

Fund description and summary of investment policy

The Fund invests in a focused portfolio of African (excluding South African) securities that are selected for their expected risk and return profile. The Fund may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets.

Fund objective and benchmark

The Fund seeks to achieve the maximum US dollar total return while minimising the risk of loss within the context of an African bond fund. The benchmark is the J.P. Morgan GBI-EM Global Diversified Index. The Fund does not seek to mirror the benchmark but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns. To the extent that its investments differ from those in the benchmark, the Fund faces the risk of underperforming the benchmark.

How we aim to achieve the Fund's objective

We assess an asset's intrinsic value based on long-term fundamentals and invest where our assessment of intrinsic value exceeds the price by a margin of safety. This approach allows us to identify assets 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 may deviate meaningfully from those in the index.

Suitable for those investors who

- Seek exposure to African (excluding South African) interest bearing assets
- Are comfortable with 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 no capacity constraints. 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. The Investment Manager may, at its discretion, limit redemptions to 4% of the Fund 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 January 2020

Fund currency	US\$
Fund size	US\$435m
Number of shares	2 903 691
Price (net asset value per share)	US\$146.16
Number of issuers	17
Dealing day	Weekly (Thursday)
Class	A

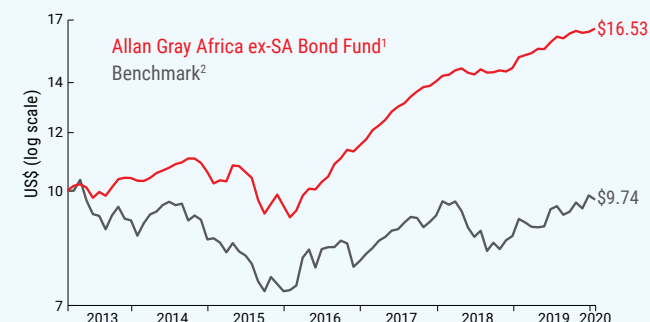
Minimum investment amounts

Minimum initial investment	US\$100 000
Minimum subsequent investment	US\$1 000

- The net of fee return is calculated as the gross of fee return reduced by an investment management fee of 1% per annum, which is accrued monthly in arrears.
- J.P. Morgan GBI-EM Global Diversified Index (source J.P. Morgan), performance as calculated by Allan Gray as at 31 January 2020. Calculation based on the latest available data as supplied by third parties.
- Maximum percentage decline over any period. The maximum drawdown occurred from October 2014 to January 2016 and maximum benchmark drawdown occurred from April 2013 to December 2015. 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 28 February 2017 and the benchmark's occurred during the 12 months ended 31 January 2018. The Fund's lowest annual return occurred during the 12 months ended 30 September 2015 and the benchmark's occurred during the 12 months ended 31 August 2015. All rolling 12-month figures for the Fund and the benchmark are available from the Allan Gray Service Team on request.

Performance in US\$ net of all fees and expenses

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



% Returns	Fund¹	Benchmark²
Cumulative:		
Since inception (27 March 2013)	65.3	-2.6
Annualised:		
Since inception (27 March 2013)	7.6	-0.4
Latest 5 years	10.0	2.4
Latest 3 years	12.2	5.8
Latest 2 years	7.6	0.3
Latest 1 year	9.3	6.2
Year-to-date (not annualised)	1.0	-1.3
Risk measures (since inception, based on month-end prices)		
Maximum drawdown³	-15.8	-29.3
Percentage positive months⁴	67.5	55.4
Annualised monthly volatility⁵	6.8	11.0
Highest annual return⁶	28.4	17.7
Lowest annual return⁶	-15.7	-21.5

Meeting the Fund objective

The Fund seeks to achieve the maximum US dollar return while minimising the risk of loss within the context of an African (excluding South Africa) bond fund. The Fund experiences periods of underperformance in pursuit of this objective. Since inception the Fund has outperformed its benchmark and delivered positive absolute returns in US dollars.

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 fixed fee of 1.00% p.a.

