

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 (excluding South Africa). 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 Standard Bank Africa Total Return 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 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 (excluding South 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.

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 2022

Fund currency	US\$
Fund size	US\$477m
Number of shares	2 517 844
Price (net asset value per share)	US\$162.23
Number of share holdings	37
Dealing day	Weekly (Thursday)
Class	C
Class inception date	14 May 2020

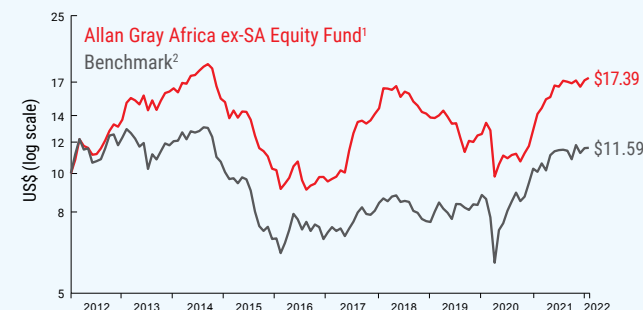
Minimum investment amounts

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

1. Prior to the inception of this class of the Fund, the performance and risk measures are calculated using the A class performance of the Fund.
2. Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 31 January 2022. Calculation based on the latest available data as supplied by third parties.
3. Maximum percentage decline over any period calculated from monthly returns. The maximum drawdown occurred from August 2014 to July 2016 and maximum benchmark drawdown occurred from July 2014 to March 2020. 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 January 2018 and the benchmark's occurred during the 12 months ended 31 March 2021. The Fund's lowest annual return occurred during the 12 months ended 31 August 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	Fund ¹	Benchmark ²
Cumulative:		
Since inception (1 January 2012)	73.9	15.9
Annualised:		
Since inception (1 January 2012)	5.6	1.5
Latest 10 years	4.9	0.4
Latest 5 years	12.4	9.6
Latest 3 years	8.1	13.1
Latest 2 years	13.9	16.0
Latest 1 year	23.3	14.9
Year-to-date (not annualised)	1.4	0.2
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ³	-51.7	-54.4
Percentage positive months ⁴	56.2	52.1
Annualised monthly volatility ⁵	18.8	20.0
Highest annual return ⁶	69.1	70.8
Lowest annual return ⁶	-38.6	-43.4

Relative to benchmark return required to reach high watermark: 15.0%.

Meeting the Fund objective

The Fund aims to outperform African equity markets (excluding South Africa) 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 1% when subscribing for Fund shares. Investors may be charged 1% 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 0.7% 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: 0.70% 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 4.7% 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. The TER and transaction costs cannot be determined accurately because of the short life span of the class. Calculations are based on actual data where possible and best estimates where actual data is not available.

Country of primary listing on 31 January 2022

Country	% of Equities	Benchmark ⁷
Nigeria	33.9	11.5
Zimbabwe	27.4	0.0
Egypt	8.6	13.4
Australia	7.0	4.9
Kenya	6.6	13.1
BRVM	5.8	1.1
United Kingdom	4.6	10.8
Uganda	1.9	0.0
Malawi	1.6	0.0
Rwanda	1.3	0.0
Ghana	0.6	1.1
Tanzania	0.4	1.1
Zambia	0.2	0.0
Canada	0.0	28.3
Morocco	0.0	6.3
Mauritius	0.0	4.4
Tunisia	0.0	2.4
USA	0.0	1.5
Total (%)⁸	100.0	100.0

7. Standard Bank Africa Total Return Index (source: Standard Bank). Calculation based on the latest available data as supplied by third parties.

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

9. Prior to the inception of this class of the Fund, the TER and Transaction costs data is that of the A Class of the Fund, reduced by 0.3% p.a.

Sector allocation on 31 January 2022

Sector	% of Fund	Benchmark ⁷
Basic materials	9.9	38.2
Industrials	0.5	8.2
Consumer staples	23.4	4.6
Healthcare	1.5	0.0
Consumer discretionary	0.0	1.3
Telecommunications	16.7	11.7
Utilities	1.8	0.0
Financials	30.3	21.8
Technology	3.9	0.0
Real estate	0.0	1.9
Money market and bank deposits	5.0	0.1
Total (%)⁸	100.0	100.0

Asset allocation on 31 January 2022

Asset Class	Total
Net equity	95.0
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	5.0
Total (%)⁸	100.0

Total expense ratio (TER) and transaction costs⁹

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2021	1yr %	3yr %
Total expense ratio	0.31	0.42
Fee for benchmark performance	0.70	0.70
Performance fees	-0.70	-0.70
Custody fees	0.22	0.33
Other costs excluding transaction costs	0.09	0.09
Transaction costs	0.06	0.25
Total investment charge	0.37	0.67

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 10.8% for the MSCI EFM Africa ex SA Index and 12.7% for the Standard Bank Africa Total Return 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 33.4% 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.

It would be remiss to talk about the Fund's calendar year 2021 returns without mentioning the impact from Zimbabwean stocks. Off extremely depressed levels, Zimbabwean stocks have rallied strongly throughout the year. However, the speed and magnitude at which they have increased is concerning and, in our view, does not reflect company fundamentals. We have therefore reverted to using our conservative fair value estimates in valuing these shares, and they are currently priced in the Fund at a fund-weighted-average discount rate of 50% relative to spot prices. Despite carrying Zimbabwean stocks at a material discount, they still made a positive contribution to the Fund's performance for 2021.

Excluding Zimbabwe, at a regional level the BRVM contributed the most to annual outperformance for 2021. 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 have been strongly overweight this region and added to that exposure during 2021. We generally like this market for a number of reasons:

1. The economies are relatively well 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, which creates more opportunities to find quality undervalued names.
3. 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.

The names we hold include the two largest telecommunications companies on the exchange, the largest Ivorian bank, as well as the dominant tobacco and beer players in Cote d'Ivoire. The fund-weighted-average return of these stocks during 2021 was a staggering 81%. The mispricing during 2020 was immense, but the stocks continue to be very attractively priced. The fund-weighted-average dividend yield and price-to-earnings ratio of this exposure are currently 8% and 9.6 times respectively, while the fund-weighted-average return on equity is 38%. We did add to our exposure in a selection of these names at the end of 2020 and continued buying sporadically in 2021 as liquidity permitted.

Fund long-term performance

The end of 2021 marks the 10-year anniversary of the Fund. In US dollar terms, the Fund is up 6% per annum since inception and 12% per annum over the last five years, outperforming both the Fund's benchmark and the MSCI EFM Africa ex SA Index. 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 funds – over both 10 and five years (2% 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 names 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

Fund manager quarterly commentary as at 31 December 2021

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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 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. Class C shares are only available to certain eligible investors who are subject to an additional administration fee separately agreed with an Allan Gray Group entity.

Performance

Collective investment schemes in securities (unit trusts or 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 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 Standard Bank Plc who require that we include the following legal note. The Standard Bank Africa Total Return Index is the proprietary information and registered trademark of Standard Bank Plc. All copyright subsisting in the Standard Bank Africa Total Return Index values and constituent lists vests in Standard Bank Plc. All their rights are reserved.

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 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.

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.

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 allangraybermuda@allangray.com