

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

31 DECEMBER 2021

## **Contents**

Allan Gray Africa 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	38

# ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

As at 31 December 2021

## Inception date

1 July 1998

## Portfolio managers

Kamal Govan, Rory Kutisker-Jacobson

## Fund description and summary of investment policy

Allan Gray Africa 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. 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 over the long term without taking on greater risk of loss. The Fund's benchmark is the MSCI Emerging and Frontier Markets (EFM) Africa Index (total returns).

## Suitable for those investors who

- Seek exposure to 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 currently has limited capacity. Allan Gray Bermuda Limited (the 'Investment Manager') may, at its discretion, refuse a subscription or phase a subscription into the Fund over a number of dealing days. Redemptions may be limited to US\$5m or 2.5% of the Fund (whichever is less) per dealing day.

## Commentary

After a highly volatile 2020, global markets were steadier in 2021, with most major bourses moving up. The MSCI World Index was up 21.8% compared to 4.2% for the MSCI EFM Africa Index. The main African indices were all up over 2021. Morocco was the outperformer, up 14.4% (in US dollar terms) while Egypt, Nigeria and Kenya were up 10.4%, 0.1% and 5.6% (in US dollar terms) respectively. The Fund returned 28.9% for the year.

Major moves impacting the Fund include oil, which was up 55.0% over 2021, and gold, which dropped 3.6% for the year. The oil move was very positive for the Fund given the overweight oil-related exposure (directly through Seplat and indirectly through Nigerian stocks). Seplat and Nigerian banks, both sizeable holdings in the Fund, were large contributors to the year's outperformance. While we hold gold exposure through Caledonia Mining, which performed poorly over the year, we are overall underweight gold miner exposure relative to our benchmark, and down moves generally benefit the Fund on a relative basis.

In addition, the US Dollar Index, a proxy for the strength of the US dollar against a basket of currencies, increased by 6.4% during 2021, reversing all losses of 2020, and was generally stronger against most currencies in our universe. There is usually a negative correlation between the US dollar and emerging/frontier market returns: one that is direct given that most companies in those markets earn in local currency, but also indirectly through increased macro vulnerability, given reduced flexibility in monetary and fiscal policy. This is especially true for those countries that manage their currency or have a high foreign debt level.

On both an absolute and relative basis, the African stock universe continues to be very attractively valued and we are finding decent pockets of opportunities. One of the markets we are looking to gain further exposure to is the BRVM. The BRVM is the regional stock exchange serving the seven French West African countries, with the main ones being Cote d'Ivoire and Senegal.

We generally like this market for a number of reasons:

1. The economies are relatively better run, maintaining a disciplined rule-based policy framework that results in a much more stable macroeconomic environment, and they adopt a fixed exchange regime that is backed by the French treasury. This means that they virtually offer a hard currency type of return.
2. The market is underresearched and undercovered by foreign investors meaning that mispricing is common, and this creates more opportunities to find quality undervalued names.

## ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

As at 31 December 2021

- The correlation with global market movements is very low both due to the fact that local dynamics are less tied to the global cycles, and the fact that the market is less exposed to foreign investor sentiment. This means that this is a great diversification play and has also proven to offer downside protection in periods of global downturns.

### Fund long-term performance

In US dollar terms, the Fund is up 4.5% per annum over the last 10 years and 12.3% per annum over the last five years, outperforming the Fund's benchmark. For our South African investor base whose decision to allocate to the Fund is weighed against South African equity indices, it is pleasing to see that the Fund has also outperformed the Capped SWIX – the benchmark used in most South African local equity indices – over both 10 and five years (1% and 9% per annum relative outperformance in ZAR terms, respectively).

What this illustrates is the opportunity present in our universe for decent absolute returns, and it is also a testament to the capabilities of skilled bottom-up research to identify the set of stocks that will outperform the market over long periods of time.

We believe that the Africa investment thesis is stronger today than at any point in the past decade, particularly because it has been strongly discarded over the past number of years and valuations have derated substantially. We are very excited about the stocks we hold and continue to have more buy ideas than cash. A patient approach to investing in this market will prove highly rewarding a few years down the line.

### Commentary contributed by Rami Hajjar

### Performance in US\$ net of all fees and expenses<sup>1</sup>

% Returns	Fund	Benchmark <sup>2</sup>
<b>Cumulative:</b>		
Since inception (1 July 1998)	3122.7	513.5
<b>Annualised:</b>		
Since inception (1 July 1998)	15.9	8.0
Latest 10 years	4.5	1.8
Latest 5 years	12.3	2.7
Latest 3 years	5.6	3.5
Latest 2 years	12.1	0.0
Latest 1 year	28.9	4.2
<b>Risk measures (since inception, based on month-end prices)</b>		
Maximum drawdown <sup>3</sup>	-52.5	-60.5
Percentage positive months <sup>4</sup>	59.6	56.7
Annualised monthly volatility <sup>5</sup>	24.6	25.9
Highest annual return <sup>6</sup>	136.4	94.1
Lowest annual return <sup>6</sup>	-48.6	-54.1

Relative to benchmark return required to reach high watermark: 1.1%.

