

**ANNUAL REPORT
ALLAN GRAY AFRICA
EQUITY FUND LIMITED**

31 DECEMBER 2019

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ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

As at 31 December 2019

Inception date

1 July 1998

Portfolio manager

Andrew Lapping

Fund description and summary of investment policy

Allan Gray Africa Equity Fund Limited invests in a focused portfolio of companies with significant business interests in Africa, regardless of the location of the stock exchange listing. The Fund price is reported in US dollars but the underlying holdings are denominated in various currencies. Returns are likely to be volatile.

Fund objective and benchmark

The Fund aims to outperform African equity markets over the long term without taking on greater risk of loss. The Fund's benchmark is the MSCI Emerging and Frontier Markets (EFM) Africa Index (total returns).

Suitable for those investors who

- Seek exposure to African equities
- Are comfortable with stock market and currency fluctuations
- Are prepared to take on the risk of capital loss
- Typically have an investment horizon of more than five years

Capacity

The Fund has limited capacity and thus may restrict inflows. Redemptions may be limited to US\$5m or 2.5% of the Fund (whichever is less) per dealing day.

Commentary

At the core of our investment philosophy is a belief that markets are not always efficient or rational. We invest in businesses that we consider to be irrationally priced relative to our assessment of their intrinsic value. Unsurprisingly, non-consensus investments that are out of favour can get much cheaper, and the time it takes for the storms to pass can be highly variable. Inevitably, by focusing relentlessly on generating superior long-term returns, we bear the risks of being different from

our performance benchmarks and having to endure uncomfortable periods of underperformance.

The Fund's performance over the past year was downright disappointing. Overweight positions in Nigeria and Zimbabwe were significant detractors.

Nigerian equities underperformed on continued negative sentiment, with investors unnerved by the uncertain regulatory environment in the banking sector and dim growth prospects. The MSCI Nigeria Index was down 16% in US dollars, and the market's dividend yield has increased to 7.7%. Local pension funds have shunned equities in favour of higher-yielding fixed income securities, and their allocation to domestic equities has dropped to below 5% from 9% at the end of 2017.

We are mindful of the headwinds in Nigeria. Still, we are excited about the prospects for generating attractive risk-adjusted returns from a low base of market expectations reflected in deeply discounted equity prices. Since February 2018, the aggregate market capitalisation of the top three banks (Guaranty, Zenith, Stanbic) has declined by 36% (in US dollars) despite growing earnings by 8% (in US dollars) over this same period. The top three banks are trading at an average 4.6x PE and 10% dividend yield. In our assessment, the leading banks are well positioned to navigate through the current challenges and maintain or continue to grow earnings in real terms. On this basis, long-term investors are still earning an attractive dividend yield while waiting for rationality to return to market prices.

Zimbabwe's macroeconomic challenges have persisted over the past year. The introduction of a new currency regime in June 2019 was a welcome relief. However, slippages in fiscal prudence and delays in implementing specific reforms demanded by international lenders held back much-needed debt relief. Forex shortages and the absence of international support pose a high risk of exchange rate overshooting, which has contributed to inflationary pressures. Further, a prolonged drought has caused food shortages and curtailed hydropower generation from Lake Kariba,

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where water levels have dropped to below 10% of usable storage, the lowest in more than two decades. Rolling electricity blackouts lasting 18 hours a day have negatively impacted manufacturing and mining output.

Consequently, the market is heavily discounting the risks in Zimbabwe. Using the official exchange rate, the top three largest listed companies in Zimbabwe are trading at an aggregate market capitalisation of US\$796m, down 63% from the market value at the beginning of 2019 using the Old Mutual implied exchange rate, and down 62% using our carrying values at the time. In our assessment, these market prices are well below the intrinsic values for the dominant brewer (Delta), telecoms company (Econet), and mobile money platform (Cassava). The ongoing drought isn't likely to lead to a permanent impairment in the intrinsic values of these businesses. However, the path to Zimbabwe's recovery is a steep and uncertain climb which warrants a discount.

On the other hand, the positive contributors over the past year include Kenyan banks, which bounced back after the repeal of the interest rate capping law in Kenya. Access Bank in Nigeria delivered a pleasing performance from extremely depressed valuations. Zimbabwean mining-related stocks were strong performers – Zimplats (platinum) and Caledonia Mining (gold).

What lies ahead?

