

ALLAN GRAY

**ANNUAL REPORT  
ALLAN GRAY AFRICA  
EX-SA BOND FUND LIMITED**

31 DECEMBER 2020

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## ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED STRATEGY

As at 31 December 2020

### Inception date

27 March 2013

### Investment team

Mark Dunley-Owen, Londa Nxumalo

### Fund description and summary of investment policy

Allan Gray Africa ex-SA Bond Fund Limited (the 'Fund') invests in a focused portfolio of African (excluding South African<sup>1</sup>) 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. From inception to 31 December 2020 the benchmark was the J.P. Morgan GBI-EM Global Diversified Index. With effect from 1 January 2021, the benchmark is the FTSE 3 Month US T Bill + 4% Index.

### Suitable for those investors who

- Seek exposure to African (excluding South African<sup>1</sup>) 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.

### Commentary

In our March 2020 commentary, we quoted Ghana's finance minister describing the COVID-19 pandemic as Africa's "break the glass moment". Governments across the continent were calling for the suspension of debt servicing costs on public debt. Rolling African sovereign defaults were feared. We described the road ahead as "bumpy". We were wrong. The Standard Bank Africa ex South Africa Sovereign Bond Index gained 47% since its March 2020 low, ending the year higher than it started in spite

of the pandemic. The cost of borrowing for many African countries fell<sup>2</sup> during the year, ending near or below historic lows. The price on Nigeria's 10-year Eurobond started the year at 103, sold off to below 70 in March and ended the year at 108. We expected attractive returns to be made from the lows of a panic, but the speed and scale of the recovery of financial markets surprised us. This recovery is in stark contrast to economic fundamentals. Debt is higher, while in many cases the revenue to support the debt is lower. Demand remains muted in key sectors ranging from tourism to retail. The oil price remains unfeasible for many African producers. Nigeria's currency and bond markets are dysfunctional. Egypt and Ghana spend more than half of their government revenue on interest. South Africa's debt to GDP is climbing towards 100%, a level unthinkable a year ago. Zambia defaulted on a Eurobond interest payment, and the full extent of what it owes remains hidden.

Deteriorating fundamentals should be mirrored in financial markets. Instead, global liquidity trumped everything else in 2020. Central banks gave out unprecedented money and promises, distorting global asset prices away from underlying fundamentals. Developmental institutions initially supported governments with cheap money, epitomised by Kristalina Georgieva, the managing director of the International Monetary Fund, urging: "Spend. Keep the receipts. But spend." Private sector money followed as the largesse of fiscal and monetary stimulus made it clear that risk had been underwritten by the regulators. This is unlikely to end well for bonds. Prices and fundamentals cannot remain disconnected forever. Borrowers must eventually generate sufficient cash flow to repay their debt. Those that can't, including many African borrowers, will find other ways such as inflationary erosion of debt or, in extreme cases, default. Much as hope followed panic, we expect reality to become apparent over the coming months and years.

The Fund continues to favour dollar-denominated bonds from more diversified countries such as Kenya, Egypt and Ghana, and cash-generative corporates such as Seplat. We increased local currency exposure to 16% of Fund by buying Namibia, Uganda and Ghana local currency bonds at yields and currency levels that offer attractive probable returns. Duration remains conservative. Cash was increased to 11% of Fund as we wait for more suitable prices. A significant risk is the Fund's 15% exposure to the Nigerian naira. We initiated the naira positions at double-digit yields with the currency hedged by futures. These futures are currently maturing. The Central Bank of Nigeria (CBN) is maintaining the naira at an artificially strong level, resulting in an extreme surplus of naira and corresponding shortage of dollars. The Fund has been prevented from earning the

1. From 1 January 2021, the investment universe of the Fund was broadened to permit investments in South African securities and the Fund's name was amended to Allan Gray Africa Bond Fund Limited.

2. Measured by the yield on their Eurobonds.

## ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED STRATEGY

As at 31 December 2020

expected gains on its hedges while also being unable to convert its naira holdings to dollars at the official rate. We are pricing the Fund's naira holdings at the official exchange rate, in line with the Fund's policy of using market pricing. The Fund's net asset value would be 2% lower were we to value the holdings at the unofficial rate, which is 17% lower than the CBN rate. We expect resolution over the coming months as pressure mounts within the Nigerian economy. We continue to monitor the situation and do what we believe is in the best interests of our clients.

Commentary contributed by Mark Dunley-Owen

### Performance in US\$ net of all fees and expenses

% Returns	Fund <sup>1</sup>	Benchmark <sup>2</sup>
<b>Cumulative:</b>		
Since inception (27 March 2013)	74.4	1.3
<b>Annualised:</b>		
Since inception (27 March 2013)	7.4	0.2
Latest 5 years	12.9	6.7
Latest 3 years	7.5	3.0
Latest 2 years	9.2	7.9
Latest 1 year	6.6	2.7
<b>Risk measures (since inception, based on month-end prices)</b>		
Maximum drawdown <sup>3</sup>	-16.4	-29.3
Percentage positive months <sup>4</sup>	67.0	56.4
Annualised monthly volatility <sup>5</sup>	9.6	11.7
Highest annual return <sup>6</sup>	28.4	17.7
Lowest annual return <sup>6</sup>	-15.7	-21.5

- The net of fee return is calculated as the gross of fee return reduced by an investment management fee of 1% per annum, which is accrued monthly in arrears.
- J.P. Morgan GBI-EM Global Diversified Index (source J.P. Morgan), performance as calculated by Allan Gray as at 31 December 2020. With effect from 1 January 2021, the benchmark is the FTSE 3 Month US T Bill + 4% Index. Calculation based on the latest available data as supplied by third parties.
- Maximum percentage decline over any period. 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).
- 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 28 February 2017 and the benchmark's occurred during the 12 months ended 31 January 2018. 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.

### Fund positioning on 31 December 2020<sup>7</sup>

	Local currency	Foreign currency	% of portfolio
<b>Governments</b>	<b>15.9</b>	<b>50.6</b>	<b>66.5</b>
Kenya	0.0	12.7	12.7
Ghana	1.3	11.3	12.7
Egypt	0.0	11.3	11.3
Nigeria	10.3	0.0	10.3
Namibia	1.8	5.4	7.2
Ivory Coast	0.0	4.7	4.7
Senegal	0.0	4.2	4.2
Uganda	2.5	0.0	2.5
Zambia	0.0	0.9	0.9
<b>Corporates</b>	<b>0.4</b>	<b>22.3</b>	<b>22.7</b>
Nigeria	0.4	13.1	13.5
Ghana	0.0	7.1	7.1
Mauritius	0.0	1.8	1.8
Kenya	0.0	0.2	0.2
<b>Cash<sup>8</sup></b>	<b>4.9</b>	<b>5.9</b>	<b>10.8</b>
<b>Total<sup>9</sup></b>	<b>21.2</b>	<b>78.8</b>	<b>100.0</b>

7. 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.