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

- The Fund is currently priced in US dollars. From inception to 30 April 2012 the Fund was priced in South African rands.
- The current benchmark is the MSCI EFM Africa Index (total returns). From inception to 30 April 2012 the benchmark was the FTSE/JSE All Share Index including income. Performance as calculated by Allan Gray Proprietary Limited as at 31 December 2021 (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
- Maximum percentage decline over any period. The maximum drawdown occurred from October 2007 to February 2009 and maximum benchmark drawdown occurred from October 2007 to February 2009. 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 August 1999 and the benchmark's occurred during the 12 months ended 28 February 2010. The Fund's lowest annual return occurred during the 12 months ended 31 October 2008 and the benchmark's occurred during the 12 months ended 31 October 2008. All rolling 12-month figures for the Fund and the benchmark are available from the Allan Gray Service Team on request.

## ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

As at 31 December 2021

### Subscription and redemption charge

Investors may be charged 0.5% when subscribing for Fund shares. Investors may be charged 0.5% 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.

### Annual management fee

The management fee consists of a base fee of 1% p.a. 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.

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

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 2021	1yr %	3yr %
<b>Total expense ratio</b>	<b>2.59</b>	<b>1.37</b>
Fee for benchmark performance	1.00	1.00
Performance fees	1.37	0.01
Custody fees	0.16	0.27
Other costs excluding transaction costs	0.06	0.09
<b>Transaction costs</b>	<b>0.04</b>	<b>0.16</b>
<b>Total investment charge</b>	<b>2.63</b>	<b>1.53</b>

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

### Sector allocation on 31 December 2021

Sector	% of Fund	Benchmark <sup>7</sup>
Energy	6.1	1.0
Basic materials	21.7	22.9
Industrials	1.1	2.6
Consumer staples	17.2	9.2
Healthcare	0.0	1.9
Consumer discretionary	1.7	2.9
Telecommunications	14.1	12.4
Utilities	1.5	0.1
Financials	22.7	32.6
Technology	9.4	12.0
Real estate	0.0	2.3
Money market and bank deposits	4.6	0.0
<b>Total<sup>8</sup></b>	<b>100.0</b>	<b>100.0</b>

### Country of primary listing on 31 December 2021

Country	% of Equities	Benchmark <sup>7</sup>
Zimbabwe	27.1	0.0
Nigeria	23.7	1.6
South Africa	16.5	86.9
Australia	7.5	0.0
Egypt	7.2	2.4
Jersey	6.9	0.0
United Kingdom	3.5	0.0
Kenya	2.6	2.1
Netherlands	1.7	0.0
BRVM	1.7	0.3
Uganda	1.6	0.0
Luxembourg	0.2	0.9
Morocco	0.0	3.8
Romania	0.0	1.0
Mauritius	0.0	0.8
Tunisia	0.0	0.2
<b>Total<sup>8</sup></b>	<b>100.0</b>	<b>100.0</b>

