

Fund description and summary of investment policy

The Fund invests in a focused portfolio of 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 FTSE 3 Month US T Bill + 4% Index.

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.

Suitable for those investors who

- Seek exposure to 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. 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 30 June 2021

| | |
|-----------------------------------|-------------------|
| Fund currency | US\$ |
| Fund size | US\$436m |
| Number of shares | 2 576 655 |
| Price (net asset value per share) | US\$164.14 |
| Number of issuers | 17 |
| Dealing day | Weekly (Thursday) |
| Class | C |
| Class inception date | 14 May 2020 |

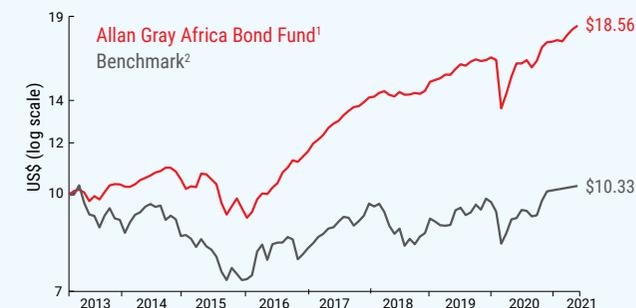
Minimum investment amounts

| | |
|-------------------------------|-------------|
| Minimum initial investment | US\$100 000 |
| 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. The net of fee return is calculated as the gross of fee return reduced by an investment management fee of 0.7% per annum, which is accrued monthly in arrears.
2. The current benchmark is the FTSE 3 Month US T Bill + 4% Index. From inception to 31 December 2020 the benchmark was the J.P. Morgan GBI-EM Global Diversified Index. Performance as calculated by Allan Gray as at 30 June 2021. 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 January 2020 to March 2020 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).
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 28 February 2017 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 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) | 85.6 | 3.3 |
| Annualised: | | |
| Since inception (27 March 2013) | 7.8 | 0.4 |
| Latest 5 years | 12.6 | 4.4 |
| Latest 3 years | 9.0 | 6.0 |
| Latest 2 years | 8.2 | 4.6 |
| Latest 1 year | 14.8 | 12.5 |
| Year-to-date (not annualised) | 6.2 | 2.0 |
| Risk measures (since inception, based on month-end prices) | | |
| Maximum drawdown³ | -17.0 | -29.3 |
| Percentage positive months⁴ | 68.0 | 59.0 |
| Annualised monthly volatility⁵ | 9.3 | 11.3 |
| Highest annual return⁶ | 28.4 | 22.3 |
| 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 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 0.70% p.a.

Total expense ratio (TER) and Transaction costs⁷

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.

| TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021 | 1yr % | 3yr % |
|---|-------------|-------------|
| Total expense ratio | 0.86 | 0.87 |
| Management fee | 0.70 | 0.70 |
| Custody fees | 0.07 | 0.09 |
| Other costs excluding transaction costs | 0.09 | 0.08 |
| Transaction costs | 0.00 | 0.00 |
| Total investment charge | 0.86 | 0.87 |

7. 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.

Fund positioning on 30 June 2021⁸

| | Local currency | Foreign currency | % of portfolio |
|---------------------------------|----------------|------------------|----------------|
| Governments¹⁰ | 34.4 | 35.4 | 69.8 |
| Ghana | 7.3 | 5.7 | 13.0 |
| Nigeria | 10.9 | 0.0 | 10.9 |
| Uganda | 8.3 | 0.0 | 8.3 |
| Egypt | 2.4 | 5.3 | 7.7 |
| South Africa | 2.7 | 4.8 | 7.5 |
| Kenya | 0.0 | 6.6 | 6.6 |
| Senegal | 0.0 | 6.4 | 6.4 |
| Ivory Coast | 0.0 | 4.5 | 4.5 |
| Namibia | 1.8 | 1.2 | 3.0 |
| Tunisia | 0.0 | 1.0 | 1.0 |
| Zambia | 1.0 | 0.0 | 1.0 |
| Corporates¹⁰ | 0.2 | 22.1 | 22.3 |
| Nigeria | 0.2 | 13.2 | 13.3 |
| Ghana | 0.0 | 9.0 | 9.0 |
| Cash⁹ | 3.1 | 4.7 | 7.9 |
| Total (%)¹⁰ | 37.7 | 62.3 | 100.0 |