After a decade of lacklustre returns in Africa's frontier equity markets, many investors are throwing in the towel or questioning the asset class's long-term return prospects. Our core belief is that human nature hasn't changed, and investor sentiment often drives markets to irrational extremes.

Today's asset valuations are signalling stronger prospective returns and offering long-term investors ample compensation for the risks in African frontier markets. Periods of underperformance, accompanied by negative market sentiment and rock-bottom valuations, are often a compelling starting point for generating superior long-term returns.

Commentary contributed by Nick Ndiritu

Performance in US\$ net of all fees and expenses¹

% Returns	Fund	Benchmark ²
Cumulative:		
Since inception (1 July 1998)	2466.4	513.2
Annualised:		
Since inception (1 July 1998)	16.3	8.8
Latest 10 years	3.7	2.9
Latest 5 years	-1.1	-0.3
Latest 3 years	12.5	4.5
Latest 2 years	-6.6	-8.1
Latest 1 year	-6.1	10.8
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ³	-52.5	-60.5
Percentage positive months ⁴	58.5	56.2
Annualised monthly volatility ⁵	24.3	25.8

Relative to benchmark return required to reach high watermark: 22.8%.

Note: The Fund's returns shown above are all for Class A.

1. The Fund is currently priced in US dollars. From inception to 30 April 2012 the Fund was priced in South African rands.
2. The current benchmark is the MSCI EFM Africa Index (total returns). From inception to 30 April 2012 the benchmark was the FTSE/JSE All Share Index including income. Performance as calculated by Allan Gray as at 31 December 2019 (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
3. Maximum percentage decline over any period. The maximum drawdown occurred from October 2007 to February 2009 and maximum benchmark drawdown occurred from October 2007 to February 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

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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 costs⁶

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 2019	1yr %	3yr %
Total expense ratio	0.49	1.62
Fee for benchmark performance ⁷	1.00	1.10
Performance fees	-1.00	0.11
Custody fees	0.43	0.35
Other costs excluding transaction costs	0.06	0.06
Transaction costs	0.24	0.26
Total investment charge	0.73	1.88

Note: The fees, TERs and Transaction costs provided are for Class A only. The fees, TERs and transaction costs for all other classes are available from the Allan Gray service team.

6. The Fund's annual management fee was amended on 1 September 2017.

7. The fee for benchmark performance was previously 1.5% p.a. up until 31 August 2017. Effective 1 September 2017, when we implemented the new investment management fee, the fee for benchmark performance changed to 1% p.a. The fee for benchmark performance reflected is the average fee charged over the respective period.

Sector allocation as at 31 December 2019

Sector	% of Fund	Benchmark ⁸
Oil and gas	10.2	0.2
Basic materials	19.5	16.3
Industrials	3.5	2.4
Consumer goods	14.4	2.1
Healthcare	0.2	1.7
Consumer services	0.7	10.7
Telecommunications	5.9	7.5
Utilities	2.2	0.1
Financials	32.5	37.3
Technology	8.4	21.7
Money market and bank deposits	2.3	0.0
Total¹⁰	100.0	100.0

Country of primary listing as at 31 December 2019

Country	% of Equities	Benchmark ⁸
Nigeria	32.9	1.9
South Africa	20.4	87.3
Egypt	11.7	2.6
Zimbabwe	9.9	0.0
Jersey	5.0	0.0
United Kingdom	4.4	0.0
Kenya	4.4	1.8
Australia	4.1	0.0
Netherlands	2.7	0.0
BRVM	2.4	0.3
Uganda	2.0	0.0
Canada	0.1	0.0
Morocco	0.0	3.3
Romania	0.0	1.0
Luxembourg	0.0	0.9
Mauritius	0.0	0.7
Tunisia	0.0	0.2
Total⁹	100.0	100.0

