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

Allan Gray Africa Equity Fund

31 May 2023

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.

Classification: Africa – Equity

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).

African equity markets

There are numerous risks involved in investing in African equity markets. These risks may be significantly higher than in more developed markets and may include (but are not limited to) the following:

- Individual countries may impose capital controls preventing the repatriation of foreign currency
- Returns are expected to be more volatile, and the average drawdown may be higher, than in more developed markets
- Low liquidity whereby subscriptions into the Fund may have to be phased in, and redemptions from the Fund may be limited per dealing day
- Market prices may not accurately reflect the fair value of a Fund asset and fair value pricing may be used

There is no assurance that the investment approach of the Fund will be successful or that the Fund will achieve its investment objective.

See the "Important information for investors" section for more information.

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 above-average stock market and currency fluctuations
- Are prepared to take on the risk of capital loss
- Have a minimum investment horizon of five years

Fund information on 31 May 2023

Fund currency	US$[1]
Fund size	US$259m
Number of shares	1 208 900
Price (net asset value per share)	US$210.96
Number of share holdings	43
Dealing day	Weekly (Thursday)
Class	A
Class inception date	1 July 1998

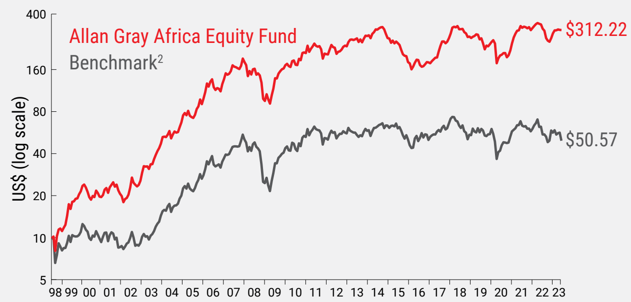
Minimum investment amounts

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 31 May 2023 (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.
6. 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.

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)	3022.2	405.7
Annualised:		
Since inception (1 July 1998)	14.8	6.7
Latest 10 years	1.4	-0.9
Latest 5 years	-0.2	-4.8
Latest 3 years	15.1	5.7
Latest 2 years	-3.2	-14.8
Latest 1 year	-8.8	-20.5
Year-to-date (not annualised)	5.7	-12.4
Risk measures (since inception. based on month-end prices)		
Maximum drawdown[3]	-52.5	-60.5
Percentage positive months[4]	58.9	56.9
Annualised monthly volatility[5]	24.2	26.0
Highest annual return[6]	136.4	94.1
Lowest annual return[6]	-48.6	-54.1

Relative to benchmark return required to reach high watermark: 0.0%.

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Meeting the Fund objective

The Fund aims to outperform African equity markets over the long term without taking on greater risk of loss. The Fund experiences periods of underperformance in pursuit of this objective. Since inception, the Fund has outperformed its benchmark by a significant margin. The maximum drawdown and lowest annual return numbers in the "Performance in US$ net of all fees and expenses" table show that the Fund has not experienced more downside than its benchmark in periods of negative market returns. We believe our philosophy of buying undervalued equities should generate positive absolute returns over time.

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. Allan Gray Bermuda Limited (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

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 2023	1yr %	3yr %
Total expense ratio	**3.19**	**2.14**
Fee for benchmark performance	1.00	1.00
Performance fees	1.91	0.86
Custody fees	0.17	0.17
Other costs excluding transaction costs	0.11	0.11
Transaction costs	**0.22**	**0.15**
Total investment charge	**3.41**	**2.29**

Country of primary listing on 31 May 2023[7]

Country	% of Equities	Benchmark[8]
Nigeria	29.9	2.1
Zimbabwe	22.2	0.0
South Africa	12.6	86.9
Egypt	7.4	2.5
Australia	7.3	0.0
Jersey	6.7	0.0
United Kingdom	4.3	0.0
Uganda	3.7	0.0
Kenya	2.2	1.2
Netherlands	1.9	1.2
Canada	0.7	0.0
BRVM	0.4	0.3
Norway	0.3	0.0
Luxembourg	0.2	1.2
Ghana	0.1	0.0
Morocco	0.0	3.5
Mauritius	0.0	0.8
Tunisia	0.0	0.3
Total (%)[9]	**100.0**	**100.0**

7. The primary listing may not represent the geographical location of the company's operations. The fund invests based on the primary place of operation, not listing.