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

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

### 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. Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 December 2020	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.17</b>	<b>1.18</b>
Management fee	1.00	1.00
Custody fees	0.08	0.10
Other costs excluding transaction costs	0.09	0.08
<b>Transaction costs</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>1.17</b>	<b>1.18</b>

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**SCHEDULE OF NET ASSETS**

As at 31 December 2020

Number held	Instrument (ranked by sector)	Market value US\$	% of Fund
	<b>GOVERNMENT</b>	275 001 708	66.5%
17 052 262 000	Nigerian Treasury bills	42 539 239	10.3%
31 800 000	Kenya 7.25% 2028 Eurobond	36 535 608	8.8%
13 445 000	Ghana 10.75% 2030 Eurobond	18 333 188	4.4%
15 810 000	Republic of Namibia 5.25% 2025 Eurobond	17 197 397	4.2%
17 000 000	Ivory Coast 5.75% 2032 Eurobond	13 697 183	3.3%
11 000 000	Egypt 7.6003% 2029 Eurobond	12 947 788	3.1%
11 000 000	Egypt 6.588% 2028	12 376 830	3.0%
10 500 000	Senegal 6.25% 2033 Eurobond	11 805 843	2.9%
8 500 000	Kenya 8.00% 2032 Eurobond	10 003 465	2.4%
9 250 000	Ghana 7.625% 2029 Eurobond	9 950 549	2.4%
8 000 000	Egypt 7.903% 2048	8 932 579	2.2%
6 813 000	Egypt 8.5% 2047	7 978 211	1.9%
27 000 000 000	Uganda Government Bond 17% Senior 2031	7 947 603	1.9%
6 500 000	Ghana 8.125% 2032 Eurobond	6 996 558	1.7%
4 000 000	Republic of Senegal 4.75% Senior 2028	5 401 764	1.3%
5 000 000	Ghana 6.375% 2027 Eurobond	5 306 304	1.3%
5 100 000	Namibia 5.5% 2021 Eurobond	5 284 313	1.3%
4 000 000	Kenya 6.875% 2024 Eurobond	4 398 216	1.1%
	Holdings less than 1%	37 369 070	9.0%
	<b>CORPORATES</b>	92 122 714	22.3%
43 635 000	Seplat 9.25% 2023 Eurobond	45 445 701	11.0%
39 500 000	Tullow 7.00% 2025	27 099 126	6.6%
6 500 000	MTN 6.5% 2026 Eurobond	7 567 703	1.8%
6 801 000	Ecobank 9.5% 2024 Eurobond	7 432 985	1.8%
	Holdings less than 1%	4 577 200	1.1%
	<b>CASH AND ACCRUALS</b>	46 294 485	11.2%
	<b>NET ASSETS</b>	<b>413 418 907</b>	<b>100.0%</b>

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

As at 31 December 2020

The directors of the Fund are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements, which comprise the financial position as at 31 December 2020 and its financial performance and cash flows for the year ended 31 December 2020, are set out on pages 9 to 33 and have been approved by the directors of the Fund and are signed on its behalf by:



John Collis  
Director  
29 April 2021



Craig Bodenstab  
Director  
29 April 2021

## INDEPENDENT AUDITOR'S REPORT

### The board of directors of Allan Gray Africa ex-SA Bond Fund Limited

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of Allan Gray Africa ex-SA Bond Fund Limited (the "Fund") which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities of the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

##### Risk:

##### Valuation of financial assets at fair value through profit or loss

The valuation of the Fund's financial assets at fair value through profit or loss is a key audit matter because it significantly impacts the Fund's performance and net asset value and is quantitatively significant to the Fund. We have thus assessed the Fund's investments in financial assets as an area of higher risk of material misstatement due to the complexity in determining the fair value.



## INDEPENDENT AUDITOR'S REPORT

As of 31 December 2020, the Fund's financial assets at fair value through profit or loss amounted to US\$ 358,215,066. Financial assets include forward contracts, money market instruments and gilts and semi-gilts. As disclosed in Notes 1.3.7 and 6.2 to the financial statements, the Fund records its investments in financial assets carried at fair value through profit or loss based on a quoted price in an active market. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

### **Our response to the risk:**

We evaluated management's valuation methodology applied to determine the fair value of the Fund's financial assets and performed the following procedures, among others.

For the Fund's investments in money market instruments and gilts and semi-gilts, we compared the values recorded by the Fund to independently quoted prices, observable trades and/or vendor prices. For those investments not based on quoted market prices, we assessed the reasonableness of management's valuation methodology and compared data inputs used by management to independent sources.

For the Fund's investment in forward contracts, we compared the assumptions and data inputs used by the Directors to value these financial assets to third party data.

We independently recalculated the fair value of all financial instruments at fair value through profit or loss which we compared to the Fund's recorded fair value.

### **Other information included in the Fund's 2020 Annual Report**

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and the board of directors for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT

### Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Board of Directors we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Jessel Mendes.

*Ernst + Young Ltd.*

Hamilton, Bermuda  
29 April 2021

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

	Note	2020 US\$	2019 US\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	359 752 417	394 155 226
Trade and other receivables	3	12 172 736	14 821 395
Cash and cash equivalents		43 221 275	22 063 173
<b>TOTAL ASSETS</b>		<b>415 146 428</b>	<b>431 039 794</b>
<b>LIABILITIES</b>			
Trade and other payables	4	1 727 521	116 863
<b>TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>1 727 521</b>	<b>116 863</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>413 418 907</b>	<b>430 922 931</b>

The above Statement of financial position should be read in conjunction with the accompanying notes.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED  
**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	Note	2020 US\$	2019 US\$
<b>NET INVESTMENT INCOME</b>		24 768 027	56 623 724
Interest		34 185 487	45 662 652
Realised (losses)/gains on disposal of investments		(26 063 440)	1 056 547
Unrealised gains on investments		16 645 980	9 904 525
<b>OPERATING EXPENSES</b>		(887 901)	(1 009 107)
Custodian fees		(312 409)	(457 346)
Management fees	1.3.2	(224 077)	(190 026)
Audit fees		(27 218)	(12 909)
Directors' fees		(18 000)	(18 000)
Bank charges		(30 846)	(52 843)
Other expenses		(275 351)	(277 983)
<b>PROFIT BEFORE TAXES</b>		23 880 126	55 614 617
Withholding and other taxes		(92 392)	(1 887 845)
<b>TOTAL COMPREHENSIVE PROFIT FOR THE YEAR</b>		23 787 734	53 726 772