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

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

SCHEDULE OF NET ASSETS

As at 31 December 2019

Number held	Instrument (ranked by sector)	Market value US\$	% of Fund	MSCI EFM Africa index (total returns) (%)
	FINANCIALS	75 698 144	32.5%	37.3%
995 772 324	Access Bank	27 303 875	11.7%	
348 944 542	Zenith Bank	17 796 459	7.6%	
789 307	Standard Bank	9 481 632	4.1%	
5 680 033	CFC Stanbic Holdings	6 122 779	2.6%	
242 219 505	First Bank of Nigeria	4 084 590	1.8%	
6 005 950	Kenya Commercial Bank	3 200 013	1.4%	
34 301 057	Guaranty Trust Bank	2 793 368	1.2%	
444 862	Investec	2 605 749	1.1%	
	Positions less than 1%	2 309 679	1.0%	
	BASIC MATERIALS	45 350 411	19.5%	16.3%
606 426	Sasol	13 134 372	5.6%	
3 681 856	Glencore	11 398 764	4.9%	
1 161 660	Zimplats Holdings	9 364 585	4.0%	
807 464	Caledonia Mining Corp	6 499 018	2.8%	
959 967	Sappi	2 991 858	1.3%	
	Positions less than 1%	1 961 814	0.8%	
	CONSUMER GOODS	33 531 917	14.4%	2.1%
27 008 102	Eastern Tobacco	26 217 211	11.3%	
26 045 340	Delta Corporation	5 280 371	2.3%	
	Positions less than 1%	2 034 335	0.9%	
	OIL AND GAS	23 758 728	10.2%	0.2%
13 670 686	Seplat Petroleum Development Co	22 920 884	9.8%	
	Positions less than 1%	837 844	0.4%	
	TECHNOLOGY	19 628 157	8.4%	21.7%
81 998	Naspers	13 405 714	5.8%	
74 391 673	Cassava Smartech	6 222 443	2.7%	
	TELECOMMUNICATIONS	13 816 213	5.9%	7.5%
95 317 414	Econet Wireless	8 363 729	3.5%	
187 765	Sonatel	5 452 484	2.2%	
	Positions less than 1%	-	0.0%	
	INDUSTRIALS	8 206 210	3.5%	2.4%
81 998	Prosus	6 117 874	2.6%	
	Positions less than 1%	2 088 336	0.9%	
	UTILITIES	5 181 425	2.2%	0.1%
72 234 179	Umeme	4 600 295	2.0%	
	Positions less than 1%	581 130	0.2%	
	CONSUMER SERVICES	1 726 926	0.7%	10.7%
	Positions less than 1%	1 726 926	0.7%	
	HEALTHCARE	560 770	0.2%	1.7%
	Positions less than 1%	560 770	0.2%	
	CASH, BONDS AND ACCRUALS	5 466 144	2.3%	0.0%
	NET ASSETS	232 925 045	100.0%	100.0%

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

*The Investment Manager adopted and used a fair value methodology utilising unobservable inputs to estimate the fair value of one Zimbabwean financial assets at 31 December 2019. This valuation process is subjective and the results may vary according to the inputs and process applied.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

As at 31 December 2019

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 2019 and its financial performance and cash flows for the year ended 31 December 2019, are set out on pages 10 to 32 and have been approved by the directors of the Fund and are signed on its behalf by:



Renée Oliveira
Director
27 March 2020



Craig Bodenstab
Director
27 March 2020

INDEPENDENT AUDITOR'S REPORT

The board of directors of Allan Gray Africa Equity Fund Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Allan Gray Africa Equity Fund Limited (the 'Fund') which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 Auditors' 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 ('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 Auditors' 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.

INDEPENDENT AUDITOR'S REPORT

As of 31 December 2019, the Fund's financial assets at fair value through profit or loss amounted to US\$ 228,973,675. Financial assets include equities and bonds. As disclosed in Notes 1.3.6 and 7.2 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.

We obtained the listing of financial assets as at 31 December 2019. For the Fund's investment in equities and bonds we compared the values recorded by the Fund to independently quoted prices, observable trades and/or vendor prices.

Other information included in the Fund's 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' 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

Auditors' 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 auditors' 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 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 auditors' 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 auditors' 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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT

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.

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 auditors' 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 auditors' report is Jessel Mendes.

Ernst + Young Ltd

Hamilton, Bermuda

27 March 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 US\$	2018 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	228 973 675	247 779 650
Cash and cash equivalents	3	3 160 041	2 966 856
Trade and other receivables	4	881 386	807 502
TOTAL ASSETS		233 015 102	251 554 008
LIABILITIES			
Trade and other payables	5	90 057	145 119
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		90 057	145 119
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		232 925 045	251 408 889

