

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

31 DECEMBER 2021

Contents

Allan Gray Africa Bond Fund Limited strategy	1
Schedule of net assets	4
Approval of the annual financial statements	5
Independent auditor's report	6
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in net assets attributable to holders of redeemable shares	12
Statement of cash flows	13
Notes to the annual financial statements	14
Important notes for investors	35
Characteristics and directory	39

ALLAN GRAY AFRICA BOND FUND LIMITED STRATEGY

As at 31 December 2021

Inception date

27 March 2013

Investment team

Mark Dunley-Owen, Londa Nxumalo

Fund description and summary of investment policy

Allan Gray Africa Bond Fund Limited (the 'Fund') invests in a focused portfolio of African securities that are selected for their expected risk and return profile. The Fund may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets.

Fund objective and benchmark

The Fund seeks to achieve the maximum US dollar total return while minimising the risk of loss within the context of an African bond fund. The benchmark is the FTSE 3 Month US T Bill + 4% Index.

Suitable for those investors who

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

Capacity

The Fund currently has no capacity constraints. Allan Gray Bermuda Limited (the 'Investment Manager') may, at its discretion, refuse a subscription or phase a subscription into the Fund over a number of dealing days. Redemptions may be limited to US\$5m or 2.5% of the Fund (whichever is less) per dealing day.

Commentary

Fixed income in 2021 was defined by COVID-19 and inflation.

The COVID-19 pandemic continued to surprise markets as new variants emerged and governments responded unpredictably towards them.

The lasting impact on many African issuers is likely to be higher debt and social commitments, stretching government revenues and worsening credit strength.

Inflation fears impacted African borrowers as benchmark rates rose. This hurts performance in the short term but should be positive over the long term, provided inflation is controlled. Deflation is a greater risk for issuers with debt levels approaching or exceeding historic highs, which describes most of the world's governments.

For Africa specifically, inflation should support commodity prices and economic growth, leading to higher revenue that can be used to service and repay debt. However, it is worth noting that historically inflation has not always been controlled, and can easily move from helping to harming debt sustainability.

African bonds had a disappointing end to 2021. The Standard Bank Africa Bond Index returned -2% over 2021, with most of the weakness experienced in the last four months of the year. We were cautious about valuations earlier in the year and lowered duration, switched exposure from Eurobonds to more appropriately priced local currency bonds, and added South African exposure for diversification.

This was partially successful, with some of the Fund's local currency exposures performing well. The notable exceptions were Ghana, where investors are rightly questioning the government's fiscal projections, and South Africa, where Omicron fears and contagion from peers such as Turkey weakened both the currency and yields. We believe bond prices in both markets have priced in the risks, and we have maintained the Fund's exposure. We are monitoring Ghana's fiscal situation, specifically the sustainability of interest payments in an environment of high rates and low government revenue collection.

The benefit of recent weakness is that African bonds are now more appropriately priced. Benchmark African sovereign Eurobonds offer hard currency yields ranging from mid-single digits for South Africa to low double digits for Ghana.

ALLAN GRAY AFRICA BOND FUND LIMITED STRATEGY

As at 31 December 2021

The Fund owns a basket of these with a weighted average yield of 7.0%. The Fund's local currency exposure offers an equally attractive 13.4% weighted average yield, denominated in reasonably priced or cheap currencies.

Despite a relatively large cash position earning zero yield, the Fund's overall yield is high single digits. Currency and economic diversification mean we expect the Fund's long-term US dollar return to approximate this yield, which is attractive in the context of suppressed global bond yields.

The Fund added South African, Ugandan and Botswana exposure and reduced Tullow and Kenyan exposure during the fourth quarter of 2021. We converted Nigerian naira exposure into US dollars as our currency forward contracts, issued by the Central Bank of Nigeria (CBN), matured.

At the end of 2021, 10% of the Fund remains naira denominated. The majority of this is hedged via forward contracts and we expect it to reduce towards zero as the CBN continues to meet its commitments. We intend to deploy this cash into more attractive investments, further improving the Fund's yield and expected return.

