

Fund description and summary of investment policy

The Fund invests in a focused portfolio of Frontier Market Equities. The Fund price is reported in US dollars, but the underlying holdings are denominated in various currencies. Returns are likely to be volatile.

Classification: Frontier Markets – Equity

Fund objective and benchmark

The Fund aims to outperform Frontier Markets over the long term without taking on greater risk of loss. The Fund’s benchmark is the MSCI Frontier Emerging Markets (FEM) 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.

Frontier Market Equities

There are numerous risks involved in investing in Frontier Market Equities. 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 equities 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 Frontier Market 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 March 2024

Fund currency	US\$
Fund size	US\$885m
Number of shares	4 830 909
Price (net asset value per share)	US\$161.19
Number of share holdings	41
Dealing day	Weekly (Thursday)
Class	C
Class inception date	21 January 2021

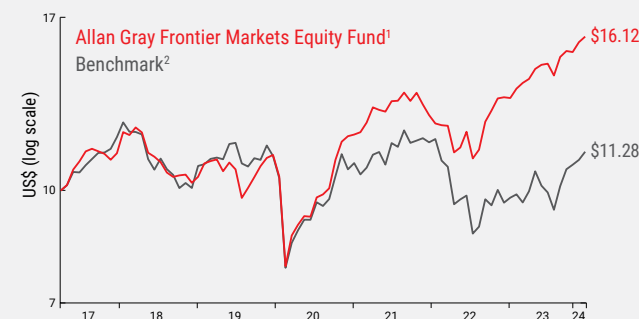
Minimum investment amounts

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. MSCI Frontier Emerging Markets Index (source: MSCI), performance as calculated by Allan Gray. 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 31 March 2018 to 31 March 2020 and maximum benchmark drawdown occurred from 31 January 2018 to 31 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 March 2021 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 March 2020 and the benchmark’s occurred during the 12 months ended 31 March 2020. 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 (3 April 2017)	61.2	12.8
Annualised:		
Since inception (3 April 2017)	7.1	1.7
Latest 5 years	8.0	0.4
Latest 3 years	10.4	2.4
Latest 2 years	14.4	-1.9
Latest 1 year	21.0	15.3
Year-to-date (not annualised)	4.6	5.6
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ³	-34.9	-36.3
Percentage positive months ⁴	64.3	58.3
Annualised monthly volatility ⁵	15.5	17.0
Highest annual return ⁶	51.5	33.6
Lowest annual return ⁶	-27.8	-28.6

Relative to benchmark return required to reach high watermark: 5.2%.

Meeting the Fund objective

The Fund aims to outperform Frontier Markets over the long term without taking on greater risk of loss. The Fund may experience periods of underperformance in pursuit of this objective. Since inception, the Fund has outperformed its benchmark. 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.

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: 0.7% 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 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 March 2024⁷

Country	% of equities	Benchmark ²
United Kingdom	25.2	0.0
Philippines	18.3	22.6
Kazakhstan	16.4	5.8
Nigeria	7.7	0.0
Bangladesh	7.4	1.4
Egypt	5.6	2.6
Sri Lanka	4.5	0.5
Australia	3.1	0.0
Vietnam	3.1	16.9
Kuwait	2.2	0.0
Kenya	1.8	1.5
Pakistan	1.6	2.0
Argentina	1.6	0.0
Slovenia	1.0	3.2
Hong Kong	0.6	0.0
Peru	0.0	11.7
Romania	0.0	7.2
Morocco	0.0	5.9
Iceland	0.0	4.7
Colombia	0.0	4.1
Other	0.0	9.9
Total (%)⁸	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. There may be slight discrepancies in the totals due to rounding.

9. The TER and Transaction costs data is that of the A Class of the Fund, reduced by 0.3% p.a.

Note: There are ~32 countries in the benchmark, therefore countries not in the Fund may be shown as "Other" as the last balancing item for the benchmark.

Sector allocation on 31 March 2024

Sector	% of equities	Benchmark ²
Financials	44.7	39.4
Consumer Staples	26.6	5.9
Basic Materials	11.6	9.6
Healthcare	6.4	3.2
Consumer Discretionary	6.0	5.2
Industrials	3.0	10.5
Energy	1.8	4.1
Telecommunications	0.0	4.8
Utilities	0.0	5.2
Technology	0.0	0.2
Real estate	0.0	12.0
Total (%)⁸	100.0	100.0

Asset allocation on 31 March 2024

Asset Class	Total
Net equity	93.0
Bonds	7.1
Money market and bank deposits	-0.1
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 2023	1yr %	3yr %
Total expense ratio	3.76	3.79
Fee for benchmark performance	0.70	0.70
Performance fees	2.90	2.93
Custody fees	0.10	0.10
Other costs excluding transaction costs	0.06	0.06
Transaction costs	0.05	0.06
Total investment charge	3.81	3.85

During the first quarter, the Fund returned 4.6% in US dollars versus the 5.6% return of the MSCI Frontier Emerging Markets Index (FEM Index). Notable contributors to the Fund's performance included Halyk Bank, Georgia Capital and Banco Macro. Notable detractors included Eastern Company, Zimplats and Stanbic IBTC.