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
NET INVESTMENT LOSS		(12 922 887)	(8 424 414)
Dividends		14 461 190	18 148 646
Interest		170 647	63 461
Realised gains on disposal of investments		8 267 754	16 101 261
Unrealised losses on investments		(35 523 593)	(42 461 633)
Foreign exchange losses		(303 009)	(283 417)
Other income		4 124	7 268
OPERATING EXPENSES		(2 406 280)	(11 050 606)
Management fees	1.3.2	-	(8 133 224)
Audit fees		(28 098)	(42 739)
Custodian fees		(1 012 113)	(951 518)
Directors' fees		(18 000)	(18 000)
Transaction fees		(2 953)	(20 164)
Administration fees		(80 661)	(101 961)
Withholding taxes		(1 240 523)	(1 741 349)
Other expenses		(23 932)	(41 651)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(15 329 167)	(19 475 020)

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

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

For the year ended 31 December 2019

	Note	Net assets attributable to holders of redeemable shares US\$	Number of shares
BALANCE AT 31 DECEMBER 2017		270 485 404	1 360 009
Total comprehensive loss for the year		(19 475 020)	
Net capital contributions		398 505	1 528
BALANCE AT 31 DECEMBER 2018	8	251 408 889	1 361 537
Total comprehensive loss for the year		(15 329 167)	
Net capital redemptions		(3 154 677)	(18 120)
BALANCE AT 31 DECEMBER 2019	8	232 925 045	1 343 417

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	6.1	(1 096 514)	(8 897 576)
Working capital changes	6.2	(55 062)	(765 153)
Interest received		151	2 622
Dividends received, net of withholding tax		13 317 279	16 116 478
NET CASH GENERATED BY OPERATING ACTIVITIES		12 165 854	6 456 371
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(129 741 877)	(109 367 539)
Proceeds from sale of investments		121 225 953	97 314 098
NET CASH UTILISED BY INVESTING ACTIVITIES		(8 515 924)	(12 053 441)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		21 323 339	1 678 415
Redemption of redeemable shares		(24 478 016)	(1 279 910)
NET CASH FLOWS (UTILISED)/GENERATED BY FINANCING ACTIVITIES		(3 154 677)	398 505
Net increase/(decrease) in cash and cash equivalents		495 253	(5 198 565)
Cash and cash equivalents at the beginning of the year		2 966 856	8 448 838
Effect of exchange rate changes on cash and cash equivalents		(302 068)	(283 417)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3 160 041	2 966 856

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

Corporate information

Allan Gray Africa Equity Fund Limited (the 'Fund') was incorporated on 22 April 1997 and is a limited liability company of unlimited duration. The Fund was launched to the public on 1 July 1998 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 financial statements of the Fund were authorised for issue by the board of directors on 27 March 2020.

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 2019. 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
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	No material impact

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether the Fund considers uncertain tax treatments separately;
- The assumptions the Fund makes about the examination of tax treatments by taxation authorities;
- How the Fund determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How the Fund considers changes in facts and circumstances.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

The Fund must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The following new or revised IFRS standards, interpretations and amendments applicable to the Fund have been issued but are not yet effective:

Standards		Effective date: Years beginning on/after	Expected 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

A number of other changes, that are effective for accounting periods ended after 31 December 2019, 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 or loss

Net investment income or loss comprises interest income, dividend income, other 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.

Dividend income

Dividends are recognised when the last date to register for the dividend has passed. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of comprehensive income.

Other income

Investors are charged 0.5% when subscribing for Fund shares. Investors may be charged 0.5% when redeeming Fund shares in the case of significant redemptions. These charges are paid into the Fund to offset the costs associated with the transactions that are borne by the Fund. The Investment Manager may waive these charges if transactions substantially offset one another.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

All expenses are recognised on an accrual basis in profit or loss.

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.

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.

IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 in the Fund's financial statements. The Fund evaluates such 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 are accepted, the taxable profit/tax loss should be consistent with the Fund's tax filings. If 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 and has concluded that no asset/liability for unrecognised tax benefits/obligations should be recorded relating to uncertain tax positions for the year ended 31 December 2019. Currently, the only taxes recorded by the Fund are withholding taxes applicable to certain income. For the year ended 31 December 2019, no other income tax liability or expense has been recorded in the accompanying financial statements.

1.3.6 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

The Fund classifies its investment in equity instruments, related derivatives and money market instruments as financial assets at fair value through profit or loss.

The Fund's investments in equity instruments 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 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 dividends 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 amortised cost

The Fund classifies its trade and other payables and distributions payable as financial liabilities at amortised cost, which are measured at amortised cost. Trade and other payables include accrued expenses and amounts due to brokers, which are short term in nature. Amortised cost approximates fair value due to the short term nature of the financial liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

Financial assets at fair value through profit or loss

Financial assets 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,
- 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 and 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 applies a simplified approach in determining the ECL based on its historical credit loss experience, days past due of the receivables and consideration of forward-looking factors specific to the counterparty and economic environment, the impact of which has been considered 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 other financial instruments 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 is provided in note 7.

