

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.

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).

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 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 May 2022

Fund currency	US\$ ¹
Fund size	US\$306m
Number of shares	1 311 451
Price (net asset value per share)	US\$231.19
Number of share holdings	40
Dealing day	Weekly (Thursday)
Class	A
Class inception date	1 July 1998

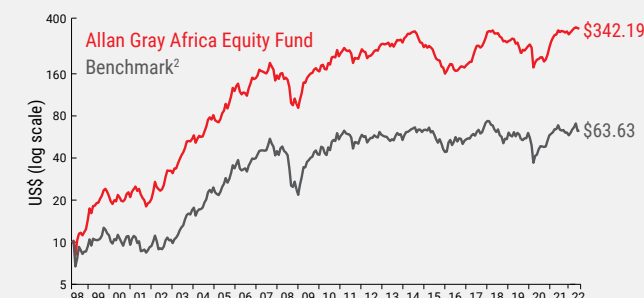
Minimum investment amounts

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

- The Fund is currently priced in US dollars. From inception to 30 April 2012 the Fund was priced in South African rands.
- 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 2022 (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
- 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).
- 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 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)	3321.9	536.3
Annualised:		
Since inception (1 July 1998)	15.9	8.0
Latest 10 years	5.0	2.0
Latest 5 years	9.3	1.1
Latest 3 years	8.6	3.2
Latest 2 years	29.2	21.9
Latest 1 year	2.7	-8.7
Year-to-date (not annualised)	6.2	3.7
Risk measures (since inception. based on month-end prices)		
Maximum drawdown ³	-52.5	-60.5
Percentage positive months ⁴	59.6	57.1
Annualised monthly volatility ⁵	24.4	25.9
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: 4.8%.

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. 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 2022	1yr %	3yr %
Total expense ratio	2.53	1.32
Fee for benchmark performance	1.00	1.00
Performance fees	1.29	0.01
Custody fees	0.19	0.22
Other costs excluding transaction costs	0.05	0.09
Transaction costs	0.04	0.15
Total investment charge	2.57	1.47

Country of primary listing on 31 May 2022

Country	% of Equities	Benchmark ⁷
Zimbabwe	24.9	0.0
Nigeria	24.7	1.7
South Africa	17.3	89.2
Australia	8.4	0.0
Jersey	8.2	0.0
Egypt	5.9	1.6
United Kingdom	3.4	0.0
Kenya	2.5	1.5
Uganda	1.7	0.0
BRVM	1.5	0.3
Netherlands	1.0	0.0
Luxembourg	0.2	1.0
Ghana	0.1	0.0
Morocco	0.0	3.1
Romania	0.0	1.0
Mauritius	0.0	0.6
Tunisia	0.0	0.2
Malta	0.0	0.0
Total (%)⁸	100.0	100.0

7. MSCI EFM Africa Index (total returns) (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.

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

Sector allocation on 31 May 2022

Sector	% of Fund	Benchmark ⁷
Energy	8.9	1.5
Basic materials	25.6	23.8
Industrials	0.8	2.6
Consumer staples	15.7	8.9
Healthcare	0.0	1.4
Consumer discretionary	1.7	3.3
Telecommunications	13.0	11.9
Utilities	1.7	0.1
Financials	21.6	36.1
Technology	7.7	8.4
Real estate	0.0	2.1
Money market and bank deposits	3.4	0.0
Total (%)⁸	100.0	100.0

Asset allocation on 31 May 2022

Asset class	Total
Net equity	96.6
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	3.4
Total (%)⁸	100.0

The Fund continued its recent good performance off a low base, with a return for the quarter of 8.7% in US dollar terms. Over the past two years, since the COVID-19-related March 2020 bottom, the Fund has generated a return of 39.5% per annum in US dollar terms.

The recent good performance should, however, be seen in the context of longer-term performance. Over the past decade, the Fund has delivered a return of 4.1% per annum in US dollar terms. This compares with the MSCI World Index at 10.9% per annum and the S&P 500 at 14.6% per annum. Africa has been unpopular for a long time, and the negative sentiment is reflected in continued redemptions, depressed share prices and lack of interest from international investors. Therefore, despite the recent positive absolute performance, we continue to be excited about the long-term prospects for the Fund, from both an absolute and relative perspective.

A review of some of the larger commodity exposed positions in our Fund provides an apt example:

In the oil and gas space, our largest exposure is to Seplat Energy. Seplat Energy owns a portfolio of low cost, onshore oil and gas assets in Nigeria that break even at an oil price of approximately US\$20 per barrel. We spoke about Seplat in our September 2021 commentary. For the 2021 calendar year, when the oil price averaged US\$71 per barrel, Seplat generated substantial free cash flow, paid down debt and returned a dividend of 10 US cents per share to shareholders. Year to date, as the oil price has rallied, Seplat has not gone unaffected with the share price increasing 26% in US dollars to US\$1.43 as at quarter end. However, it remains extremely cheap, generating free cash flow in excess of US\$0.43 per share at a spot oil price of US\$120 per barrel. If we use a normal oil price half that prevailing today (i.e. US\$60 per barrel), our estimate of normal free cash flow is approximately US\$0.25 per share. Therefore, today an investor is buying Seplat for somewhere between 3.5 and 6 times free cash flow, dependent on the oil price. In addition, Seplat has recently entered into a transformative agreement to acquire ExxonMobil's entire offshore shallow water business in Nigeria at what appears to be an extremely good price.

The deal remains subject to a number of government and regulatory approvals and may not be ultimately consummated. We attach no value to this deal in our models, but it represents additional upside optionality.

In the precious metal space, our largest exposure is to Zimplats. Zimplats is a low cost, long-life platinum group metals (PGMs) miner with operations in Zimbabwe. It is majority owned by Impala Platinum (listed in South Africa) and arguably the best mine in their stable. The largest producers of PGMs globally are Russia and South Africa, and as a result of the Ukrainian conflict and related Russian sanctions, prices have rallied year to date, benefiting producers outside of Russia. Zimplats is no exception, with the share price up 24% in US dollars for the quarter, ending at US\$21.10. At spot PGM prices, on our estimates, Zimplats generates free cash flow of US\$4.60 per share. However, similar to the oil price, we do not believe the elevated level of PGM prices to be sustainable and use a materially lower PGM basket price in our estimate of normal. On this basis, we think a more conservative estimate of normal earnings is closer to US\$1.80 per share. Therefore, an investor is buying Zimplats for somewhere between 4.5 and 11.6 times free cash flow, dependent on the PGM basket price. The longer the PGM basket price stays high, the greater one's return, but we are equally happy to own this asset at materially lower PGM prices.

Across our portfolio, we are finding a number of similar high-quality businesses trading on single-digit estimates of spot and normal free cash flow. We do not know when, or if ever, sentiment on Africa will improve, but at spot prices and current cash flows, a number of companies can generate double-digit US dollar returns simply by returning excess cash to shareholders. This makes us excited about the Fund's long-term prospects.

During the quarter we reduced our exposure to select Nigerian banks.

Commentary contributed by Rory Kutisker-Jacobson

Fund manager quarterly commentary as at 31 March 2022

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Information and content

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 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 that apply 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 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.

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.

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.

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