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES**

For the year ended 31 December 2020

	Note	Net assets attributable to holders of redeemable shares US\$	Number of shares in issue
<b>BALANCE AT 31 DECEMBER 2018</b>		437 367 611	3 326 475
Net capital redemptions		(60 171 452)	(416 736)
Total comprehensive profit for the year		53 726 772	-
<b>BALANCE AT 31 DECEMBER 2019</b>	7	430 922 931	2 909 739
Net capital redemptions		(41 291 758)	(308 767)
Total comprehensive profit for the year		23 787 734	-
<b>BALANCE AT 31 DECEMBER 2020</b>	7	413 418 907	2 600 972

The above Statement of changes in net assets attributable to holders of redeemable shares should be read in conjunction with the accompanying notes.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	Note	2020 US\$	2019 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net cash outflow from operations before working capital changes	5.1	(887 901)	(1 009 107)
Working capital changes	5.2	(327 788)	(475 909)
Interest received, net of withholding tax		38 706 844	46 502 496
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>37 491 155</b>	<b>45 017 480</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(245 028 485)	(264 969 084)
Proceeds from sale of investments		269 987 189	278 896 388
<b>NET CASH GENERATED BY INVESTING ACTIVITIES</b>		<b>24 958 704</b>	<b>13 927 304</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of redeemable shares		20 323 454	12 955 958
Redemption of redeemable shares		(61 615 212)	(73 127 410)
<b>NET CASH UTILISED IN FINANCING ACTIVITIES</b>		<b>(41 291 758)</b>	<b>(60 171 452)</b>
Net increase/(decrease) in cash and cash equivalents		21 158 102	(1 226 668)
Cash and cash equivalents at the beginning of the year		22 063 173	23 289 841
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>43 221 275</b>	<b>22 063 173</b>

The above Statement of cash flows should be read in conjunction with the accompanying notes.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

### Corporate information

Allan Gray Africa ex-SA Bond Fund Limited (the 'Fund') was incorporated on 16 November 2012 and is a limited liability company of unlimited duration. The Fund was launched to the public on 27 March 2013 and is a Bermuda exempted Mutual Fund Company. The investment manager of the Fund is Allan Gray Bermuda Limited (the 'Investment Manager'). Allan Gray Proprietary Limited is the Investment Adviser to the Fund.

The board of directors of the Fund have implemented a number of changes affecting the Fund with effect from 1 January 2021. Please refer to the table below for an overview of the changes.

	Current	New (from 1 January 2021)
Investment universe	African interest-bearing assets (excluding South African securities)	African interest-bearing assets (including South African securities)
Fund name	Allan Gray Africa ex-SA Bond Fund	Allan Gray Africa Bond Fund
Benchmark	J.P. Morgan GBI-EM Global Diversified Index	FTSE 3-month US T-Bill Index plus 4% per annum

The financial statements of the Fund were authorised for issue by the directors of the Fund on 29 April 2021.

## 1. Accounting standards and policies

### 1.1 Basis of preparation

The financial statements have been prepared on a going concern basis, using the historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost, in accordance with International Financial Reporting Standards ('IFRS'). These financial statements are presented in US dollars, being the functional currency of the Fund.

### 1.2 IFRS

The Fund has adopted all new and revised standards, interpretations and amendments issued by the International Accounting Standards Board (the 'IASB') and the IFRS Interpretations Committee ('IFRIC') of the IASB that are relevant to its operations and effective for the annual accounting period ended 31 December 2020.

The significant accounting policies adopted in the preparation of the financial statements are set out below and are in accordance with and comply with IFRS.

The following new, revised and amended IFRS standards, interpretations and amendments applicable to the Fund were adopted during the year:

	Standards	Effective date: Years beginning on/after	Impact
IAS 1	Presentation of Financial Statements	1 January 2020	No material impact
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020	No material impact



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

### **Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Fund or expected to be in future.

A number of other changes, that are effective for accounting periods ended after 31 December 2020, have been issued by the IASB and IFRIC. However, these are not considered relevant to the Fund's operations.

### **1.3 Accounting policies**

The Fund has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are set out below and have been consistently applied.

#### **1.3.1 Net investment income**

Net investment income comprises interest income and realised and unrealised gains and losses on investments.

##### **Interest income**

Interest is recognised in the Statement of comprehensive income using the effective interest method.

##### **Investment gains and losses**

Changes in the fair value of financial assets held at fair value through profit or loss, and gains or losses made on the disposal of these financial assets, calculated using the average cost method, are recognised in profit or loss.

#### **1.3.2 Management fee**

The management fee is the fee paid by the Fund to the Investment Manager for the management of the Fund. Management fees are calculated and accrued based on the weekly net asset value of the share class and recognised on an accrual basis in profit or loss.

#### **1.3.3 Expenses**

Any interest expense is recognised on an accrual basis using the effective interest method. All other expenses are recognised in profit or loss on an accrual basis.

#### **1.3.4 Distributions to holders of redeemable shares**

Distributions from the Fund will be automatically reinvested in additional redeemable shares unless a holder of redeemable shares requests in writing that any dividends be paid to them. Distributions to holders of redeemable shares are recognised in the Statement of comprehensive income as finance costs.

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### 1.3.5 Taxation

There is no income tax, corporation tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate or stamp duty, or inheritance tax in Bermuda payable by the Fund or its members in respect of shares in the Fund. The government of Bermuda has undertaken that in the event that any income, profit, capital, capital gains, estate or inheritance taxes are levied in Bermuda in the future, the Fund and its shares will be exempt from such taxes until 31 March 2035.

Income and capital gains on the Fund's investments, however, may be subject to taxes in certain countries.

The Fund evaluates tax positions to determine whether, for all tax years still subject to assessment or challenge by the relevant taxation authorities, the tax positions are probable to be accepted on examination by the relevant tax authorities. If it is probable that the Fund's tax positions will be accepted, the taxable profit/tax loss should be consistent with the Fund's tax filings. If it is not probable, the Fund must reflect the effect of the uncertainty in determining its taxable profit/tax loss. The effect of the uncertain tax treatment is determined by applying either the expected value method or the most likely method.

The Fund has analysed its tax positions at and for the year ended 31 December 2020, and has concluded that no asset/liability relating to tax positions that are certain, where it is probable that the Fund's tax positions will be accepted by the relevant taxation authorities should be recorded. There are no uncertain tax positions. Additionally, the Fund has recorded withholding and other taxes applicable to certain income types.