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.

1.3.7 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

1.3.8 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.

1.3.9 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.

1.3.10 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 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.

1.3.11 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 7.2.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

1.3.12 Events subsequent to year end

Since the start of January 2020, the outbreak of COVID-19, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. At this stage we cannot predict with any great degree of confidence the longer term impact on the operating results of the Fund. Management does not believe there is any financial impact to the financial statements as at 31 December 2019 as a result of this subsequent event.

	2019 US\$	2018 US\$
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2. Financial assets at fair value through profit or loss

Bonds	1 514 774	1 186 637
Equities	227 458 901	246 593 013
TOTAL	228 973 675	247 779 650

3. Cash and cash equivalents

Cash held at banks	3 160 041	2 966 856
TOTAL	3 160 041	2 966 856

4. Trade and other receivables

Interest receivable	275 597	105 101
Dividends receivable	605 789	702 401
TOTAL	881 386	807 502

5. Trade and other payables

Other payables	90 057	145 119
TOTAL	90 057	145 119

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Notes to the statement of cash flows**6.1 Net cash outflow from operations before working capital changes**

	2019 US\$	2018 US\$
Total comprehensive loss for the year	(15 329 167)	(19 475 020)
Adjustments:		
Realised gains on disposal of investments	(8 267 754)	(16 101 261)
Unrealised losses on investments	35 588 712	42 866 046
Foreign exchange losses	303 009	283 417
Interest income	(170 647)	(63 461)
Dividend income, net of withholding tax	(13 220 667)	(16 407 297)
TOTAL	(1 096 514)	(8 897 576)

6.2 Working capital changes

Decrease in trade and other receivables	-	42 310
Decrease in trade and other payables	(55 062)	(807 463)
TOTAL	(55 062)	(765 153)

7. 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 2019

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Total US\$
ASSETS				
Financial assets at fair value through profit or loss	-	228 973 675	-	228 973 675
Cash and cash equivalents	3 160 041	-	-	3 160 041
Trade and other receivables	881 386	-	-	881 386
TOTAL ASSETS	4 041 427	228 973 675	-	233 015 102
LIABILITIES				
Trade and other payables	-	-	90 057	90 057
TOTAL LIABILITIES	-	-	90 057	90 057

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Categorisation of financial instruments at 31 December 2018

	Loans and receivables measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Total US\$
ASSETS				
Financial assets at fair value through profit or loss	-	247 779 650	-	247 779 650
Cash and cash equivalents	2 966 856	-	-	2 966 856
Trade and other receivables	807 502	-	-	807 502
TOTAL ASSETS	3 774 358	247 779 650	-	251 554 008
LIABILITIES				
Trade and other payables	-	-	145 119	145 119
TOTAL LIABILITIES	-	-	145 119	145 119

7.1 Financial risk management policies and objectives

The Fund's investment portfolio may comprise equities, equity-linked securities, interest-bearing non-equity linked securities and cash and cash equivalents. The Fund may invest in listed and unlisted securities and these securities may be denominated in local or foreign currency.

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 Equities' as equities in companies with significant business interests in Africa, regardless of the location of the stock exchange listing. The Fund's investing activities expose holders of Fund shares to various types of risks that are associated with the financial instruments and markets in which the Fund invests.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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The following table shows the Funds exposure to price and interest rate risks, split into the different types of financial instruments held by the Fund at year end. The analysis only relates to instruments subject to those specific risks.

Exposure	2019 US\$	2018 US\$
SUBJECT TO PRICE RISK		
Equities	227 458 901	246 593 013
SUBJECT TO INTEREST RATE RISK		
Cash and cash equivalents	3 160 041	2 966 856
Bonds	1 514 774	1 186 637

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Holders of redeemable shares are exposed to changes in the market values of the individual investments underlying the Fund. Exposure to price risk is mainly through listed instruments.

As a result of the nature of the Fund's underlying investments, there will be significant price fluctuations in the pursuit of superior long-term returns, and there will be periods when the equities in the Fund underperform the Fund's benchmark and/or generate negative absolute returns. Short-term performance can be volatile, and investors are encouraged to focus on long-term returns when evaluating the Fund's performance, as the Investment Manager takes a long-term view when making investment decisions.