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 December 2019	1yr %	3yr %
Total expense ratio	1.20	1.18
Management fee	1.00	1.00
Custody fees	0.11	0.11
Other costs excluding transaction costs	0.09	0.07
Transaction costs	0.00	0.00
Total investment charge	1.20	1.18

Fund positioning on 31 January 2020⁷

	Local currency	Foreign currency	% of portfolio
Governments	30.6	31.3	61.9
Nigeria	23.8	5.1	28.9
Ghana	5.6	8.4	14.0
Kenya	0.0	8.3	8.3
Egypt	1.2	3.5	4.7
Zambia	0.0	4.5	4.5
Ivory Coast	0.0	1.1	1.1
Senegal	0.0	0.5	0.5
Corporates	1.0	33.7	34.7
Nigeria	1.0	22.7	23.7
Ghana	0.0	6.7	6.7
Mauritius	0.0	3.8	3.8
Kenya	0.0	0.6	0.6
Cash⁸	0.0	3.4	3.4
Total⁹	31.6	68.4	100.0

7. The total Nigerian exposure includes accruals for naira-settled currency forwards, valued at the Nigerian Autonomous Foreign Exchange Rate (NAFEX), that are shown under cash.

8. Cash is held in multiple currencies and includes USD treasury bills.

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

Weighted average yield on 31 January 2020

	Weighted average yield (%)	% of portfolio
Local currency	14.0	31.6
Foreign currency		
US\$	7.8	65.0
Cash	0.0	3.4
Total	9.8	100.0

Asset allocation on 31 January 2020

Asset Class	Total
Net equity	0.0
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	63.3
Money market, bank deposits and currency hedges	36.7
Total (%)	100.0

The Fund's weighted average yield is an attractive 10.1%. It is the result of approximately 65% of the Fund being invested in US dollar-denominated bonds, 30% in local currency bonds and treasury bills, and the remainder in US dollar cash.

The dollar-denominated portion of the Fund is not exposed to African currencies but is exposed to the credit risk of the basket of issuers. About half of these holdings are government issued, notably by Ghana, Kenya, Nigeria, Zambia and Egypt. Each of these countries has challenges and opportunities, and each investment is made by comparing the credit fundamentals of the country with the expected future return.

The other half of the Fund's dollar-denominated holdings are issued by African corporates. The most material of these are Nigerian banks, Seplat Petroleum and Tullow Oil. Despite the noise around Nigerian macroeconomics, the Nigerian banks that the Fund is exposed to are well capitalised and profitable. Seplat has been a pleasing investment for the Fund, and we continue to regard it as one of the few cash-generative African oil and gas companies.

Until recently, we viewed Tullow similarly and expected rising oil production to generate sufficient cashflow to pay down debt. Recent announcements have

been disappointing, most notably that Tullow's producing oilfields in Ghana, as well as its anticipated exploration play in Guyana, are less attractive than expected. We have reviewed our investment case following these setbacks. While the margin of safety has reduced, our analysis suggests Tullow has sufficient asset value and cashflow to make its debt attractive at current prices.

The majority of the Fund's local currency holdings are Nigerian government treasury bills. These offer low double-digit yields after hedging the naira currency risk, thereby simulating dollar returns. The other notable local currency exposure is Ghanaian government bonds at a 20% yield. Unfortunately, most of this return has been offset by the steadily depreciating Ghanaian cedi, which lost 15% during 2019, and has depreciated versus the dollar every calendar year for the last 15 years.

Given the macroeconomic risks relating to an upcoming election and lower oil production, during the quarter we trimmed the Fund's holdings in Ghana local currency bonds. We added Ghana dollar-denominated bonds and Tullow bonds on price weakness.

Commentary contributed by Mark Dunley-Owen

**Fund manager quarterly
commentary as at
31 December 2019**

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 Standard Bank of South Africa Limited. The custodian can be contacted at Investor Services, 2nd Floor, 25 Pixley Ka Isaka Seme Street, Johannesburg, South Africa. 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.

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 applicable 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 of 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. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

J.P. Morgan GBI Global Index

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Share price

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

Yield

The Allan Gray Africa ex-SA Bond Fund yield is current, calculated as at month-end.

Minimum disclosure document and quarterly general investors' report. **Issued:** 5 February 2020

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 [STT] and investor protection levies where applicable) are shown separately. There are no explicit brokerage charges in global bond markets. The broker rather takes an undisclosed spread between the purchase and sale price. The spread (charge) can vary from negligible to substantial depending on the asset and market circumstances. The disclosed transaction charge is therefore zero but in reality there are transaction costs which reflect in the Fund's returns. We aim to minimise costs by keeping our trading activity to a minimum and always seeking out the most favourable price when buying and selling assets. 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 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 securities 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 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 **0860 000 654** or **+27 (0)21 415 2301** or by email at africafund@allangray.co.za