

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.

Classification: Africa ex-SA – Equity

Fund objective and benchmark

The Fund aims to outperform African (excluding South Africa) equity markets over the long term without taking on greater risk of loss. The Fund's benchmark is the MSCI Emerging Frontier Markets Africa ex-SA 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.

African equity markets

There are numerous risks involved in investing in African equity markets. 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 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 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 December 2023

Fund currency	US\$
Fund size	US\$433m
Number of shares	2 456 375
Price (net asset value per share)	US\$153.39
Number of share holdings	44
Dealing day	Weekly (Thursday)
Class	A
Class inception date	1 January 2012

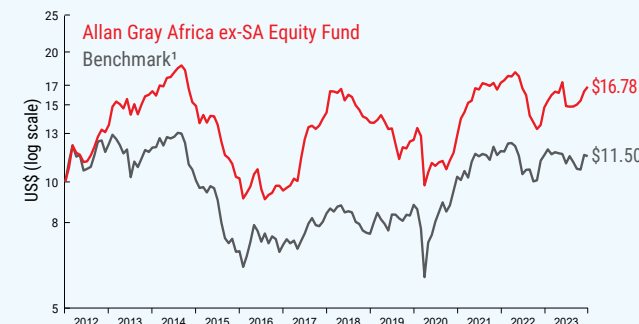
Minimum investment amounts

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

- MSCI Emerging Frontier Markets Africa ex-SA Index (source: MSCI), performance as calculated by Allan Gray as at 31 December 2023. Calculation based on the latest available data as supplied by third parties. From inception to 31 October 2023, the benchmark was the Standard Bank Africa Total Return Index.
- 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).
- 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 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	Benchmark ¹
Cumulative:		
Since inception (1 January 2012)	67.8	15.0
Annualised:		
Since inception (1 January 2012)	4.4	1.2
Latest 10 years	0.2	-0.5
Latest 5 years	4.0	8.8
Latest 3 years	9.3	3.8
Latest 2 years	-1.1	-1.4
Latest 1 year	12.0	-0.5
Year-to-date (not annualised)	12.0	-0.5
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ²	-51.7	-54.4
Percentage positive months ³	56.3	50.0
Annualised monthly volatility ⁴	18.5	19.3
Highest annual return ⁵	69.1	71.9
Lowest annual return ⁵	-38.6	-43.4

Relative to benchmark return required to reach high watermark: 4.7%.

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. Allan Gray Bermuda Limited (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.

Country of primary listing on 31 December 2023⁶

Country	% of equities	Benchmark ^{1,7}
Nigeria	31.2	10.7
Egypt	16.6	26.4
Zimbabwe	15.3	0.0
BRVM	8.4	4.1
Australia	6.9	0.0
United Kingdom	6.3	0.0
Kenya	6.2	7.0
Uganda	4.2	0.0
Rwanda	1.6	0.0
Malawi	1.2	0.0
Canada	0.8	0.0
Norway	0.7	0.0
Tanzania	0.5	0.0
Ghana	0.2	0.0
Zambia	0.1	0.0
Morocco	0.0	40.1
Mauritius	0.0	6.6
Tunisia	0.0	5.1
Total (%)⁸	100.0	100.0

- 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.
- Expressed as a percentage of equities, excluding money market exposure.
- There may be slight discrepancies in the totals due to rounding.
- The investment management fees paid by the Fund were overstated due to the understatement of the Standard Bank Africa Total Return Index since October 2020. These fees have been returned to the Fund and the performance fees reflected in the table have been restated accordingly.

Sector allocation on 31 December 2023

Sector	% of equities	Benchmark ^{1,7}
Financials	29.7	54.1
Consumer staples	29.1	10.7
Basic materials	12.9	1.0
Telecommunications	10.9	15.4
Energy	10.8	2.1
Utilities	4.2	0.8
Healthcare	0.9	0.8
Technology	0.8	0.3
Consumer discretionary	0.5	0.3
Industrials	0.4	13.0
Real estate	0.0	1.4
Total (%)⁸	100.0	100.0

Asset allocation on 31 December 2023

Asset Class	Total
Net equity	93.1
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	6.9
Total (%)⁸	100.0

Total expense ratio (TER) and transaction costs⁹

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2023	1yr %	3yr %
Total expense ratio	0.31	0.34
Fee for benchmark performance	1.00	1.00
Performance fees	-1.00	-1.00
Custody fees	0.17	0.21
Other costs excluding transaction costs	0.14	0.13
Transaction costs	0.05	0.14
Total investment charge	0.36	0.48

After suffering large losses in 2022, global markets rebounded across the board in 2023. The S&P500 was up 26%, the MSCI World ex USA Index was up 19%, and the MSCI Emerging Markets Index rose 10%. Incoming data from developed markets, and in particular the US, has been a key driver of global markets.