The Fund's portfolio is constructed based on proprietary investment research. This research is intended to enable the Fund to be invested in equities which offer superior fundamental value. Whether an equity offers superior fundamental value is determined by comparing the share price with an assessment of the equity's intrinsic value. Price risk is not managed in the Fund. Shares are typically bought when research and analysis indicate that the intrinsic value of the company far exceeds its market price, in anticipation of the price rising to its intrinsic value and it is believed there is a margin of safety. The lower the price of a share when compared to its assessed intrinsic value, the more attractive the equity's fundamental value is considered to be.

There has been no change to the Fund's exposure to price risk or the manner in which it manages and measures the risk. The following analysis indicates the possible impact on net assets attributable to holders of redeemable shares to price risk, until such time as the investments are sold. The following table also illustrates the effect of possible changes in fair value of investments for price risk, assuming that all other variables remain constant. 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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	2019 US\$	2018 US\$
INVESTMENTS SUBJECT TO PRICE RISK		
EQUITIES		
Effect on net assets attributable to holders of redeemable shares		
Gross exposure	227 458 901	246 593 013
+/-5%	11 372 945	12 329 651
+/-10%	22 745 890	24 659 301
+/-20%	45 491 780	49 318 603

Concentration of equity price risk

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by sector allocation:

% of equity securities	2019 %	2018 %
Financials	33.4	28.4
Basic materials	19.9	16.9
Consumer goods	14.7	18.9
Oil and gas	10.4	9.9
Technology	8.6	6.1
Telecommunications	6.1	9.4
Industrials	3.6	1.6
Utilities	2.3	2.4
Consumer services	0.8	6.4
Healthcare	0.2	-
TOTAL	100.0	100.0

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 through its exposure to holding cash and cash equivalents and bonds. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

The following table illustrates the effect of reasonably possible changes in prevailing interest 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 redeemable shares are exposed and is not indicative of future performance.

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For the year ended 31 December 2019

	2019 US\$	2018 US\$
INVESTMENTS SUBJECT TO INTEREST RATE RISK		
CASH AND CASH EQUIVALENTS	3 160 041	2 966 856
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	15 800	14 834
+/- 1.0%	31 600	29 669
BONDS	1 514 774	1 186 637
Effect on net assets attributable to holders of redeemable shares		
+/- 0.5%	7 574	5 933
+/- 1.0%	15 148	11 866

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund undertakes certain transactions denominated in foreign currencies and is therefore exposed to the effects of exchange rate fluctuations.

The following tables indicate the currencies to which the Fund had exposure at 31 December 2019 and 31 December 2018 on its financial assets and liabilities.

A positive number indicates an increase in net assets attributable to holders of redeemable shares where the US dollar weakens against the relevant currency. For a strengthening 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 US\$		
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2019					
CURRENCY		FINANCIAL ASSET US\$	-/+5%	-/+10%	-/+20%
Canadian dollar	CAD	139 846	6 992	13 985	27 969
Australian dollar	AUD	9 382 818	469 141	938 282	1 876 564
South African rand	ZAR	60 649 336	3 032 467	6 064 934	12 129 867
Euro	EUA	6 187 962	309 398	618 796	1 237 592
British pound	GBP	22 481 119	1 124 056	2 248 112	4 496 224
Egyptian pound	EGP	27 173 650	1 358 683	2 717 365	5 434 730
Kenyan shilling	KES	9 940 228	497 011	994 023	1 988 046
Ugandan shilling	UGX	4 563 989	228 199	456 399	912 798
West African franc	XOF	5 452 484	272 624	545 248	1 090 497
Nigerian naira	NGN	59 779 972	2 988 999	5 977 997	11 955 994
Uzbekistani so'm	USZ	183	9	19	37
Zimbabwean dollar	ZWL	22 558 916	1 127 946	2 255 892	4 511 783
			11 415 525	22 831 052	45 662 101

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For the year ended 31 December 2019

			Currency impact US\$		
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2018					
CURRENCY		FINANCIAL ASSET US\$	-/+5%	-/+10%	-/+20%
Canadian dollar	CAD	1 247 160	62 358	124 716	249 432
Australian dollar	AUD	5 100 637	255 032	510 064	1 020 127
South African rand	ZAR	66 027 391	3 301 370	6 602 739	13 205 478
Euro	EUA	72 089	3 604	7 209	14 418
British pound	GBP	21 141 177	1 057 059	2 114 118	4 228 236
Egyptian pound	EGP	25 856 271	1 292 814	2 585 627	5 171 254
Kenyan shilling	KES	6 051 427	302 571	605 143	1 210 285
Ugandan shilling	UGX	4 929 291	246 465	492 929	985 858
West African franc	XOF	1 744 573	87 229	174 457	348 915
Nigerian naira	NGN	54 875 868	2 743 793	5 487 587	10 975 174
			9 352 295	18 704 589	37 409 177

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 comprised cash accounts. 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.