### 1.3.6 Income adjustments

Income adjustments on creation/cancellation of shares represent the income portion of the price received or paid when shares are created or cancelled. The income portion of the price received by the Fund on creation of shares is, in effect, a payment by shareholders for entitlement to a distribution of income that was earned by the Fund before they joined. The income portion of the price paid to shareholders when shares are cancelled is, in effect, compensation for the income distribution they will forfeit when exiting the Fund before the distribution date. Income adjustments on creation/cancellation of shares are classified as equity transactions and are recognised as net assets attributable to shareholders from transactions in shares in the Statement of changes in net assets attributable to holders of redeemable shares, when shares are purchased and sold.

### 1.3.7 Financial instruments: Financial assets and liabilities

#### Classification

#### Financial assets

The Fund determines the classification of its financial assets on initial recognition, when it becomes a party to the contract governing the instrument. The classification depends on how the Fund manages its financial assets in order to generate cash flows.

#### *Financial assets at fair value through profit or loss*

Financial assets are classified as financial assets at fair value through profit or loss when:

- They are held for trading;
- The contractual cash flows do not represent solely payments of principal and interest; or
- Designated as such upon initial recognition to eliminate or significantly reduce a measurement or recognition inconsistency.

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For the year ended 31 December 2020

The Fund classifies its investments in debt instruments, derivatives and cash and cash equivalents held for investment purposes as financial assets at fair value through profit or loss.

Financial instruments designated as at fair value through profit or loss upon initial recognition comprise debt instruments that are not held for trading. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Fund, as set out in the Fund's offering document. Derivatives are categorised as held for trading and are not designated as effective hedging instruments in terms of IFRS 9. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

***Financial assets at amortised cost***

The Fund classifies financial assets at amortised cost when:

The financial asset is held with the objective to collect contractual cash flows; and

The terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost comprise cash and cash equivalents and trade and other receivables, which include interest receivable and amounts due from brokers, which are short-term in nature. Amortised cost approximates fair value due to the short-term nature of the financial assets.

**Financial liabilities**

The Fund determines the classification of its financial liabilities on initial recognition, when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument.

***Financial liabilities at fair value through profit or loss***

The Fund's financial liabilities at fair value through profit or loss include net assets attributable to holders of redeemable shares (refer to note 1.3.11).

***Financial liabilities at amortised cost***

Trade and other payables, including amounts due to brokers and distributions payable, are classified as financial liabilities at amortised cost which are measured at amortised cost. Amortised cost approximates fair value due to the short-term nature of the financial liabilities.

**Recognition and measurement**

A 'regular way' contract is one that requires the delivery of an asset within the time frame established, generally by regulation or convention within the marketplace concerned. Regular way purchases and sales of financial assets are recognised using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or to sell an asset.

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Financial instruments are recognised on the trade date at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Fund determines the classification of its financial instruments on initial recognition, when the Fund becomes a party to the contract governing the instrument.

**Financial assets and financial liabilities at fair value through profit or loss**

Financial assets and financial liabilities designated as at fair value through profit or loss are measured at fair value. Subsequent to initial recognition, investments at fair value through profit or loss are marked to market on a daily basis with changes in fair value taken through profit or loss as gains and losses. Attributable transaction costs are recognised in profit or loss as incurred.

**Financial assets and financial liabilities at amortised cost**

Financial assets and financial liabilities at amortised cost are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets and financial liabilities at amortised cost are measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost approximates fair value due to the short-term nature of financial assets and financial liabilities.

Gains and losses are recognised in profit or loss when financial assets and financial liabilities at amortised cost are derecognised or impaired, and through the amortisation process.

**Derecognition of financial assets and liabilities**

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset, or
- The Fund has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

**Impairment of financial assets**

The Fund assesses at each reporting date whether an allowance for expected credit losses ('ECL') should be recognised. The ECL allowance does not require any trigger event to occur but rather relies on an expectation of future losses.

***Assets carried at amortised cost***

The allowance for ECL is determined based on the difference between the contractual cash flows and the cash flows expected to be received, discounted at the original effective interest rate. The Fund has adopted the simplified approach in determining the ECL based on its historical credit loss experience, days past due

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of the receivables and consideration of forward-looking factors specific to the counterparty and economic environment. The exposure has been assessed and concluded to be immaterial.

A financial asset is classified as in default when the contractual payments are 30 days past due unless there is specific information indicating that the Fund is unlikely to receive the outstanding amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Fund holds trade receivables with no financing component and which have maturities of less than 12 months. All trade receivables are expected to be received within 30 days.

### Determination of fair value

Financial instruments carried at fair value are valued based on a quoted market price. For all financial instruments that are not valued based on a quoted market price, the fair value is determined by using appropriate valuation techniques. An analysis of fair values of financial instruments and further details as to how they are measured, are provided in note 6.2.

### Offsetting financial instruments

A financial asset and a financial liability are offset, and the net amount is presented in the Statement of financial position, only when the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are only offset to the extent that their related instruments have been offset in the Statement of financial position.

### 1.3.8 Cash and cash equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash commitments, rather than for investment or other purposes, are current assets and disclosed separately on the face of the Statement of financial position.

Subsequent to initial recognition, cash and cash equivalents, accounts receivable and accounts payable are measured at amortised cost using the effective interest rate method.

### 1.3.9 Amounts due from and to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased (in a regular way transaction) that have been contracted for but not yet settled or delivered on the Statement of financial position date. These are included in trade and other receivables, and in trade and other payables, respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. Amortised cost approximates fair value due to the short-term nature of amounts due from and to brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

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**1.3.10 Foreign currencies**

The Fund's functional currency is the US dollar, which is the currency in which the performance of the Fund is evaluated and its liquidity is managed. Foreign currency items are recorded at the exchange rate ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at rates of exchange ruling at the Statement of financial position date or when settled. Gains and losses arising from the translation of these monetary assets and liabilities are recognised in profit or loss.

Realised and unrealised foreign currency gains or losses on investments measured at fair value through profit or loss are included in the Statement of comprehensive income in realised gains and losses on disposal of investments and unrealised losses on investments, respectively. Realised and unrealised foreign currency gains or losses on all other financial instruments denominated in foreign currencies are included in the Statement of comprehensive income in foreign exchange gains or losses.

**1.3.11 Net assets attributable to holders of redeemable shares**

Shares issued by the Fund are classified as financial liabilities and disclosed as net assets attributable to holders of redeemable shares. The value of net assets attributable to holders of redeemable shares is what is commonly known as the capital value of the Fund. This financial liability (as defined by IAS 32) represents the holders' right to a residual interest in the Fund's net assets.