Commentary contributed by Mark Dunley-Owen

Performance in US\$ net of all fees and expenses

% Returns	Fund ¹	Benchmark ²
Cumulative:		
Since inception (27 March 2013)	81.3	5.4
Annualised:		
Since inception (27 March 2013)	7.0	0.6
Latest 5 years	9.5	5.5
Latest 3 years	7.4	6.6
Latest 2 years	5.2	3.4
Latest 1 year	3.9	4.0
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ³	17.0	-29.3
Percentage positive months ⁴	67.0	61.3
Annualised monthly volatility ⁵	9.1	11.0
Highest annual return ⁶	28.4	22.3
Lowest annual return ⁶	-15.7	-21.5

1. 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.
2. The current benchmark is the FTSE 3 Month US T Bill + 4% Index. From inception to 31 December 2020 the benchmark was the J.P. Morgan GBI-EM Global Diversified Index. Performance as calculated by Allan Gray Proprietary Limited as at 31 December 2021. Calculation based on the latest available data as supplied by third parties.
3. Maximum percentage decline over any period calculated from monthly returns. The maximum drawdown occurred from January 2020 to March 2020 and maximum benchmark drawdown occurred from April 2013 to December 2015. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. This is the highest or lowest rolling 12-month return the Fund has experienced since inception. The Fund's highest annual return occurred during the 12 months ended 28 February 2017 and the benchmark's occurred during the 12 months ended 31 March 2021. The Fund's lowest annual return occurred during the 12 months ended 30 September 2015 and the benchmark's occurred during the 12 months ended 31 August 2015. All rolling 12-month figures for the Fund and the benchmark are available from the Allan Gray Service Team on request.

ALLAN GRAY AFRICA BOND FUND LIMITED STRATEGY

As at 31 December 2021

Subscription and redemption charge

Investors may be charged 0.5% when subscribing for Fund shares. Investors may be charged 0.5% when redeeming Fund shares in the case of significant redemptions.

These charges are paid into the Fund to offset the costs associated with the transactions that are borne by the Fund. The Investment Manager may waive these charges if transactions substantially offset one another.

Annual management fee

The management fee consists of a fixed fee of 1.00% p.a.

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 2021	1yr %	3yr %
Total expense ratio	1.12	1.16
Management fee	1.00	1.00
Custody fees	0.09	0.09
Other costs excluding transaction costs	0.03	0.07
Transaction costs	0.00	0.00
Total investment charge	1.12	1.16

Fund positioning on 31 December 2021⁷

	Local currency	Foreign currency	% of portfolio
Governments⁹	35.3	29.6	64.9
Ghana	7.4	4.2	11.6
Egypt	2.1	8.4	10.5
Uganda	10.3	0.0	10.3
South Africa	7.3	2.8	10.2
Senegal	0.0	6.5	6.5
Kenya	2.1	2.5	4.6
Ivory Coast	0.0	4.0	4.0
Nigeria	2.9	0.0	2.9
Namibia	1.8	0.0	1.8
Tunisia	0.0	1.2	1.2
Zambia	0.9	0.0	0.9
Botswana	0.5	0.0	0.5
Corporates⁹	0.0	18.7	18.7
Nigeria	0.0	11.7	11.7
Ghana	0.0	5.2	5.2
Togo	0.0	1.8	1.8
Cash⁸	7.3	9.1	16.4
Total (%)⁹	42.6	57.4	100.0

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.