7. MSCI EFM Africa Index (total returns) (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.

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

## SCHEDULE OF NET ASSETS

As at 31 December 2021

Number held	Security (ranked by sector)	Market value US\$	% of Fund	MSCI EFM Africa index (total returns) (%)
	<b>FINANCIALS</b>	64 801 873	22.7%	32.6%
286 376 921	Zenith Bank	16 982 338	5.9%	
614 783 371	Access Bank	13 481 138	4.7%	
166 190 381	Guaranty Trust Bank	10 188 276	3.6%	
764 123	Standard Bank Group	6 709 786	2.3%	
68 649 816	Stanbic IBTC Holdings	5 827 246	2.0%	
5 680 033	CFC Stanbic Holdings	4 374 849	1.5%	
315 515	Nedbank Group	3 463 331	1.2%	
	Positions less than 1%	3 774 909	1.3%	
	<b>BASIC MATERIALS</b>	62 044 386	21.7%	22.9%
1 198 413	Zimplats Holdings	20 368 026	7.1%	
3 681 856	Glencore	18 738 796	6.6%	
723 298	Caledonia Mining	8 704 912	3.0%	
2 264 419	Sibanye Stillwater	6 973 080	2.4%	
	Positions less than 1%	7 259 572	2.5%	
	<b>CONSUMER STAPLES</b>	49 061 127	17.2%	9.2%
26 544 840	Delta Corporation	20 174 078	7.1%	
28 746 347	Eastern Tobacco	19 582 304	6.8%	
9 504 989	Innscore Africa	7 603 991	2.7%	
	Positions less than 1%	1 700 754	0.6%	
	<b>TELECOMMUNICATIONS</b>	40 308 397	14.1%	12.4%
88 735 417	Econet Wireless	33 719 458	11.8%	
187 765	Sonatel	4 551 323	1.6%	
	Positions less than 1%	2 037 616	0.7%	
	<b>TECHNOLOGY</b>	26 977 632	9.4%	12.0%
72 977 573	EcoCash Holdings	12 406 187	4.3%	
64 032	Naspers	9 927 317	3.5%	
56 537	Prosus	4 644 128	1.6%	
	<b>ENERGY</b>	17 336 057	6.1%	1.0%
9 426 222	Seplat Energy London	10 656 168	3.7%	
4 244 464	Seplat Energy Nigeria	6 505 156	2.3%	
	Positions less than 1%	174 733	0.1%	
	<b>CONSUMER DISCRETIONARY</b>	4 859 402	1.7%	2.9%
1 051 054	Woolworths Holdings	3 418 566	1.2%	
	Positions less than 1%	1 440 836	0.5%	
	<b>UTILITIES</b>	4 329 136	1.5%	0.1%
81 415 363	Umeme	4 318 560	1.5%	
	Positions less than 1%	10 576	0.0%	
	<b>INDUSTRIALS</b>	3 139 809	1.1%	2.6%
27 061 078	Sephaku Holdings Limited	3 139 809	1.1%	
	<b>CASH, FUTURES CONTRACTS, GILTS AND SEMI-GILTS, AND ACCRUALS</b>	13 035 613	4.6%	0.0%
	<b>NET ASSETS</b>	<b>285 893 432</b>	<b>100.0%</b>	

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

\*The Investment Manager adopted and used a fair value methodology utilising unobservable inputs to estimate the fair value of one Zimbabwean financial asset at 31 December 2021 and 31 December 2020. This valuation process is subjective and the results may vary according to the inputs and process applied.

\*\* The schedule of net assets has been prepared in accordance with the Funds internal pricing valuation policy as at 31 December 2021.

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

As at 31 December 2021

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 2021 and its financial performance and cash flows for the year ended 31 December 2021, 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  
8 March 2022



Craig Bodenstab  
Director  
8 March 2022

## INDEPENDENT AUDITOR'S REPORT

### The Board of Directors of Allan Gray Africa Equity Fund Limited

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

##### Opinion

We have audited the financial statements of Allan Gray Africa Equity Fund Limited (the "Fund") which comprise the statement of financial position as at 31 December 2021, 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

##### Basis for opinion

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

##### Key audit matters

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

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

##### Risk:

##### Valuation of financial assets and financial liabilities at fair value through profit or loss

The valuation of the Fund's financial assets and financial liabilities at fair value through profit or loss is a key audit matter because it significantly impacts the Fund's performance and net asset value.

## INDEPENDENT AUDITOR'S REPORT

As of 31 December 2021, the Fund's financial assets and financial liabilities at fair value through profit or loss amounted to US\$ 274,617,213 and US\$ 273,286, respectively. Financial assets and financial liabilities include equities, gilts and semi-gilts 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 and financial liabilities 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 financial liabilities and performed the following procedures among others.

We obtained the listing of financial assets and financial liabilities as at 31 December 2021. For the Fund's investment in equities, gilts and semi-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 2021 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.

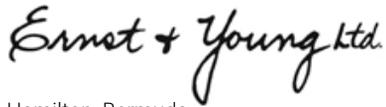
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

The logo for Ernst & Young Ltd. is written in a black, cursive script font. The words "Ernst & Young" are connected, and "Ltd." is written in a smaller font size at the end.

Hamilton, Bermuda

8 March 2022

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

	Note	2021 US\$	2020 US\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	274 617 213	214 810 509
Cash and cash equivalents	3	8 147 197	8 225 078
Trade and other receivables	4	4 161 273	3 022 368
<b>TOTAL ASSETS</b>		<b>286 925 683</b>	<b>226 057 955</b>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit and loss	2	273 286	-
Trade and other payables	5	758 964	58 766
<b>TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>1 032 250</b>	<b>58 766</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>285 893 433</b>	<b>225 999 189</b>

