

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 31 May 2020

Fund currency	US\$ ¹
Fund size	US\$186m
Fund price	US\$138.52
Number of share holdings	46
Dealing day	Weekly (Thursday)
Class	A

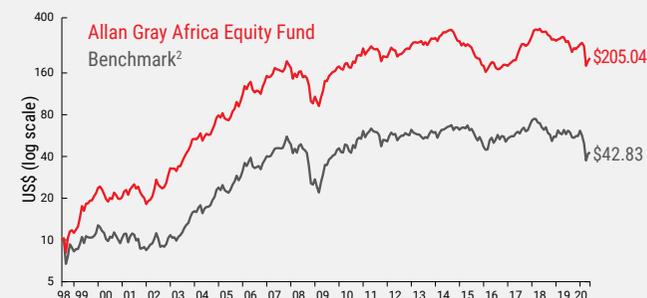
Minimum investment amounts

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 31 May 2020 (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)	1950.4	328.3
Annualised:		
Since inception (1 July 1998)	14.8	6.9
Latest 10 years	1.6	-0.2
Latest 5 years	-4.0	-7.1
Latest 3 years	-2.2	-10.8
Latest 2 years	-19.4	-18.7
Latest 1 year	-23.3	-26.1
Year-to-date (not annualised)	-20.1	-30.2
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ³	-52.5	-60.5
Percentage positive months ⁴	58.6	55.9
Annualised monthly volatility ⁵	25.0	26.5

Relative to benchmark return required to reach high watermark: 8.0%.

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 costs⁶

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 2020	1yr %	3yr %
Total expense ratio	0.75	1.71
Fee for benchmark performance ⁷	1.00	1.06
Performance fees	-0.59	0.24
Custody fees	0.28	0.35
Other costs excluding transaction costs	0.06	0.06
Transaction costs	0.23	0.24
Total investment charge	0.98	1.95

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 31 May 2020

Country	% of Equities	Benchmark ⁸
Nigeria	29.4	2.3
Zimbabwe	17.1	0.0
South Africa	16.0	86.1
Egypt	12.1	2.9
United Kingdom	7.6	0.0
Australia	4.5	0.0
Kenya	3.9	2.1
Jersey	3.9	0.0
Uganda	3.0	0.0
BRVM	2.4	0.3
Morocco	0.0	3.4
Luxembourg	0.0	1.0
Romania	0.0	0.9
Mauritius	0.0	0.7
Tunisia	0.0	0.3
Total⁹	100.0	100.0

Sector allocation on 31 May 2020

Sector	% of Fund	Benchmark ⁸
Oil and gas	6.6	0.2
Basic materials	17.2	16.9
Industrials	0.4	2.3
Consumer goods	16.3	2.2
Healthcare	0.2	2.0
Consumer services	1.2	9.2
Telecommunications	8.3	7.4
Utilities	3.0	0.1
Financials	29.7	29.0
Technology	11.7	30.8
Money market and bank deposits	5.3	0.0
Total⁹	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 31 May 2020

Asset class	Total
Net equity	94.7
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	5.3
Total (%)	100.0

African equity markets have not been spared the global market fallout as a result of COVID-19, with most major equity indices falling between 20% and 30%, when measured in dollars. Unlike many global markets, this price fall came off a low valuation base.

Today's uncertainties are boundless. The COVID-19 crisis, and governments' reactions to it, could take many widely divergent paths. Historically in times like these, the right thing to do was to focus on valuation and robustness. Africa is a volatile continent, prone to frequent crises, which means businesses are relatively adept at dealing with hardship. We think the Fund owns a group of very undervalued assets that should survive. Below I touch on a few of the large positions.

The Egyptian exposure is almost exclusively Eastern Company, a monopoly cigarette producer. Eastern trades on 7.5 times earnings to June 2020 and is in a net cash position. The new management team seems to be more shareholder focused and there is no reason why most of the earnings can't be distributed as dividends. Over the past three years, the Egyptian pound has strengthened materially, and the biggest risk to the investment is a currency depreciation. However, in the past the company has managed to pass inflation on to its customers.

The oil price is something we got wrong. The growth and resilience of US shale oil production has surprised us. The US has added seven million barrels to supply over the past nine years, consistently depressing the 100 million barrel (bbl) oil market. Drilling for oil in the US shale basins looks to be a low return business, but this has not stopped vast amounts of capital flowing to the industry. Very few would argue that the current US\$25/bbl oil price is sustainable; the important question is what is the normal oil price? We think the US industry needs at least US\$55/bbl to achieve a return, but the hope of better times means funding will be available at much lower prices.

The oil price is important for both the oil companies we own, and Nigeria more generally. We think a normal oil price is around US\$55/bbl but, as noted, our track record in this regard is not stellar. Seplat Petroleum, a Nigerian oil producer, which accounts for almost all our oil exposure, should be well placed to benefit from a return to normalcy. Importantly, we think Seplat is strong enough to survive the downturn. It is a low-cost producer with limited debt and an ancillary gas business. Management also hedged 60% of production for the next six months at US\$45/bbl. At the very least we think Seplat can maintain its dividend of US\$10, while still growing earnings at US\$55/bbl of oil. This is in the context of a US\$70 share price.

Rather than oil companies, the greater sensitivity to oil prices is the Fund's 18% exposure to Nigerian financial companies. When measured in dollars, the Nigerian All Share Index is trading at 1999 levels and 90% below the 2008 peak. Valuations are extremely depressed. Guaranty Bank, which is generally regarded as the highest-quality Nigerian bank, is trading at 0.8 times book value, compared to the 10-year average of 2. The price-to-earnings multiple is 2.6 and dividend yield 16%. The Nigerian economy is a mess and the likelihood of a substantial currency devaluation definite, however we think the multi-decade low equity valuations compensate for this.

The above are just a few examples of the potential value in the portfolio. We think the low valuations and robustness of the holdings will protect investors from permanent losses and yield handsome returns in future.

There were no material changes to the portfolio this quarter.

Commentary contributed by Andrew Lapping

**Fund manager quarterly
commentary as at
31 March 2020**

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.

Benchmark data

The Fund's benchmark data is provided by MSCI who require that we include the following legal notes. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

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 (being Citibank Europe plc, Luxembourg Branch) by 17:00 Bermuda time on that dealing day to receive that week's price. Redemption requests must be received by the Registrar of the Fund by 12:00 Bermuda time, on the particular dealing day on which shares are to be redeemed to receive that week's price. Share prices are available on www.allangray.com

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 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 [STT] and investor protection levies where applicable) are shown separately. Transaction costs are a necessary cost in administering the Fund and impacts 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.

Important information for investors

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 **+353 1 622 4716** or by email at **AGclientservice@citi.com**