of the ability to transfer currency from a given country. In many cases, such risks are significantly higher than those in developed markets. Furthermore, African markets often have a more limited number of potential buyers and issuers and may be dependent on revenue from particular commodities or international aid. Additionally, African markets may have less government supervision and regulation, differences in auditing and financial reporting standards, and less developed legal systems. African markets also often have less developed securities settlements processes which may delay or prevent settlement of securities transactions. African markets also typically have smaller economies or less developed capital markets than more developed markets.

### Contractual risk

The Fund can use derivatives to manage its exposure to stock markets, currencies and/or interest rates and this exposes the Fund to contractual risk. Contractual risk includes the risk that a counterparty will not settle a transaction according to its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, causing the Fund to suffer a loss. Such contract counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties.

### Derivatives

Borrowing, leveraging, and trading securities on margin will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading utilised by the Fund permit a high degree of leverage; accordingly, a relatively small price movement in a futures or forward contract may result in immediate and substantial losses to the investor. Price movements of forward contracts and other derivative contracts in which the assets of the Fund may be invested are highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Forward contracts are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Trading in forward contracts is substantially unregulated and there is no limitation on daily price movements.

### Additional information

You can obtain additional information about the Fund including copies of the factsheet prospectus and application forms free of charge by contacting the Allan Gray service team at 0860 000 654 or +27 (0)21 415 2301 or by email at [allangraybermuda@allangray.com](mailto:allangraybermuda@allangray.com).

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED

**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**

Orbis House  
25 Front Street  
Hamilton, HM11  
Bermuda

**Company Secretary**

Orbis Administration Limited

**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  
Orbis House  
25 Front 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 2301  
Fax +27 21 415 2413  
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

Orbis House  
25 Front Street  
Hamilton HM11  
Bermuda

T +1 441 296 3000  
F +1 441 296 3001

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