**1.3.12 Critical judgement in applying the Fund's accounting policies**

The preparation of the Fund's financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

When the fair value of financial assets and liabilities recorded in the Statement of financial position cannot be derived from quoted market prices, they are determined using a variety of valuation techniques. Refer to note 6.2.

**1.3.13 Events subsequent to year end**

The board of directors of the Fund have implemented changes affecting the Fund's name, mandate and benchmark with effect from 1 January 2021. Please refer to the 'Corporate information' section for an overview of these changes.

Aside from these changes, there were no significant events subsequent to year end up to the date of approval of these financial statements.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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	2020 US\$	2019 US\$
<b>2. Financial assets at fair value through profit or loss</b>		
Money market instruments	39 742 029	116 153 108
Gilts and semi-gilts	318 490 802	273 931 333
Cash and cash equivalents for investment purposes	1 537 351	4 077 418
Forward contracts	(17 765)	(6 633)
<b>TOTAL</b>	<b>359 752 417</b>	<b>394 155 226</b>
<b>3. Trade and other receivables</b>		
Interest receivable	8 895 733	13 509 482
Amounts due from brokers	3 277 003	1 311 913
<b>TOTAL</b>	<b>12 172 736</b>	<b>14 821 395</b>
<b>4. Trade and other payables</b>		
Other payables	60 586	90 219
Amounts due to brokers	1 666 935	26 644
<b>TOTAL</b>	<b>1 727 521</b>	<b>116 863</b>
<b>5. Notes to the statement of cash flows</b>		
<b>5.1 Net cash outflow from operations before working capital changes</b>		
Profit for the year	23 787 734	53 726 772
<b>ADJUSTMENTS</b>		
Interest income, net of withholding tax	(34 093 095)	(43 774 807)
Realised losses/(gains) on disposal of financial assets at fair value through profit or loss	26 063 440	(1 056 547)
Unrealised gains on financial assets at fair value through profit or loss	(16 645 980)	(9 904 525)
<b>TOTAL</b>	<b>(887 901)</b>	<b>(1 009 107)</b>
<b>5.2 Working capital changes</b>		
Increase in amounts due from brokers	(1 965 090)	(478 580)
Increase in trade and other payables	1 637 302	2 671
<b>TOTAL</b>	<b>(327 788)</b>	<b>(475 909)</b>



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**6. Financial instruments**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in note 1 to the financial statements.

**Categorisation of financial instruments at 31 December 2020**

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Total US\$
<b>ASSETS</b>				
Financial assets at fair value through profit or loss	-	359 752 417	-	359 752 417
Cash and cash equivalents	43 221 275	-	-	43 221 275
Trade and other receivables	12 172 736	-	-	12 172 736
<b>TOTAL ASSETS</b>	<b>55 394 011</b>	<b>359 752 417</b>	<b>-</b>	<b>415 146 428</b>
<b>LIABILITIES</b>				
Trade and other payables	-	-	1 727 521	1 727 521
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1 727 521</b>	<b>1 727 521</b>

**Categorisation of financial instruments at 31 December 2019**

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Total US\$
<b>ASSETS</b>				
Financial assets at fair value through profit or loss	-	394 155 226	-	394 155 226
Cash and cash equivalents	22 063 173	-	-	22 063 173
Trade and other receivables	14 821 395	-	-	14 821 395
<b>TOTAL ASSETS</b>	<b>36 884 568</b>	<b>394 155 226</b>	<b>-</b>	<b>431 039 794</b>
<b>LIABILITIES</b>				
Trade and other payables	-	-	116 863	116 863
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>116 863</b>	<b>116 863</b>

**6.1 Financial risk management policies and objectives**

The Fund's investment portfolio may comprise interest bearing securities, cash and cash equivalents, government and corporate debt, convertible bonds, securitised debt, preference shares and derivative instruments where the underlying asset is a debt security. The Fund may invest in listed and unlisted securities as well as unrated securities and these securities may be denominated in local or foreign currency.

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The Fund invests in a focused portfolio of assets that are selected for their perceived superior fundamental value and expected risk and return profile. The Fund seeks to take advantage of opportunities that arise and may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets with exposure to a basket of African countries.

The Fund defines 'African securities' as securities issued by entities that are African but not South African in nature. The Fund's asset allocation will be flexible amongst the various fixed income asset classes. The Fund's investing activities expose holders of Fund shares to various types of risk that are associated with the financial instruments and markets in which the Fund invests.

The Investment Manager continues to monitor developments related to the COVID-19 pandemic and the potential impact on the financial performance of the Fund. The Investment Manager has evaluated the impact of these events on the financial statements for the year ended 31 December 2020, and has determined that the impact of COVID-19 has been taken into account where necessary and no material events have been identified which would require further adjustment to or disclosure in the financial statements.

### **Market risk**

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate, foreign currency and other price risks.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk as it invests in interest bearing instruments. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

The Fund does not hedge interest rate risk. Instead the Investment Manager tries to mitigate interest rate risk by monitoring the duration and term of the Fund compared to its benchmark, and relative to the long-term outlook on interest rate levels. Interest rate risk is linked to foreign currency risk, as currency weakness typically results in inflationary pressure which in turn poses significant upside risk to the outlook for interest rates. Where the Investment Manager believes there is an outlook for higher interest rates, the Investment Manager would look to manage this through lowering the duration in the portfolio.

The following tables illustrate the effect of reasonably possible changes in prevailing interest rates, with all other variables held constant. This analysis ignores operating bank accounts in the underlying Fund. Modified duration is used to estimate the change in the net assets attributable to holders of redeemable shares as a result of a change in interest rates. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance.

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2020	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
<b>MONEY MARKET INSTRUMENTS</b>	39 742 029	20 021	40 042
Denominated in Nigerian naira	39 742 029	20 021	40 042
<b>GILTS AND SEMI-GILTS</b>	318 490 802	8 084 137	16 168 275
Denominated in US dollar	286 806 780	7 279 913	14 559 827
Denominated in Ghanaian cedi	5 360 929	136 075	272 149
Denominated in Ugandan shilling	10 111 346	256 653	513 305
Denominated in euro	9 116 923	231 412	462 823
Denominated in Namibian dollar	7 094 824	180 085	360 171

Coupon rates on bonds range between 4.8% and 19.3% (2019: 4.8% and 24.8%).