Weighted average yield on 30 June 2021

| | Weighted average yield (%) | % of portfolio |
|---------------------|----------------------------|----------------|
| Local currency | 12.9 | 34.5 |
| Other ¹¹ | 6.1 | 4.2 |
| US\$ | 6.7 | 53.4 |
| Cash | 0.0 | 7.9 |
| Total | 8.3 | 100.0 |

Asset allocation on 30 June 2021

| Asset Class | Total |
|---|--------------|
| Net equity | 0.0 |
| Hedged equity | 0.0 |
| Property | 0.0 |
| Commodity-linked | 0.0 |
| Bonds | 78.3 |
| Money market, bank deposits and currency hedges | 21.7 |
| Total (%)¹⁰ | 100.0 |

8. 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.

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

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

11. Other represents all non-cash holdings not denominated in local African currency or US\$ (eg. EUR)

Relative to recent times, the quarter was uneventful. The global economic recovery continued despite renewed concerns about the COVID-19 pandemic and inflation. Most African bonds' prices were stable or increased.

Many African economies are benefiting from higher commodity prices, with oil up 51% and copper up 22% since the start of the year. We apply an above-average risk discount to oil-dependent countries, yet the Fund's largest country exposures are to Nigeria and Ghana, both large oil producers. Ghanaian bonds offer a yield pickup versus peers, with risk limited by reasonable government policies and export diversity across oil, gold and cocoa. The Fund's Nigerian exposure is higher than we would prefer due to foreign exchange restrictions. We continue to reduce this exposure as and when we are able to source dollars.

The recovery has reduced dislocations and value in the African universe. The Fund is thus positioned to provide reasonable returns while we wait for opportunities that are mispriced relative to the underlying fundamentals. Holdings are relatively evenly spread across four buckets:

1. 35% of the Fund is invested in hard currency bonds issued by governments. Yields on these bonds have compressed towards historically low levels, presenting less value than we are accustomed to. Without clear outliers, this exposure is diversified across the countries we view as sustainably managed.

2. 34% of the Fund is invested in local currency bonds issued by governments. Nigeria, Uganda and Ghana are the largest components of this bucket. Uganda and Ghana offer mid-teens yields that we believe offset the currency depreciation risk. We find them attractive in the context of the current opportunity set. The Fund's Nigerian exposure has been discussed.
3. 22% of the Fund is invested in dollar-denominated bonds issued by corporates, in particular Nigerian oil company Seplat and Ghanaian oil company Tullow. Seplat is one of our preferred African issuers, with proven management, good assets and limited debt offsetting the Nigerian risks. Tullow remains highly geared, but the bonds are not fully pricing in improved cash generation from higher oil prices and recent management actions. It has also restructured its debt to reduce liquidity risk. African corporate issuance remains rare, and we would welcome more opportunities in this area.
4. The remaining 8% of the Fund is held in cash. Approximately 60% of this is United States dollars, held for liquidity. The remainder is Nigerian naira, held due to foreign exchange restrictions.

Activity was limited over the quarter. We adjusted exposures where appropriate, but overall positioning remained stable.

Commentary contributed by Mark Dunley-Owen

**Investment team quarterly
commentary as at
30 June 2021**

© 2021 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Fund information

The Fund is incorporated and registered under the laws of Bermuda and is supervised by the Bermuda Monetary Authority. The Fund's share classes are 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. 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 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 Index

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2021, J.P. Morgan Chase & Co. All rights reserved.

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2021. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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 Bond Fund yield is current, calculated as at month-end.

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. 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 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 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 **allangraybermuda@allangray.com**