Fund managers: Kamal Govan, Rory Kutisker-Jacobson **Fund inception date:** 1 July 1998
Registration number: 23261

Allan Gray Africa Equity Fund

30 April 2021

Fund description and summary of investment policy

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).

How we aim to achieve the Fund's objective

We invest in shares that we believe offer superior fundamental value while taking into account risk and return. We research companies and assess their intrinsic value based on long-term fundamentals; we then invest in businesses where our assessment of intrinsic value exceeds the share price by a margin of safety. This approach allows us to identify shares that may be out of favour with the market because of poor near-term prospects, but offer good value over the long term. The Fund's holdings will deviate meaningfully from those in the index both in terms of individual holdings and sector exposure.

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

Fair value pricing

The board of directors of the Fund ('the board') may fair value the Fund's assets in accordance with the board's fair value pricing policies if:

- the closing market quotations or official closing prices are not readily available or do not accurately reflect the fair value of a Fund asset; or
- the value of a Fund asset has been materially affected by events occurring before the Fund's pricing time but after the close of the exchange or market on which the asset is principally traded.

The board delegates the responsibility for fair value pricing decisions to a Valuation Committee of the Investment Manager.

Fund information on 30 April 2021

Fund currency	US$[1]
Fund size	US$280m
Fund price	US$209.79
Number of share holdings	46
Dealing day	Weekly (Thursday)
Class	A
Class inception date	1 July 1998

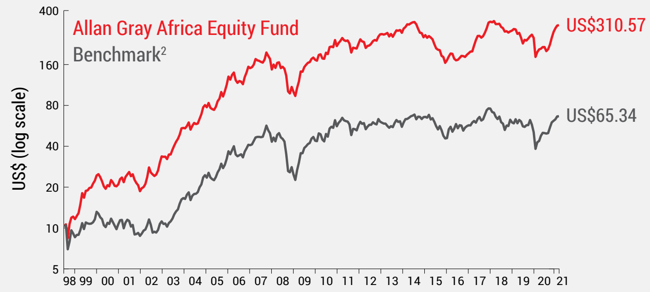
Minimum investment amounts

Minimum initial investment	US$50 000
Minimum subsequent investment	US$1 000

1. The Fund is currently priced in US dollars. From inception to 30 April 2012 the Fund was priced in South African rands.
2. 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 as at 30 April 2021 (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
3. 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).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. 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.

Performance in US$ net of all fees and expenses

Value of US$10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[2]
Cumulative:		
Since inception (1 July 1998)	3005.7	553.4
Annualised:		
Since inception (1 July 1998)	16.2	8.6
Latest 10 years	2.2	0.3
Latest 5 years	10.2	3.6
Latest 3 years	-2.3	-2.0
Latest 2 years	3.7	2.6
Latest 1 year	58.7	55.9
Year-to-date (not annualised)	24.2	11.0
Risk measures (since inception, based on month-end prices)		
Maximum drawdown[3]	-52.5	-60.5
Percentage positive months[4]	59.9	56.9
Annualised monthly volatility[5]	24.8	26.1

Relative to benchmark return required to reach high watermark: 4.8%.

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

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

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

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

Total expense ratio (TER) and Transaction costs[6]

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 (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	**0.33**	**1.76**
Fee for benchmark performance[7]	1.00	1.00
Performance fees	-1.00	0.35
Custody fees	0.16	0.32
Other costs excluding transaction costs	0.17	0.09
Transaction costs	**0.09**	**0.17**
Total investment charge	**0.42**	**1.93**

6. The Fund's annual management fee was amended on 1 September 2017.

7. The fee for benchmark performance was previously 1.5% p.a. up until 31 August 2017. Effective 1 September 2017, when we implemented the new investment management fee, the fee for benchmark performance changed to 1% p.a. The fee for benchmark performance reflected is the average fee charged over the respective period.

Country of primary listing on 30 April 2021

Country	% of Equities	Benchmark[8]
Nigeria	23.7	1.2
Zimbabwe	21.4	0.0
South Africa	20.2	89.2
Australia	8.9	0.0
Egypt	8.1	1.9
Jersey	5.8	0.0
United Kingdom	5.2	0.0
Kenya	2.6	2.1
Uganda	1.9	0.0
BRVM	1.8	0.2
Luxembourg	0.3	0.8
Morocco	0.0	3.0
Romania	0.0	0.8
Mauritius	0.0	0.5
Tunisia	0.0	0.2
Total[9]	**100.0**	**100.0**