2019	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
<b>MONEY MARKET INSTRUMENTS</b>	116 153 108	246 191	492 382
Denominated in US dollar	20 221 306	42 860	85 720
Denominated in Nigerian naira	95 931 802	203 331	406 662
<b>GILTS AND SEMI-GILTS</b>	273 931 333	6 591 777	13 183 553
Denominated in Egyptian pound	4 918 350	118 353	236 707
Denominated in Ghanaian cedi	21 876 846	526 436	1 052 872
Denominated in US dollar	247 136 137	5 946 987	11 893 975

**Foreign currency risk**

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund undertakes certain transactions denominated in foreign currencies and hence is exposed to the effects of exchange rate fluctuations. The Fund hedges foreign currency risk. The Investment Manager's primary concern in managing the Fund is the risk of permanent capital loss. As such the Investment Manager is cognisant of all macro and political risks, including any currency devaluation risk. This risk is incorporated in the assessment of the attractiveness of the securities the Fund invests in. As part of the investment research, the Investment Manager also determines what is believed to be the long-term fair value of each currency in which the Fund invests. As part of this analysis, the Investment Manager looks at which markets are in a period of currency weakness or strength alongside what level of currency risk the markets are pricing in relative to history. For long-term investors, the ability to find cheap assets in discounted macro-weak environments can help to mitigate the currency risk.

The following tables indicate the currencies to which the Fund had exposure at 31 December 2020 and 31 December 2019 on its monetary financial assets and liabilities. It illustrates the effect of reasonably possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which holders of

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redeemable shares are exposed and is not indicative of future performance. A positive number indicates a decrease in net assets attributable to holders of redeemable shares where the US dollar strengthens against the relevant currency. For a weakening of the US dollar against the relevant currency, there would be an equal and opposite impact on the net assets attributable to holders of redeemable shares, and the balances below would be negative.

Currency impact in US\$					
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2020					
Currency		Net Assets US\$	+/-5%	+/-10%	+/-20%
Canadian dollar	CAD	37	2	4	7
Egyptian pound	EGP	250	13	25	50
Euro	EUR	9 256 636	462 832	925 664	1 851 327
Ghanaian cedi	GHS	5 394 877	269 744	539 488	1 078 975
Kenyan shilling	KES	4 710	236	471	942
Malawian kwacha	MWK	6 337	317	634	1 267
Namibian dollar	NAD	7 121 919	356 096	712 192	1 424 384
Nigerian naira	NGN	61 366 274	3 068 314	6 136 627	12 273 255
Ugandan shilling	UGX	10 080 995	504 050	1 008 099	2 016 199
Zambian kwacha	ZMW	244	12	24	49
			4 661 616	9 323 228	18 646 455

Currency impact in US\$					
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2019					
Currency		Net Assets US\$	+/-5%	+/-10%	+/-20%
Canadian dollar	CAD	36	2	4	7
Egyptian pound	EGP	4 927 411	246 371	492 741	985 482
Ghanaian cedi	GHS	21 938 474	1 096 924	2 193 847	4 387 695
Kenyan shilling	KES	5 075	254	508	1 015
Malawian kwacha	MWK	6 634	332	663	1 327
Nigerian naira	NGN	100 127 307	5 006 365	10 012 731	20 025 461
Zambian kwacha	ZMW	366	18	37	73
			6 350 266	12 700 531	25 401 060

The closing foreign exchange rates at 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
USD: CAD	1.27	1.30
USD: EGP	15.72	16.03
USD: EUR	0.81	-
USD: GHS	5.87	5.68
USD: KES	109.21	101.36
USD: MWK	771.01	736.92
USD: NAD	14.67	-
USD: NGN	400.48	364.83
USD: UGX	3 663.00	-
USD: ZMW	21.17	14.10

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**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

At year end, financial assets exposed to credit risk included debt instruments and cash accounts. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. The Investment Manager monitors the creditworthiness of the Fund's counterparties (e.g. brokers, custodians and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis. In accordance with the investment restrictions as described in the Fund's Prospectus, no more than 10% of the Fund may be invested in any one corporate's debt securities. This limit does not apply to cash held in a bank. The Fund may own no more than 25% of any one corporate's outstanding debt. The sum of individual corporate credit exposures exceeding 5% may not exceed 60% of the Fund. The Fund may not enter into uncovered derivative positions. The Investment Manager's compliance department monitors compliance with applicable regulations and the investment mandate on a daily basis.

The carrying amount of financial assets recorded in the financial statements represents redeemable shareholders' maximum exposure to credit risk. None of the financial assets disclosed in the financial statements are past due.

The following table provides an analysis of the credit quality of the Fund's debt securities at reporting date by rating agency category. The credit quality has been assessed by reference to Fitch credit ratings and, where unavailable, Moody's ratings have been used. Ratings are presented in ascending order of credit risk.

Credit rating	2020 % of debt securities	2019 % of debt securities
AAA	7.2	-
AA-	1.8	3.7
A+	4.9	-
A	5.9	5.4
B+	11.3	30.4
B	47.1	44.3
B-	12.8	10.6
C	0.9	4.7
CCC	7.1	-
Unrated	1.0	0.9
	100.0	100.0

**Risk concentrations of the maximum exposure to credit risk**

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration of credit risk is managed by counterparty and geographical region.

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The following table contains an analysis of the concentration of credit risk in the Fund's debt portfolio by geographical distribution (based on counterparties' country of domicile):

Country of issuer on 31 December	2020 % of Fund	2019 % of Fund
Nigeria	23.9	50.4
Ghana	19.8	20.7
Kenya	12.9	8.9
Egypt	11.3	4.6
Cash and accruals	10.8	5.4
Namibia	7.2	-
Ivory Coast	4.7	1.1
Senegal	4.2	0.5
Uganda	2.5	-
Mauritius	1.8	3.7
Zambia	0.9	4.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

**Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund invests in markets that are considered emerging markets. Such markets are generally less mature and developed than those in advanced countries. Liquidity risk management rests with the Investment Manager, which has built an appropriate liquidity risk management framework for the management of the Fund's short-, medium- and long-term funding and liquidity management requirements.

The Fund's redeemable shares are redeemable for cash equal to the proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to weekly redemptions by the holders of redeemable shares.

The Fund may not borrow other than to meet redemptions. Such borrowing is limited to 10% of the Fund's net asset value and must be repaid as soon as practically possible. The Investment Manager's compliance department monitors compliance with the applicable requirements.

Where total members' redemptions on any dealing day are more than US\$5 000 000 or 2.5% of the total net asset value of the Fund (whichever is less), the Investment Manager may, at its discretion, redeem only 2.5% of the total net asset value of the Fund or US\$5 000 000 (whichever is less), on a pro rata basis among the members, per dealing day. If any redemption requests are not satisfied in full, the balance thereof will be carried forward to the following dealing day, subject to the same 2.5% restriction. The Investment Manager retains the right to distribute all or part of the redemption proceeds in specie (in kind).

The Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2020.

Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
<b>FINANCIAL ASSETS</b>						415 146 428
Cash and cash equivalents	43 221 275	-	-	-	-	43 221 275
Cash and cash equivalents for investment purposes	-	1 537 351	-	-	-	1 537 351
Forward contracts	-	(17 765)	-	-	-	(17 765)
Money market instruments	-	39 742 029	-	-	-	39 742 029
Gilts and semi-gilts	-	7 397 893	52 188 928	78 026 776	180 877 205	318 490 802
Trade and other receivables	-	12 172 736	-	-	-	12 172 736
<b>FINANCIAL LIABILITIES</b>						(415 146 428)
Net assets attributable to holders of redeemable shares	(413 418 907)	-	-	-	-	(413 418 907)
Trade and other payables	-	(1 727 521)	-	-	-	(1 727 521)

The maturity analyses for financial assets are prepared on a discounted basis and exclude future interest cash flows.

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2019.

Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
<b>FINANCIAL ASSETS</b>						431 039 794
Cash and cash equivalents	22 063 173	-	-	-	-	22 063 173
Cash and cash equivalents for investment purposes	-	4 077 418	-	-	-	4 077 418
Forward contracts	-	(6 633)	-	-	-	(6 633)
Money market instruments	-	116 153 108	-	-	-	116 153 108
Gilts and semi-gilts	-	4 929 172	21 250 820	127 175 718	120 575 623	273 931 333
Trade and other receivables	-	14 821 395	-	-	-	14 821 395
<b>FINANCIAL LIABILITIES</b>						(431 039 794)
Net assets attributable to holders of redeemable shares	(430 922 931)	-	-	-	-	(430 922 931)
Trade and other payables	-	(116 863)	-	-	-	(116 863)

The maturity analyses for financial assets are prepared on a discounted basis and exclude future interest cash flows.



ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

## 6.2 Fair value

The directors of the Fund are of the opinion that the fair value of all financial instruments, other than those measured at fair value through profit or loss, approximates the carrying amount in the Statement of financial position as these balances are due within 30 days. IFRS 7 and IFRS 13 require fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy, as follows:

- Level 1** - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2** - those involving inputs that are directly or indirectly observable
- Level 3** - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of financial assets and financial liabilities are determined as follows:

In the event that the Fund's financial instruments are not measured at the quoted market price, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Financial instruments are valued using discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. To the extent that these inputs are observable, the Fund classifies the fair value of these instruments as level 2.

The Fund holds investments in listed and unlisted debt instruments. Debt instruments which are listed on an active exchange are classified as level 1. Non-listed debt instruments which are valued using observable inputs are classified as level 2.

The fair value of cash and cash equivalents is generally considered to be the amount held on deposit at the relevant institution. When considered necessary a credit spread will be applied. This is considered a level 2 valuation. In terms of exchange requirements, margin deposits are pledged as collateral for derivatives in cash and cash equivalents for investment purposes. Where no credit spread is applied, the carrying amount approximates fair value.

Net assets attributable to holders of redeemable shares are classified as level 2 as the shares are not listed in an active market. It derives its value from instruments which are classified as a combination of level 1 and level 2.

The Fund has determined that transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

The table below analyses financial instruments, measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

	US\$		
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Total
<b>FINANCIAL ASSETS</b>			
Money market instruments	39 742 029	-	39 742 029
Gilts and semi-gilts	228 549 392	89 941 410	318 490 802
Forward contracts	-	(17 765)	(17 765)
	<b>268 291 421</b>	<b>89 923 645</b>	<b>358 215 066</b>
<b>FINANCIAL LIABILITIES</b>			
Net assets attributable to holders of redeemable shares	-	413 418 907	413 418 907
	<b>-</b>	<b>413 418 907</b>	<b>413 418 907</b>

There were no transfers between levels during the year ended 31 December 2020.

The table below analyses financial instruments, measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	US\$		
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Total
<b>FINANCIAL ASSETS</b>			
Money market instruments	95 931 802	20 221 306	116 153 108
Gilts and semi-gilts	146 153 379	127 777 954	273 931 333
Forward contracts	-	(6 633)	(6 633)
	<b>242 085 181</b>	<b>147 992 627</b>	<b>390 077 808</b>
<b>FINANCIAL LIABILITIES</b>			
Net assets attributable to holders of redeemable shares	-	430 922 931	430 922 931
	<b>-</b>	<b>430 922 931</b>	<b>430 922 931</b>

There were transfers between levels during the year ended 31 December 2019.

During the year ended 31 December 2019, certain gilts held by the Fund were assessed to be thinly traded due to relatively low trading volumes. These gilts are valued at quoted prices for identical or similar assets in markets that are not active. This resulted in a transfer of US\$ 112 369 690 out of level 1 into level 2 at the beginning of the reporting period.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements of financial assets held at fair value through profit or loss in level 3 of the fair value hierarchy:

	2020 US\$	2019 US\$
Opening balance	-	1 072 621
Transfer out of level 3	-	(1 072 621)
<b>TOTAL</b>		

**6.3 Derivative contracts**

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund holds include forwards. The Fund uses derivative financial instruments to hedge its risks associated primarily with fair value and currency risks relating to debt instruments.

Derivatives often reflect at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying instrument of a derivative contract may have a significant impact on the profit or loss of the Fund.

At 31 December 2020 and 31 December 2019, the Fund had positions in the following derivatives:

**Forward contracts**

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the OTC market.

The Fund has credit exposure to the counterparties of forward contracts. The credit risk related to forward contracts is considered minimal because the contracts are held with institutions of good repute. Forward contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Forward contracts result in market risk exposure. Fair value losses of US\$4 855 691 (2019: - US\$1 032 828) relating to these contracts were recognised in profit or loss during the year.

Forward contracts held for risk management purposes:

	2020 US\$	2019 US\$
<b>Forward contracts (total exposure)</b>	<b>(32 949 332)</b>	<b>(84 659 147)</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**7. Share capital****Authorised and issued capital**

The authorised share capital of the Fund is US\$10 000 comprising redeemable participating shares with a par value of US\$0.0001 each and Founder shares with a par value of US\$0.01 each.

The Fund's authorised share capital at 31 December 2020 and 31 December 2019 is detailed below.

	Authorised shares	Par value per share	Share capital (US\$)
Redeemable shares	99 990 000	0.0001	9 999
Founder shares	100	0.01	1
<b>TOTAL</b>			<b>10 000</b>

The Fund's issued share capital at 31 December 2020 and 31 December 2019 is detailed below.