The compliance departments of Citibank Europe plc (the 'Administrator') and the Investment Manager monitor compliance with applicable regulations and the investment mandate on a daily basis.

The following table provides an analysis of the credit quality of the Fund's cash and cash equivalents 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.

	2019	2018
CREDIT RATING	% OF FUND	% OF FUND
A+	1.4%	1.2%
	1.4%	1.2%

Note that the balance (98.6% of the Fund's assets) (2018: 98.8%) comprises financial assets at fair value through profit or loss, trade and other receivables, accrued expenses and bonds, which have been excluded from the table above.

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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 within 90 days. 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.

Trade and other payables are due on demand. Net assets attributable to holders of redeemable shares and distribution payables are settled within 30 days.

7.2 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)

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

The fair value of financial assets and financial liabilities traded in active liquid markets such as listed equity securities are based on quoted market prices at the close of trading, and are classified within level 1.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Certain investments that are not valued using quoted market prices can be valued based on other observable market data at the discretion of the Investment Manager. Securities not traded through recognised public securities exchanges can be valued on the valuation date based on other reliable sources, such as quotations by recognised investment dealers. Investments not listed on public securities exchanges, or for which reliable quotations are not readily available, are valued using valuation models based on assumptions that may not be supported by observable market inputs. These investments are classified as level 2 or 3.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

The following tables show the fair values of instruments at 31 December 2019 and 31 December 2018.

Level 1	2019 US\$	2018 US\$
FINANCIAL ASSETS		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equities	227 458 901	186 162 280
	227 458 901	186 162 280
Level 3	2019 US\$	2018 US\$
FINANCIAL ASSETS		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equities	-	60 430 733
Bonds	1 514 774	1 186 637
	1 514 774	61 617 370

The Fund has no investments that are classified within level 2.

Transfers between level 1 and level 3

During the year ended 31 December 2019, Zimbabwe reintroduced its national currency. As a result the Investment Manager changed the valuation technique used to measure the fair value of Zimbabwean equities from a fair value methodology utilising unobservable inputs used in prior periods to quoted market prices in Zimbabwe dollars at 31 December 2019. This resulted in a transfer out of level 3 into level 1 at the beginning of the reporting period.

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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:

	2019 US\$	2018 US\$
Opening balance	61 617 370	54 066 220
Transfer into level 3	-	15 979 944
Transfer out of level 3	(60 430 733)	-
Disposal of shares	-	(7 610 881)
Net gains/(losses) recognised in profit or loss	328 137	(817 913)
CLOSING BALANCE	1 514 774	61 617 370

Total gains or losses included in profit or loss are presented in the Statement of comprehensive income as follows:

	2019 US\$	2018 US\$
Unrealised gains/(losses) recognised in profit or loss	328 137	(4 212 089)
Realised gains recognised in profit or loss	-	3 394 176
CLOSING BALANCE	328 137	(817 913)

The Investment Manager uses a discounted cash flow valuation technique to estimate the fair value of the Zimbabwean bond at 31 December 2019 and 31 December 2018. The key unobservable assumption used in the valuation is the discount rate of 12.5%. This valuation process is subjective and the results may vary according to the inputs and process applied.

For fair value measurements in level 3 of the fair value hierarchy, changing the discount rate would have the following effect:

Effect on profit or loss		
INCREASE/(DECREASE) OF DISCOUNT RATE:		
2019	LOSS	GAIN
+/-5%	(32 674)	33 462
+/-10%	(64 894)	67 802
2018	LOSS	GAIN
+/-5%	(3 080 869)	3 080 869
+/-10%	(6 161 737)	6 161 737

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. Share capital

Notwithstanding that the net assets attributable to holders of redeemable shares are classified as financial liabilities, the directors of the Fund consider these to represent the Fund's capital. The number of shares issued and redeemed during the years is reported below. The Fund is not subject to any externally imposed capital requirements. The Fund's authorised share capital at 31 December 2019 and 31 December 2018 is detailed below. Fund shares are divided into three share classes (Class A, Class B and Class C), which participate pro-rata in the Fund's net assets and dividends, and are redeemable and non-voting. 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. As at 31 December 2019, only shares in Class A and Class B had been issued.