Sector allocation on 30 April 2021

Sector	% of Fund	Benchmark[8]
Energy	6.1	0.9
Basic materials	22.6	22.3
Industrials	0.9	2.0
Consumer staples	17.0	7.1
Healthcare	0.1	1.3
Consumer discretionary	2.3	2.0
Telecommunications	10.0	8.5
Utilities	1.8	0.1
Financials	22.4	24.4
Technology	10.3	29.6
Real estate	0.0	1.8
Money market & bank deposits	6.4	0.0
Total[9]	**100.0**	**100.0**

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

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

Asset allocation on 30 April 2021

Asset class	Total
Net equity	93.6
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	6.4
Total (%)	**100.0**

Fund manager quarterly commentary as at 31 March 2021

The end of this quarter marks one year since markets bottomed following the COVID-19 global outbreak. Most major equity indices had fallen between 20% and 30% in US dollar terms, and the African markets were not spared the wrath. The mood was so dire back then that it required a strong degree of discipline to look through the noise and focus on the long-term picture. While we acknowledge that we were unsettled, as all investors, by the immense uncertainty brought on by this unprecedented event, we also recognised the fantastic opportunity for our clients given the excessive undervaluations, as well as the robustness of the names we held. Fortunately, the panic proved to be short-lived and the Fund is up 75.2% since the bottom.

A commitment to a disciplined, long-term oriented investment strategy is key in times like these. Our approach to the Nigerian stocks we own is a good example. As COVID-19 struck and the oil price collapsed, the share prices of our main holdings, particularly the banks, halved in Nigerian naira terms. The correlation between Nigeria's stock returns and the oil price is very high, and it is worth highlighting the reason: Besides being a large direct contributor to economic activity, oil represents nearly two-thirds of government revenue and almost 90% of Nigeria's foreign exchange income. Close to 50% of banks' loan books are exposed to oil (directly or through funding the supply chain). Furthermore, a high oil price increases the supply of foreign exchange, supporting the sustainability of other non-oil sectors that rely on imports to operate, and also prevents the currency from blowing out.

As the oil price collapsed to a multi-year low, many investors dismissed the Nigeria investment case, causing the share prices of Nigerian stocks, and banks in particular, to collapse. Guaranty Bank, which is generally regarded as the highest-quality Nigerian bank, was trading at 2.5 times price-to-earnings (PE) ratio and 0.8 times book value at some point versus a 10-year average of 6.7 times PE and 1.9 times book value – a distressed valuation. In our quarterly commentary in March 2020, we mentioned that our outlook was based on a normal oil price of at least US$55 per barrel, which meant that our valuations for the banks were much higher than what the market was pricing in. This thesis has played out: The weighted average return on our Nigerian bank holdings is up 73% in US dollar terms since the March 2020 lows.

Year to date, the African equity markets were much more stable, on average, with some of the trends that we have seen during the 2020 recovery phase persisting. Gold is down 11%, while Brent crude is up 23%. This usually benefits the Fund given our overweight oil-related exposure (directly through Seplat and indirectly through Nigerian stocks) and underweight gold exposure compared to our benchmark.

It is important to note that a large part of the Fund's year-to-date performance is related to a rally in Zimbabwean stocks, which we are currently valuing at market prices. Zimbabwean shares have recovered off extremely depressed levels and are not optically expensive; however, we are concerned about the speed at which the share prices have rallied. The volatility in Zimbabwean stocks could be a sign of a flight to safety within Zimbabwe, as investors seek protection in real assets. We are currently assessing our valuation approach and might revert to using our conservative fair value estimates in valuing these shares, should prices continue to rally.

As part of our recent moves, we have added to the Fund's position in Eastern Company, a share that is very cheap, highly cash-generative and in a net cash position. Eastern is currently trading near 6 times forward earnings and at a dividend yield of 16%. Recent news of the Egyptian government awarding a second cigarette licence – potentially ending Eastern's manufacturing monopoly – has caused the share price to drop strongly. We do not see this licence impacting earnings by the proportion of the move, and we believe this drop presents an opportunity for us to add to our position.

Valuations have rerated substantially since the COVID-19 bottom, but remain at undemanding levels, especially when compared to global stocks. We have high conviction in the positions we hold and are very excited about the potential long-term returns the Fund offers.

Commentary contributed by Rami Hajjar

Important information 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 of the Fund is Allan Gray Bermuda Limited.

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.

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 nor the Fund provides 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.

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.

Share price

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

Fees and charges

Permissible deductions from the Fund may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and custody fees. A schedule of fees, charges and maximum commissions is available on request from the Allan Gray service team.

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).

Foreign exposure

There are significant risks involved in investing in shares listed in the Fund's universe of emerging and developing countries 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.

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. 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, which the Fund may utilise, permit a high degree of leverage. As a result, a relatively small price movement in a futures or forward contract may result in immediate and substantial losses to the investor.

Need more information?
You can obtain additional information about the Fund, including copies of the prospectus, application forms and the annual report, 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**