Fund share transactions	Class A	Class B	Class C	Total
<b>BALANCE AT 31 DECEMBER 2018</b>	90 165	3 236 310	-	3 326 475
Net increase/(decrease) in shares	75 837	(492 573)	-	(416 736)
<b>BALANCE AT 31 DECEMBER 2019</b>	166 002	2 743 737	-	2 909 739
Net increase/(decrease) in shares	(12 963)	(302 665)	6 861	(308 767)
<b>BALANCE AT 31 DECEMBER 2020</b>	<b>153 039</b>	<b>2 441 072</b>	<b>6 861</b>	<b>2 600 972</b>

Net asset value per share	Class A US\$	Class B US\$	Class C US\$
On 31 December 2019	144.70	148.30	-
On 31 December 2020	154.24	159.26	154.53

The redeemable participating shares are issued as Class A, Class B or Class C shares, which participate pro-rata in the Fund's net assets and dividends, and are redeemable and non-voting. The Fund's capital is represented by these redeemable participating shares. Quantitative information about the Fund's capital is provided in the Statement of changes in net assets attributable to holders of redeemable shares.

Founder shares do not participate in the Fund's portfolio, are redeemable at par value only after all Fund shares have been redeemed, and carry the right to vote. If the Fund is wound up or dissolved, the Founder shares will participate only to the extent of their par value. All of the authorised Founder shares of the Fund have been issued as fully paid and are held by the Investment Manager. The Founder shares are classified as a trade and other payable in the Statement of financial position.

No income distributions were declared by the Fund for the years ended 31 December 2020 and 31 December 2019.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**8. Related party transactions**

The Investment Manager held all of the authorised and issued Founder shares of the Fund. Further details on the number of shares held and their value are disclosed in note 7.

The directors of the Investment Manager and the directors of the Fund held no shares, directly or indirectly in the Fund at 31 December 2020 and 31 December 2019.

Allan Gray Life Limited, a fellow subsidiary of the Investment Manager, held 397 055 shares in the Fund (2019: 404 378 shares).

No rights, contingent or otherwise, to subscribe for shares have been granted to the Investment Manager, its directors or the directors of the Fund.

At 31 December 2020, the Allan Gray Unit Trust Funds and the Allan Gray Namibia Funds held 1 811 328 shares in the Fund (2019: 2 087 714 shares).

The directors of the Fund received total fees of US\$18 000 from the Fund (2019: US\$18 000).

During the financial year ended 31 December 2020, one of the directors waived his fee of US\$6 000 and Orbis Administration Limited waived any fees due in respect of company secretarial services rendered to the Fund.

The Investment Manager's fee is 1% and 0.7% per annum for Class A and Class C respectively, which is accrued monthly in arrears. Affiliates of the Investment Manager within the Allan Gray Group manage global asset portfolios for their clients as well as a number of Allan Gray's institutional asset pools and collective investment schemes (collectively the 'Institutional Clients'). To avoid the layering of fees, applicable Institutional Clients are invested in Class B which does not incur fees.

## IMPORTANT NOTES FOR INVESTORS

### 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 Fund may be closed to new investments at any time to be managed according to its mandate. If you have any questions regarding the status of the Fund, please contact the Registrar. 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. Certain capitalised terms are defined in the glossary section of the Fund's prospectus, a copy of which is available on request. 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.

### European Union Savings Directive and Directive on Administrative Cooperation

The European Union Savings Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments was repealed in November 2015, as a consequence of the adoption in December 2015 of the EU Directive on Administrative Cooperation 2014/107/EU. The Directive on Administrative Cooperation expands the scope of income and information subject to automatic exchange between EU Member States to include not only interest income, but also dividends and other types of capital income, as well as the annual balance of the accounts producing such income. The directors of the Fund believe that the Fund is exempt from the application of the EU Directive on Administrative Cooperation.

### United Kingdom Reporting Fund Status

The Fund's application for reporting fund status has been successful. The directors intend to manage the Fund in such a way that it should continue to be certified as a reporting fund.

### Notice to investors in the European Economic Area ('EEA')

The Fund is not currently marketed in the EEA. As a result, the Investment Manager does not comply with the requirements of the Alternative Investment Fund Managers Directive ('AIFMD'), and persons located in any EEA member state ('European Investors') are only permitted to subscribe for shares in the Fund at the discretion of the Investment Manager and subject to compliance with applicable law. European Investors who are permitted to invest in the Fund will not benefit from any of the protections of the AIFMD to which a European Investor making an investment in a non-European fund would otherwise have, including but without limitation, certain initial disclosure requirements, periodic reporting on illiquid assets and leverage, and certain annual reporting requirements.

### 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

## IMPORTANT NOTES FOR INVESTORS

down. Neither the Investment Manager, the Fund nor the Representative provide 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

#### J.P. Morgan Indices

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.

### 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](http://www.allangray.com).

### Fees and charges

Permissible deductions from the Fund may include management fees, brokerage, Securities Transfer Tax ('STT'), 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, STT 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 a necessary cost 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').



## IMPORTANT NOTES FOR INVESTORS

### African markets

African markets are generally less mature and developed than those in advanced countries and have varying laws and regulations. There are significant risks involved in investing in securities listed in the Fund's universe of African markets 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. In many cases, such risks are significantly higher than those in developed markets. Furthermore, African markets often have a more limited number of potential buyers and issuers and may be dependent on revenue from particular commodities or international aid. Additionally, African markets may have less government supervision and regulation, differences in auditing and financial reporting standards, and less developed legal systems. African markets also often have less developed securities settlements processes which may delay or prevent settlement of securities transactions. African markets also typically have smaller economies or less developed capital markets than more developed markets.

### 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 utilised 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 programs 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.

### Additional information

You can obtain additional information about the Fund, including copies of the factsheet, prospectus and application forms, 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](mailto:allangraybermuda@allangray.com).

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED

**CHARACTERISTICS AND DIRECTORY**

**Domicile and structure**

Bermuda open-ended investment company

**Regulation**

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.

**Registered Office**

Orbis House  
25 Front Street  
Hamilton, HM11  
Bermuda

**Company Secretary**

Orbis Administration Limited

**Directors**

Craig T Bodenstab BCom MBA CFA  
John C R Collis BCom BA (Jurisprudence)  
Elizabeth Denman BA (Hons) LLB  
Tapologo Motshubi BCom (Hons) CA (SA) ACPA CFA

**Investment Manager**

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Bermuda

**Investment Adviser**

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South Africa

**Primary Custodian**

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**Administrator, Registrar  
and Transfer Agent**

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