Whereas 2022 was a year of upside inflation surprises together with higher interest rates, and therefore increases in risk premia across markets globally, 2023 saw a reversal of some of those trends with inflation receding from peaks, global interest rates moderating and the DXY (a measure of the US\$ strength against a basket of major currencies) correcting lower. Those factors were generally supportive for risk assets globally and African markets in particular.

The Fund returned 12.0% for the 2023 calendar year versus the benchmark's -0.5% return over the same period.

Performance across African markets was not uniform. Egypt, Morocco and the BRVM rose 41%, 23% and 20% (in US dollar terms), respectively, while Nigeria and Kenya did poorly, dropping 22% and 38% (in US dollar terms), respectively. A common theme was the large currency devaluations many of those countries have experienced: Egypt -20%, Nigeria -49% and Kenya -30%. Those countries have managed their exchange rates in overvalued territory for extended periods of time and were pushed to devalue after facing large deteriorations in their balance of payments and severe currency shortages. Importantly, currency devaluation does not necessarily imply weak US dollar stock returns – particularly over the longer run.

The largest contributors to performance during 2023

Egypt returned 41% in US dollars over the year, and our in-country stocks rose by a weighted average of 61%, driven mainly by Eastern Tobacco ("Eastern"). In our previous commentary, we highlighted the reasons for Eastern's performance which include positive sentiment following the Egyptian government's sale of a 30% stake in the company to a UAE investment firm at a premium price to the market. But more fundamentally, the company has been able to grow earnings, free cash flow and dividends in US dollar terms despite the large currency devaluation of the recent past. Included in this bucket of "stock hedges" are the quality banks which also tend to benefit when interest rates increase, as well as the fact that their balance sheets are strongly correlated with the money supply. During the year, we used some of the Egyptian pound dividends received to add to the Fund's position in CIB Egypt.

Importantly, "US dollar returns" over short periods of time should not be taken at face value. Given capital controls in Egypt today and expectations of further currency devaluation, local investors unable to get hold of hard currency find local stocks a good avenue to hedge their local currency. This dynamic can lead to share prices rising a lot in the short term, not reflective of the true opinion of all market participants, including foreign investors.

Nigeria returned -22% in US dollars for 2023. This is relative to our in-country stocks which rose by a weighted average of 9.0% for the year, driven mainly by Seplat. Seplat was also one of the largest contributors to the Fund's year 2023 performance, adding 2.2 percentage points. The company benefited from recent positive operational performance as well as renewed positive sentiment regarding the consummation of the deal to acquire ExxonMobil's Nigerian offshore shallow business. We continue to find Seplat attractive at spot valuation, even without factoring in the upside from the deal or from the commissioning of other new projects. We are also comfortable with our positions in the banks (largest: Zenith, Guaranty Trust Holding Company and Stanbic IBTC) not least because they are trading near record-low valuations, are fundamentally solid and provide a strong hedge to currency devaluation. During 2023, we used some of the naira dividends received in the Fund to add to our positions in those banks.

Our in-country holdings in the BRVM, the regional stock exchange serving the French West African countries, returned 20% in US dollar terms over the 2023 year, led mainly by Sonatel. We generally like this market as the economies are relatively well run, benefiting from a functioning peg system; the stock market is underresearched and undercovered by foreign investors, and returns are often uncorrelated with global markets which provide some sort of downside protection during downturns.

The macroeconomic environment continues to be challenging in most African countries yet there is cause for optimism. During 2023, Nigeria saw a new administration sworn in together with promising early momentum on reforms, Egypt took some encouraging yet not sufficient steps to meet the IMF target and unlock further funding, and Kenya reiterated its commitment to reining in its twin deficit and appears to have the support of multilateral agencies which should prevent a fully-fledged economic crisis. A combination of sensible local policy action and a commitment to a credible policy pathway, together with supportive global market conditions, will be needed to trigger a rerating in African stocks; possibly a substantial one. Will 2024 be that year?

Commentary contributed by Rami Hajjar

**Fund manager quarterly
commentary as at
31 December 2023**

© 2024 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").

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the Fund. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business. Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of, or which may be attributable, directly or indirectly, to the use of or reliance on any information provided. While the Fund has been approved to market its shares to the public in Botswana by the Regulatory Authority of Botswana, the undertaking is not supervised or licensed in Botswana. 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 Citibank N.A., New York Offices. The custodian can be contacted at 390 Greenwich Street, New York, New York, 10012, USA. Allan Gray Bermuda Limited (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. 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 (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 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.

Standard Bank Africa Total Return Index

Standard Bank Plc requires 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 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).

African 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. African 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, 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. 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.

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**.