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.

Sector allocation on 31 May 2023

Sector	% of Fund	Benchmark[8]
Energy	9.8	1.2
Basic materials	23.7	24.8
Industrials	0.7	2.8
Consumer staples	19.2	8.0
Healthcare	0.0	1.5
Consumer discretionary	2.0	3.3
Telecommunications	9.4	9.1
Utilities	3.7	0.1
Financials	24.4	33.7
Technology	5.7	13.4
Real estate	0.0	2.2
Money market and bank deposits	1.5	0.0
Total (%)[9]	**100.0**	**100.0**

Asset allocation on 31 May 2023

Asset class	Total
Net equity	98.5
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	1.5
Total (%)[9]	**100.0**

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Fund manager quarterly commentary as at 31 March 2023

It has been a tumultuous first quarter. Global markets started the year on a very positive note, with the S&P 500 up 9.0% at its peak in early February and the MSCI World Index up 9.4%, driven by expectations that the interest rate hiking cycle in developed markets would peak earlier than initially expected. The S&P 500 and MSCI World Index then wiped almost all these gains by early March to bounce again and end the quarter up 7.5% and 7.7%, respectively.

The main event in March was the failure of Silicon Valley Bank and two other banks in the US, and the subsequent takeover of Credit Suisse, one of the oldest and most prominent banks in Europe. This triggered fears of larger-scale contagion and a broader financial crisis. These fears later receded due to high-level intervention that guaranteed deposits in the US.

Amid this turmoil, the MSCI Emerging Frontier Markets Africa ex South Africa Index underperformed the global market, dropping 3.1% for the quarter with diverging country-level performance: Egypt (+12.5%), Ghana (+12.3%), Nigeria (+7.0%), Morocco (-3.1%) and Kenya (-11.5%). The unfortunate fact is that these are local currency performances. In US dollars, Kenya, Egypt and Ghana dropped 17.6%, 9.9% and 1.6%, respectively. The tightening global liquidity conditions and stronger US dollar are not conducive to stable currency performances in emerging markets. This negatively affects dollar returns over the short term. For the quarter, the Fund returned 6.7% versus the benchmark which returned -0.8%.

Our overweight position in Zimbabwe has positively contributed to performance. Part of this year's rally is related to a bounce from last year's highly oversold territories, but another factor at play is renewed doubt in the ability of authorities to control inflation and stabilise the currency. A large and sudden rally in locally listed shares is associated with a flight-to-safety phenomenon, in most cases, rather than an improvement of the companies' fundamentals. While this may be the case, the listed shares we hold on the Zimbabwean Stock Exchange (ZSE) are valued at the lower of our conservative estimate of the stock's fair value or the market price using the official exchange rate.

There are some positive developments to note on our Zimbabwean in-country holdings. Two of our positions, Simbisa Brands and Innscor Africa, delisted from the mainly ZWL-denominated ZSE and listed on the US$-denominated Victoria Falls Stock Exchange (VFEX). The VFEX was recently set up in the Victoria Falls Special Economic Zone and listed share transactions are settled offshore. This effectively means that, subject to liquidity availability, proceeds from the disposal of shares can be repatriated. The remaining ZWL exposure has reduced to 18.0% of the Fund and consists of holdings in Delta, Econet and EcoCash. We hope that these shares will follow suit and list on the VFEX. It is worth adding that many of the Zimbabwean companies' fundamentals have improved substantially since government has allowed the use of US dollars as legal tender. Several of the companies we own are generating revenue in US dollars, growing volumes and seeing improved real profits. Simbisa and Innscor have paid their most recent dividends fully, and Delta partially, in US dollars.