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

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	Note	2021 US\$	2020 US\$
<b>NET INVESTMENT INCOME/(LOSS)</b>		74 117 888	(3 348 893)
Dividend income		17 083 561	12 018 352
Interest income		149 675	150 692
Realised losses on disposal of investments		(6 676 318)	(36 793 407)
Unrealised gains on investments		64 111 094	21 565 126
Foreign exchange losses		(550 643)	(292 411)
Other income		519	2 755
<b>OPERATING EXPENSES</b>		(6 180 319)	(1 613 163)
Management fees	1.3.2	(5 564 348)	(911 156)
Audit fees		(21 471)	(30 000)
Custodian fees		(441 668)	(390 312)
Directors' fees		(24 000)	(18 000)
Administration fees		(92 372)	(63 772)
Other expenses		(36 460)	(199 923)
<b>PROFIT/(LOSS) BEFORE TAXES</b>		67 937 569	(4 962 056)
Withholding and other taxes		(1 454 673)	(1 090 757)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		66 482 896	(6 052 813)

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

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

For the year ended 31 December 2021

	Note	Net assets attributable to holders of redeemable shares US\$	Number of shares
<b>BALANCE AT 31 DECEMBER 2019</b>		232 925 045	1 343 417
Total comprehensive loss for the year		(6 052 813)	-
Net capital redemptions		(873 043)	(6 702)
<b>BALANCE AT 31 DECEMBER 2020</b>	8	225 999 189	1 336 715
Total comprehensive income for the year		66 482 896	-
Net capital redemptions		(6 588 652)	(29 693)
<b>BALANCE AT 31 DECEMBER 2021</b>	8	285 893 433	1 307 022

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

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	Note	2021 US\$	2020 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net cash outflow from operations before working capital changes	6.1	(6 179 800)	(1 610 408)
Working capital changes	6.2	1 247 850	(1 459 859)
Interest received		38 367	15 227
Dividends received, net of withholding tax		14 053 639	10 350 646
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>9 160 056</b>	<b>7 295 606</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(51 503 837)	(44 885 249)
Proceeds from sale of investments		49 405 195	43 820 134
<b>NET CASH UTILISED BY INVESTING ACTIVITIES</b>		<b>(2 098 642)</b>	<b>(1 065 115)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of redeemable shares		104 004	12 576 992
Redemption of redeemable shares		(6 692 656)	(13 450 035)
<b>NET CASH UTILISED BY FINANCING ACTIVITIES</b>		<b>(6 588 652)</b>	<b>(873 043)</b>
Net increase in cash and cash equivalents		472 762	5 357 448
Cash and cash equivalents at the beginning of the year		8 225 078	3 160 041
Effect of exchange rate changes on cash and cash equivalents		(550 643)	(292 411)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>8 147 197</b>	<b>8 225 078</b>

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**Corporate information**

Allan Gray Africa Equity Fund Limited (the 'Fund') was incorporated on 22 April 1997 and is a limited liability company of unlimited duration. The Fund was launched to the public on 1 July 1998 and is a Bermuda exempted Mutual Fund Company. The investment manager of the Fund is Allan Gray Bermuda Limited (the 'Investment Manager'). Allan Gray Proprietary Limited, a fellow subsidiary within the Allan Gray group, is the Investment Adviser to the Fund.

The financial statements of the Fund were authorised for issue by the directors of the Fund on 8 March 2022.

**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 2021.

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

A number of other changes, that are effective for the periods beginning on or after 1 January 2021, have been issued by the IASB and IFRIC. However, these are not considered relevant to the Fund's operations.

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

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

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

**1.3 Accounting policies**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 1.3.1 Net investment income or loss

Net investment income comprises interest income, dividend income, foreign currency gains or losses on investments, other income and realised and unrealised gains and losses on investments.

#### Interest income

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

#### Dividend income

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

#### Other income

Investors are charged 0.5% when subscribing for Fund shares. Investors may be charged 0.5% when redeeming Fund shares in the case of significant redemptions. These charges are paid into the Fund to offset the costs associated with the transactions that are borne by the Fund. The Investment Manager may waive these charges if transactions substantially offset one another.

#### Investment gains and losses

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

### 1.3.2 Management fee

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

### 1.3.3 Expenses

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

### 1.3.4 Distributions to holders of redeemable shares

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

### 1.3.5 Taxation

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

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

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 2021, 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 gilts and semi-gilts as financial assets at fair value through profit or loss.

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

***Financial assets at amortised cost***

The Fund classifies financial assets at amortised cost when:

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

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***

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

***Financial liabilities at amortised cost***

The Fund classifies its trade and other payables and any 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 2021

### **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 cash and cash equivalents and consideration of forward-looking factors specific to the counterparty and economic environment, the impact of which has been considered and concluded to be immaterial.

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

### **Determination of fair value**

Financial instruments carried at fair value are valued based on a quoted market price. For all other financial instruments not valued based on a quoted market price, the fair value is determined by using appropriate valuation techniques.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

An analysis of fair values of financial instruments and further details as to how they are measured, is provided in note 7.2.

### **Offsetting financial instruments**

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

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.