There have been some material moves in frontier currencies relative to the US dollar over the past 12 months, including significant weakening of the Egyptian pound and the Nigerian naira. This followed a material decline of the Sri Lankan rupee in 2022. A large portion of the Fund is invested in fast-moving consumer goods (FMCG) and other consumer-facing companies. It is worth discussing the strategies that these companies have used to combat these currency movements.

Many of the companies that we hold in the Fund, such as Lion Brewery in Sri Lanka and Edita Food Industries in Egypt, have leading market share and own dominant brands. This has allowed them to pass on the majority of cost increases to consumers, as evidenced by their resilient operating margins.

These companies have also grown their export revenues over the years, such that US dollars received from export sales cover a significant portion of US dollar requirements to purchase raw materials. Owning a wide portfolio of brands and producing a large range of pack sizes have been effective tools in winning market share as consumers trade down during tough economic times. Companies such as Century Pacific Food in the Philippines consistently invest in product development, allowing them to add new product offerings on an ongoing basis and grow their revenues throughout the economic cycle.

As frontier markets are still in the early stages of their economic development, there is often a long tail of smaller competitors who have higher manufacturing costs, less developed distribution systems and weaker balance sheets. Larger players tend to win market share from them when the economic climate is tough. Many of the companies in the portfolio, such as Square Pharmaceuticals and Olympic Industries in Bangladesh, also have very capable and experienced management teams who own large stakes of the businesses and whose interests are aligned with those of shareholders.

We do not hold any mobile network operators in the Fund. This is a sector that has been hard hit in recent years as a large portion of its operating and capital expenses are denominated in US dollars, while revenue is denominated in local currency. Price increases have not been approved by regulators in some markets. This has led to declining margins and a derating of many stocks in the sector. We continue to re-evaluate the attractiveness of these stocks as they sell off.

As noted in previous commentaries, we are exploring opportunities in Vietnam and are investing in a few companies with good competitive positions, that are well managed and where recent earnings declines were driven by cyclical rather than structural factors. Most importantly, these companies are trading considerably below our estimate of their intrinsic value. For example, investing in Masan Consumer Holdings has added value for our clients as earnings have grown and the stock has benefited from a rerating, achieving a total US dollar return of 103% over the past year.

We continue to monitor economic policy reform in Nigeria. The quantity and exchange rate at which invested funds could be repatriated remained disappointing during the quarter. Earnings of Nigerian companies have come under significant pressure given the weaker exchange rate and lower consumer disposable income. Dividends received in Nigeria were reinvested, but no new funds were allocated to Nigeria.

There continues to be a large disparity in valuation multiples between companies in the frontier universe and comparable companies in developed markets, presenting attractive investment opportunities. The Fund's holdings offer good value, with high profitability and attractive valuations, represented by the weighted average five-year return on equity of 27% and forward price-to-earnings ratio of 5.9.

During the quarter, we made material additions to the Fund's Philippine and Bangladeshi consumer stock holdings and reduced the Fund's position in Bank of Georgia.

Commentary contributed by Varshan Maharaj

**Fund manager quarterly
commentary as at
31 March 2024**

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Definitions

Frontier Markets means markets included in the MSCI Frontier Emerging Markets (FEM) Index and Beyond Frontier markets. Beyond Frontier markets are markets not included in developed, emerging or frontier indices. Frontier Market Equities means equity in companies domiciled, geographically located or with significant business interests in Frontier Markets, regardless of the location of the stock exchange listing.

Information and content

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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

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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.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).

Frontier 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. Frontier market 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 used by the Fund permit a high degree of leverage; accordingly, 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.

Operating expense cap

The Investment Manager has agreed with the Fund that, except for specified exclusions, operating expenses attributable to the Fund will be capped at a rate of 0.15% per annum during the Fund's financial year. The cap will be automatically extended for further successive one-year periods, unless the Investment Manager notifies the Fund that the cap will not continue at least three months prior to the expiry of the term, as extended. The Investment Manager will meet expenses incurred in excess of such cap and will not seek reimbursement from the Fund. The operating expenses that are capped are all expenses excluding the fees of the Investment Manager, the cost of buying and selling assets and custody fees.

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.