	Allan Gray Africa Equity Fund Limited
Fund shares par value (per share)	US\$0.13
Authorised fund shares	100 million
Founder shares par value (per share)	US\$0.13
Authorised and issued Founder shares	12 000

Fund share transactions (shares)	Class A	Class B
BALANCE AT 31 DECEMBER 2017	1 360 009	-
Subscriptions	7 939	-
Redemptions	(6 411)	-
BALANCE AT 31 DECEMBER 2018	1 361 537	-
Subscriptions	4 429	129 430
Redemptions	(151 979)	-
BALANCE AT 31 DECEMBER 2019	1 213 987	129 430

Fund share transactions (US\$)	2019 US\$	2018 US\$
Subscriptions	21 323 339	1 678 415
Redemptions	(24 478 016)	(1 279 910)
NET CAPITAL (WITHDRAWALS)/CONTRIBUTIONS	(3 154 677)	398 505

Net asset value per share	Class A	Class B
On 31 December 2019	173.38	173.39
On 31 December 2018	184.65	-

There are no options in existence for any capital.

No income distributions were declared by the Fund for the years ended 31 December 2019 and 31 December 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. Commitments

The Fund has a US\$4 million clearing risk facility for dollar cash clearing, US\$2 million direct risk facility for temporary overdraft cash, US\$1.85 million direct unallocated risk facility, US\$4 million clearing intraday risk facility, US\$5 million pre-settlement risk facility for foreign exchange, and a US\$10 million settlement risk facility for foreign exchange. These facilities expire annually on 31 May and automatically roll over.

10. Related party transactions

The Orbis Group of funds ('Orbis funds') are managed by Orbis Investment Management Limited. A related party relationship exists between Orbis Investment Management Limited and Allan Gray Bermuda Limited, the Investment Manager of the Fund, by virtue of a common ultimate shareholder. At 31 December 2019, Orbis funds and Orbis Investment Management Limited held 852 206 shares of the Fund (2018: 943 455 shares).

The directors of the Investment Manager held 33.2 shares indirectly in the Fund at 31 December 2019 (2018: 33.2).

Directors of the Fund held approximately 786 shares directly in the Fund at 31 December 2019 (2018: nil).

The directors of the Fund received total fees of US\$18 000 from the Fund (2018: US\$18 000). During the financial year ended 31 December 2019, a director waived his fee of US\$6 000 (2018: US\$6 000).

During the financial year ended 31 December 2019, the management fee incurred by the Fund was US\$ nil (2018 - US\$8 133 224). No management fee was payable by the Fund at 31 December 2019 or 31 December 2018.

The Investment Manager's fee consists of a base fee and a performance component, and can vary between a minimum of 0% and a maximum of 5% depending on the Fund's out- or underperformance of the Fund's benchmark and the share class in question. 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 the Class B shares and are not charged a fee in the Fund.

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 is also listed on the Bermuda Stock Exchange. The primary custodian of the Fund is Citibank N.A. The custodian can be contacted at 390 Greenwich Street, New York, New York, USA.

The 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 in 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 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 down. Neither the Investment Manager, nor the Fund provides any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

IMPORTANT NOTES FOR INVESTORS**Benchmark data**

The Fund's benchmark data is provided by MSCI who require that we include the following legal notes. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

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 (being Citibank Europe plc, Luxembourg Branch) by 17:00 Bermuda time on that dealing day to receive that week's price. Redemption requests must be received by the Registrar of the Fund by 12:00 Bermuda 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.

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 Allan Gray service team.

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. 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 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').

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 shares 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 fact sheet, prospectus and application forms, free of charge, by contacting the Allan Gray service team, at +353 1 622 4716 or by email at allangraybermuda@allangray.com.

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
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Bermuda

Company Secretary

Orbis Administration Limited

Directors

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John C R Collis BCom BA (Jurisprudence)
K Renée Oliveira BA LLB
Tapologo Motshubi BCom (Hons) CA (SA) ACPA CFA

Investment Manager

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