### **1.3.8 Amounts due from and to brokers**

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

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

### **1.3.9 Foreign currencies**

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

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

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

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

All foreign currency translations were at the official exchange rate as at 31 December 2021 except for the Zimbabwe market. The principles applied in determining the estimated exchange rate for the Zimbabwean dollar are disclosed in Note 12.

**1.3.10 Net assets attributable to holders of redeemable shares**

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

**1.3.11 Critical judgement in applying the Fund's accounting policies**

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

*Fair value*

When the fair values of financial assets and liabilities recorded in the Statement of financial position cannot be derived from quoted market prices, they are determined using a variety of valuation techniques. Refer to Note 7.2.

*The effect of changes in foreign exchange rates*

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

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

**1.3.12 Events subsequent to year end**

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

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

	2021 US\$	2020 US\$
<b>FINANCIAL ASSETS</b>		
Gilts and semi-gilts	1 759 394	1 625 849
Equities	272 857 819	213 114 896
Futures contracts	-	69 764
<b>TOTAL</b>	<b>274 617 213</b>	<b>214 810 509</b>
<b>FINANCIAL LIABILITIES</b>		
Futures contracts	273 286	-
<b>TOTAL</b>	<b>273 286</b>	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

**3. Cash and cash equivalents**

	2021 US\$	2020 US\$
Cash held at banks	8 147 197	8 225 078
<b>TOTAL</b>	<b>8 147 197</b>	<b>8 225 078</b>

**4. Trade and other receivables**

Interest receivable	522 370	411 062
Dividends receivable	2 757 987	1 182 738
Margin accounts on futures contract	855 899	1 425 076
Prepaid expenses	25 017	3 492
<b>TOTAL</b>	<b>4 161 273</b>	<b>3 022 368</b>

**5. Trade and other payables**

Management fees	693 083	-
Other payables	65 881	58 766
<b>TOTAL</b>	<b>758 964</b>	<b>58 766</b>

**6. Notes to the statement of cash flows****6.1 Net cash outflow from operations before working capital changes**

	2021 US\$	2020 US\$
Total comprehensive income/(loss) for the year	66 482 896	(6 052 813)
<b>ADJUSTMENTS</b>		
Realised losses on disposal of investments	6 676 318	36 793 407
Unrealised gains on investments	(64 111 094)	(21 565 126)
Foreign exchange losses	550 643	292 411
Interest income	(149 675)	(150 692)
Dividend income, net of withholding tax	(15 628 888)	(10 927 595)
<b>TOTAL</b>	<b>(6 179 800)</b>	<b>(1 610 408)</b>

**6.2 Working capital changes**

Decrease/(increase) in trade and other receivables	547 652	(1 428 568)
Increase/(decrease) in trade and other payables	700 198	(31 291)
<b>TOTAL</b>	<b>1 247 850</b>	<b>(1 459 859)</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

**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.

**Categorisation of financial instruments at 31 December 2021**

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Financial liabilities measured at fair value US\$	Total US\$
<b>ASSETS</b>					
Financial assets at fair value through profit or loss	-	274 617 213	-	-	274 617 213
Cash and cash equivalents	8 147 197	-	-	-	8 147 197
Trade and other receivables	4 161 273	-	-	-	4 161 273
<b>TOTAL ASSETS</b>	<b>12 308 470</b>	<b>274 617 213</b>	<b>-</b>	<b>-</b>	<b>286 925 683</b>
<b>LIABILITIES</b>					
Trade and other payables	-	-	758 964	-	758 964
Futures contracts	-	-	-	273 286	273 286
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>758 964</b>	<b>273 286</b>	<b>1 032 250</b>

**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\$	Total US\$
<b>ASSETS</b>				
Financial assets at fair value through profit or loss	-	214 740 745	-	214 740 745
Cash and cash equivalents	8 225 078	-	-	8 225 078
Trade and other receivables	3 022 368	-	-	3 022 368
Futures contracts	-	69 764	-	69 764
<b>TOTAL ASSETS</b>	<b>11 247 446</b>	<b>214 810 509</b>	<b>-</b>	<b>226 057 955</b>
<b>LIABILITIES</b>				
Trade and other payables	-	-	58 766	58 766
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>58 766</b>	<b>58 766</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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

The Fund is invested in shares whose prices are below the assessment of their intrinsic value in the belief that they offer the highest prospective returns and lowest risk of loss. The Fund seeks to take advantage of opportunities that arise and may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets with exposure to a basket of African countries.