During the quarter, we continued to trim our position in Econet to add to our Innscor and Delta holdings.

Our Nigerian exposure also generated positive returns during the quarter, mainly through the banks and Seplat. An important development has been the election of Bola Tinubu as president. This removes the "election overhang" in the market that dominated the second half of 2022. We are cautiously optimistic that the new administration will deliver on a number of crucial reforms: allowing market forces to drive the naira, lifting capital controls, removing the highly costly and regressive petrol subsidy, and reintroducing orthodox monetary policies. Foreign exchange liberalisation accompanied by the right reforms is highly conducive to stocks' medium-term dollar performance.

One of the major detractors from the Fund's performance this quarter was its Egyptian exposure. This was largely macro driven. Egypt is facing a balance of payments (BOP) crisis which has resulted in shortages of foreign currency and a weakening Egyptian pound, which is down 19.8% for the quarter. This has been exacerbated by low confidence from local and foreign investors in the government's willingness to deliver much-needed reforms. We have previously explained the factors that led to the BOP crisis, which include higher global wheat prices and inflationary pressures in general, and tighter global liquidity conditions which are reducing the carry trade appeal of the country. But those are cyclical factors. More crucial are the structural problems that Egypt really needs to tackle. At the core, this requires a drastic reduction of the state's presence in the main sectors of the economy to provide private sector players with a better environment in which to thrive. This should boost the competitiveness of the country, its export base and the sustainability of the BOP.

We recently met with the governor of the Central Bank of Egypt who confirmed the Bank's commitment to fighting inflation through orthodox measures and provided some reassurance that the government is on track to deliver certain reforms. Our main in-country holdings include Eastern Company and CIB Egypt. We think these names provide a good hedge against currency devaluation and have a proven ability to grow US dollar profits over time.

Looking ahead, we are very excited about the Fund's medium- to long-term prospects. The stocks we own are highly undervalued, both relative to where they traded historically and relative to comparable shares in other emerging and developed markets. We are also hopeful for some normalisation in the foreign exchange environment in our largest country exposures, Nigeria and Zimbabwe. This should contribute to the rerating of the stocks and enable the Fund to realise value on the selling of shares at appropriate price levels.

Commentary contributed by Rami Hajjar

Important information for investors

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the Fund. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business. Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of, or which may be attributable, directly or indirectly, to the use of or reliance on any information provided. While the Fund has been approved to market its shares to the public in Botswana by the Regulatory Authority of Botswana, the undertaking is not supervised or licensed in Botswana. 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., New York Offices. The custodian can be contacted at 390 Greenwich Street, New York, New York, 10012, USA. Allan Gray Bermuda Limited (the "Investment Manager") has appointed Allan Gray Unit Trust Management (RF) Proprietary Limited (the "Representative") as its representative for the purpose of approval in terms of the Collective Investment Schemes Control Act 45 of 2002. The Representative is incorporated under the laws of South Africa and is supervised by the Financial Sector Conduct Authority (FSCA). The Fund may be closed to new investments at any time to be managed according to its mandate. 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. 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 (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 or the investment 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 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. The performance graph is for illustrative purposes only. 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. Share prices are available on www.allangray.co.za.

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 Representative.

Total expense ratio (TER) and transaction costs

The 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

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. African countries have varying laws and regulations and, in some, foreign investment is controlled or restricted in varying degrees.

Capacity

The Fund currently has limited capacity. The Investment Manager may, at its discretion, refuse a subscription or phase a subscription into the Fund over a number of dealing days. Total investor redemptions may be limited to US$5m or 2.5% of the Fund (whichever is less) per dealing day. The Investment Manager retains the right to distribute all or part of any redemption proceeds in specie (in kind).

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: 1) 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 2) 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.

Contractual risk

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

Derivatives

Borrowing, leveraging and trading securities on margin will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading, 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. 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.

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.

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.**