The Fund defines 'African equities' as equities in companies with significant business interests in Africa, 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 2021, 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	2021 US\$	2020 US\$
<b>SUBJECT TO PRICE RISK</b>		
Equities	272 857 819	213 114 896
<b>SUBJECT TO INTEREST RATE RISK</b>		
Cash and cash equivalents	8 147 197	8 225 078
Gilts and semi-gilts	1 759 394	1 625 849
Margin accounts	855 899	1 425 076

**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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

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

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

	2021 US\$	2020 US\$
<b>INVESTMENTS SUBJECT TO PRICE RISK</b>		
<b>EQUITIES</b>		
Effect on net assets attributable to holders of redeemable shares		
Gross exposure	272 857 819	213 114 896
+/- 5%	13 642 891	10 655 745
+/- 10%	27 285 782	21 311 490
+/- 20%	54 571 564	42 622 979

**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	2021 %	2020 %
Financials	23.6	31.1
Basic materials	22.7	22.4
Consumer staples	18.0	16.8
Telecommunications	14.8	7.9
Technology	9.9	10.4
Energy	6.4	6.3
Industrials	1.2	0.9
Utilities	1.6	0.8
Consumer discretionary	1.8	3.3
Healthcare	-	0.1
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**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, gilts and semi-gilts and margin accounts. 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.

	2021 US\$	2020 US\$
<b>INVESTMENTS SUBJECT TO INTEREST RATE RISK</b>		
<b>CASH AND CASH EQUIVALENTS</b>	8 147 197	8 225 078
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	40 736	41 125
+/- 1.0%	81 472	82 251
<b>GILTS AND SEMI-GILTS</b>	1 759 394	1 625 849
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	8 797	8 129
+/- 1.0%	17 594	16 258
<b>MARGIN ACCOUNTS</b>	855 899	1 425 076
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	4 279	7 125
+/- 1.0%	8 559	14 251

**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 2021 and 31 December 2020 on its financial assets and liabilities.

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

The foreign currency risk disclosure reports the Zimbabwean dollar net assets converted using the estimated exchange rate. As at 31 December 2020 the official exchange rate was used. Further information relating to the estimated exchange rate has been disclosed in Note 12.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

Currency impact  
US\$

## EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2021

CURRENCY		NET ASSETS US\$	+/- 5%	+/- 10%	+/- 20%
Australian dollar	AUD	20 386 926	1 019 346	2 038 693	4 077 385
British pound	GBP	19 599 423	979 971	1 959 942	3 919 885
Canadian dollar	CAD	17 325	866	1 733	3 465
Egyptian pound	EGP	20 623 538	1 031 177	2 062 354	4 124 708
Euro	EUR	70 019	3 501	7 002	14 004
Kenyan shilling	KES	7 153 159	357 658	715 316	1 430 632
Nigerian naira	NGN	57 672 901	2 883 645	5 767 290	11 534 580
South African rand	ZAR	69 467 160	3 473 358	6 946 716	13 893 432
Ugandan shilling	UGX	4 318 560	215 928	431 856	863 712
West African franc	XOF	4 551 323	227 566	455 132	910 265
Zimbabwean dollar	ZWL	75 920 725	3 796 036	7 592 072	15 184 145
			13 989 052	27 978 106	55 956 213

Currency impact  
US\$

## EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2020

CURRENCY		NET ASSETS US\$	+/- 5%	+/- 10%	+/- 20%
Australian dollar	AUD	12 199 136	609 957	1 219 914	2 439 827
British pound	GBP	20 686 822	1 034 341	2 068 682	4 137 365
Canadian dollar	CAD	17 216	861	1 722	3 443
Egyptian pound	EGP	23 747 598	1 187 380	2 374 760	4 749 520
Euro	EUR	75 833	3 792	7 583	15 167
Kenyan shilling	KES	6 728 751	336 438	672 875	1 345 750
Nigerian naira	NGN	56 705 551	2 835 278	5 670 555	11 341 110
South African rand	ZAR	59 376 617	2 968 831	5 937 662	11 875 323
Ugandan shilling	UGX	4 884 030	244 202	488 403	976 806
West African franc	XOF	4 746 868	237 343	474 687	949 374
Zimbabwean dollar	ZWL	29 980 729	1 499 036	2 998 073	5 996 146
			10 957 459	21 914 916	43 829 830

**Credit risk**

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

At year end, financial assets exposed to credit risk comprised cash and cash equivalents, trade and other receivables and gilts and semi-gilts. 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.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

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 gilts and semi-gilts 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.

	2021	2020
CREDIT RATING	% OF FUND	% OF FUND
AAA	0.3%	-
A+	-	3.6%
A	2.8%	-
B	-	0.6%
NR	0.6%	0.7%
	3.7	5.0%

Note that the balance (96.3% of the Fund's net assets, 2020: 95.0%) 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).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

### 7.2 Fair value

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

**Level 1** – quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** – those involving inputs that are directly or indirectly observable

**Level 3** – those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	US\$			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>FINANCIAL ASSETS</b>				
Equities	272 857 819	-	-	272 857 819
Gilts and semi-gilts	-	-	1 759 394	1 759 394
<b>TOTAL</b>	<b>272 857 819</b>	<b>-</b>	<b>1 759 394</b>	<b>274 617 213</b>
<b>FINANCIAL LIABILITIES</b>				
Futures contracts	-	273 286	-	273 286
<b>TOTAL</b>	<b>-</b>	<b>273 286</b>	<b>-</b>	<b>273 286</b>

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.

	US\$			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>FINANCIAL ASSETS</b>				
Equities	213 114 896	-	-	213 114 896
Gilts and semi-gilts	-	-	1 625 849	1 625 849
Futures contracts	-	69 764	-	69 764
	213 114 896	69 764	1 625 849	214 810 509

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

The Investment Manager uses a discounted cash flow valuation technique to estimate the fair value of a Zimbabwean bond at 31 December 2021 and 31 December 2020. The key unobservable assumption used in the valuation is the discount rate of 12.5%. This valuation process is subjective and the results may vary according to the inputs and process applied.

For fair value measurements in level 3 of the fair value hierarchy, changing the discount rate would have the following effect on profit/(loss):

Effect on profit or loss	2021 US\$	2020 US\$
<b>INCREASE/(DECREASE) OF DISCOUNT RATE:</b>		
+/- 5%	16 958	33 462
+/- 10%	33 916	67 802

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

**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 2021 and 31 December 2020 is detailed below. Fund shares are divided into three share classes (Class A, Class B and Class C), 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 2021, only shares in Class A and Class B had been issued.

	Allan Gray Africa Equity Fund Limited
Fund shares par value (per share)	US\$0.10
Authorised Fund shares	100 million
Founder shares par value (per share)	US\$1.00
Authorised and issued Founder shares	12 000

The 31 December 2020 share capital information was resubmitted with the Registrar of Companies of Bermuda. This did not have an impact on the financial statements other than the above disclosure.

Fund share transactions (shares)	Class A	Class B
<b>BALANCE AT 31 DECEMBER 2019</b>	1 213 987	129 430
Subscriptions	3 259	77 128
Redemptions	(86 665)	(424)
<b>BALANCE AT 31 DECEMBER 2020</b>	1 130 581	206 134
Subscriptions	330	196
Redemptions	(29 331)	(888)
<b>BALANCE AT 31 DECEMBER 2021</b>	1 101 580	205 442

Fund share transactions (US\$)	2021 US\$	2020 US\$
Subscriptions	104 004	12 576 992
Redemptions	(6 692 656)	(13 450 035)
<b>NET CAPITAL WITHDRAWALS</b>	(6 588 652)	(873 043)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

Net asset value per share	Class A	Class B
On 31 December 2020	168.80	169.99
On 31 December 2021	217.71	224.23

No income distributions were declared by the Fund for the year ended 31 December 2021 and 31 December 2020.

**9. Commitments**

The Fund has a US\$4 million clearing facility for dollar cash clearing, US\$2 million direct facility for temporary overdraft cash, US\$1.35 million direct unallocated facility, US\$4 million clearing intraday facility, US\$5 million pre-settlement facility for foreign exchange, and a US\$10 million settlement facility for foreign exchange. 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. At 31 December 2021, Orbis funds and Orbis Investment Management Limited held 750 454 shares of the Fund (2020: 776 700 shares).

At 31 December 2021, the Allan Gray South African Unit Trusts held 129 626 shares in the Fund (2020: 129 430).

Directors of the Fund and the Investment Manager held nil shares directly in the Fund at 31 December 2021 (2020: 786).

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\$24 000 from the Fund (2020: US\$18 000). During the financial year ended 31 December 2021, a director waived his fee of US\$8 000 (2020: US\$6 000). Orbis Administration Limited waived any fees due in respect of company secretarial services rendered to the Fund.

The Investment Manager's fee consists of a base fee (Class A: 1%) and 20% sharing of the Fund's out- or underperformance of its benchmark subject to a minimum fee of 0% per annum, a maximum of 5% per annum and a high watermark principle. Affiliates of the Investment Manager within the Allan Gray Group manage global asset portfolios for their clients as well as a number of Allan Gray's institutional asset pools and collective investment schemes (collectively the 'Institutional Clients'). To avoid the layering of fees, applicable Institutional Clients are invested in the Class B shares and are not charged a fee in the Fund.

During the financial year ended 31 December 2021, the management fee incurred by the Fund was US\$5 564 348 (2020: US\$911 156). The management fee that was payable by the Fund at 31 December 2021 was US\$693 083. There was no management fee payable at 31 December 2020.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**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 value of a derivative contract may have a significant impact on the profit or loss of the Fund.

At 31 December 2021 and 31 December 2020 the Fund had positions in futures contracts.

**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 on regulated exchanges and are subject to daily cash margin requirements.

At 31 December 2021, the Fund had credit exposure to the counterparties of futures contracts as all open contracts had not been settled prior to year end. The following table discloses the total exposure and fair value gains recognised over the period.

Futures contracts held for risk management purposes:

	2021 US\$	2020 US\$
Futures contracts (total exposure)	(443 506)	(211 788)
Fair value gains recognised during the year	208 910	69 764

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

During the current period the accessibility of the Zimbabwean dollar through the official channels deteriorated, given the existing capital controls, limited liquidity available to investors and the persistent high levels of inflation. This was evidenced through delays in the official auction process whereby exchanging Zimbabwean dollars to US dollars within a reasonable time frame became difficult. The Fund has therefore classified the Zimbabwe dollar exchange rate as lacking accessibility.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2021

Accordingly, the Fund's net assets denominated in Zimbabwe dollars have been translated using an alternative exchange rate which is considered to be a fair representation of the exchange rate achievable on the realization of the Zimbabwe investments in US dollars. The alternative exchange rate was determined by assessing exchange rates based on market conditions and/or reported by various independent sources. The alternative exchange rate calculated is 221 ZWL:USD compared to the 109 ZWL:USD quoted exchange rate.

The impact of applying the estimated exchange rate instead of the official exchange rate on the net assets of the Fund has been done below. No estimated exchange rate was used as at 31 December 2020.

<b>Net assets impact</b>	<b>Decrease in net assets</b>
Equity	(76 559 640)
Cash and cash equivalents	(152 614)
Trade and other receivables	(872 629)

**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 Investment Manager of the Fund is Allan Gray Bermuda Limited. Certain capitalised terms are defined in the glossary section of the Fund's prospectus.

The Fund may be closed to new investments at any time to be managed according to its mandate. 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. 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**

HM Revenue & Customs has approved certain Share Classes of the Fund as Reporting Funds. A list of those Share Classes approved as Reporting Funds, together with the effective date of approval, is available on request from the Investment Manager. Certain Share Classes received certification as a distributing fund from HM Revenue & Customs ('Distributor Status') prior to their approval as a Reporting Fund. Distributor Status is no longer available and has been replaced by the new Reporting Fund regime.

Under the Reporting Fund regime, investors are not entitled to receive annual distributions from the Fund and UK investors may be liable to tax annually on their share of Fund income, without receiving a distribution of that income from the Fund. Additionally, for fiscal years beginning on or after 1 April 2017, any performance-based element of fund management fees is no longer deductible in computing a Fund's reportable income for the period. Each year, the Fund will make available, a report for each approved Share Class, which will provide relevant fund income information for UK investors' tax purposes.

Unlike Distributor Status, which was subject to a retrospective application and certification process at the end of each year, a Share Class will continue to qualify as a Reporting Fund unless and until it fails to comply with the relevant requirements. The directors intend to manage the Fund in such a way that under existing United Kingdom legislation the approved Share Classes should continue to qualify under the Reporting Funds regime. There can be no assurance that a Share Class will continue to qualify under the Reporting Fund regime. Those Share Classes that are not approved as Reporting Funds are deemed to be Non-Reporting Funds.

## IMPORTANT NOTES FOR INVESTORS

### 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 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.

### 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

#### MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

#### FTSE/JSE Capped Shareholder Weighted All Share Index

The FTSE/JSE Capped Shareholder Weighted All Share Index is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE Capped Shareholder Weighted All Share Index is the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE Capped Shareholder Weighted All Share Index vests in FTSE and the JSE jointly. All their rights are reserved.

### Share price

Share prices are calculated on a net asset value basis, which is the total market value determined per the Fund's internal pricing valuation policy 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.

**IMPORTANT NOTES FOR INVESTORS****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, securities transfer tax and investor protection levies where applicable) are shown separately. Transaction costs are necessary costs 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').

**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 securities listed in 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 settlement 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.

## IMPORTANT NOTES FOR INVESTORS

### 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 programmes 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).

## CHARACTERISTICS AND DIRECTORY

### **Domicile and structure**

Bermuda open-ended investment company

### **Regulation**

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

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

### **Company Secretary**

Conyers Corporate Services (Bermuda) Limited

### **Directors**

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

### **Investment Manager**

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

### **Investment Adviser**

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

### **Registrar and transfer agent**

Allan Gray Proprietary Limited  
1 Silo Square  
V&A Waterfront  
Cape Town 8001  
South Africa  
Tel +27 21 415 2301  
Fax +27 21 415 2413  
Email allangraybermuda@allangray.com

### **Administrator**

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

### **Custodian**

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

### **Auditors**

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

Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

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