SCHEDULE OF NET ASSETS

As at 31 December 2021

Number held	Instrument (ranked by sector)	Market value US\$	% of Fund
	GOVERNMENT	268 027 891	65.0%
82 400 000 000	Uganda Government Bond 17% Senior 2031	27 170 848	6.6%
19 700 000	Egypt 7.6003% 2029 Eurobond	20 077 265	4.9%
110 000 000	Ghana 19.25% 2027	18 294 261	4.4%
25 000 000	Ivory Coast 5.75% 2032 Eurobond	16 532 826	4.0%
238 000 000	RSA 8.875% 2035	13 890 385	3.4%
13 000 000	Senegal 6.25% 2033 Eurobond	13 467 540	3.3%
12 000 000	Republic of Senegal 5.375% Senior 2037	13 355 969	3.2%
5 100 000 000	Nigerian Treasury bills	11 924 763	2.9%
12 000 000	Egypt 6.588% 2028	11 982 616	2.9%
10 400 000	SOAF 5.875% 2030 Eurobond	11 624 801	2.8%
9 645 000	Ghana 10.75% 2030 Eurobond	10 942 455	2.7%
160 000 000	RSA 8.0% 2030	9 629 094	2.3%
24 400 000 000	Uganda Government Bond 14% Senior 2024	7 680 253	1.9%
6 500 000	Kenya 8.00% 2032 Eurobond	7 121 182	1.7%
117 000 000	RSA 8.25% 2032	6 773 594	1.6%
17 000 000 000	Uganda Government Bond 16% Senior 2030	5 317 763	1.3%
4 950 000	The Republic of Tunisia Eurobond 6.75% 2023	4 765 041	1.2%
70 000 000	Egyptian Treasury bill	4 412 086	1.1%
65 000 000	Egypt 14.06% 2026	4 360 886	1.1%
458 000 000	Kenya 12.5% 2033 Infrastructure Bond	4 343 483	1.1%
470 000 000	Kenya 10.85% 2029 Infrastructure Bond	4 227 292	1.0%
8 319 150 000	Holdings less than 1%	40 133 488	9.6%
	CORPORATES	77 334 232	18.7%
46 000 000	Seplat 7.75% 2023 Eurobond	46 887 199	11.4%
25 300 000	Tullow 7.00% 2025	21 491 476	5.2%
6 801 000	Ecobank 9.5% 2024 Eurobond	7 507 921	1.8%
1 520 886	Holdings less than 1%	1 447 636	0.3%
	CASH, DERIVATIVES AND ACCRUALS	67 187 568	16.3%
	NET ASSETS	412 549 691	100.0%

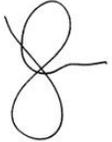
Note: There may be slight discrepancies in the totals due to rounding.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

As at 31 December 2021

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 2021 and its financial performance and cash flows for the year ended 31 December 2021, are set out on pages 10 to 34 and have been approved by the directors of the Fund and are signed on its behalf by:



John Collis
Director
8 March 2022



Craig Bodenstab
Director
8 March 2022

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Allan Gray Africa Bond Fund Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Allan Gray Africa Bond Fund Limited (the "Fund") which comprise the statement of financial position as at 31 December 2021, 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 2021 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' *International 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 and liabilities 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 2021, the Fund's financial assets at fair value through profit or loss amounted to US\$335,577,870. Financial assets include money market instruments, gilts and semi-gilts and forward contracts. As disclosed in Notes 1.3.7, 6.2 and 6.3 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 2021 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.

INDEPENDENT AUDITOR'S REPORT

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

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.

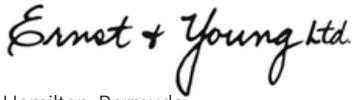
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions taken to eliminate threats or safeguards applied.

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.

The logo for Ernst & Young Ltd. is written in a black, cursive script font. The words "Ernst" and "Young" are connected by a small ampersand, and "Ltd." follows "Young".

Hamilton, Bermuda

8 March 2022

ALLAN GRAY AFRICA BOND FUND LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 US\$	2020 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	335 502 384	359 770 182
Trade and other receivables	3	11 105 971	12 172 736
Cash and cash equivalents		66 162 699	43 221 275
TOTAL ASSETS		412 771 054	415 164 193
LIABILITIES			
Financial liabilities at fair value through profit or loss	2	-	17 765
Trade and other payables	4	221 363	1 727 521
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		221 363	1 745 286
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		412 549 691	413 418 907

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 2021

	Note	2021 US\$	2020 US\$
NET INVESTMENT INCOME		21 498 048	24 768 027
Interest income		34 837 363	34 185 487
Realised gains/(losses) on disposal of investments		2 790 310	(19 087 308)
Unrealised (losses)/gains on investments		(14 644 513)	16 645 980
Foreign exchange losses		(1 485 112)	(6 976 132)
EXPENSES		(748 588)	(887 901)
Custodian fees		(357 108)	(312 409)
Management fees	1.3.2	(251 559)	(224 077)
Audit fees		(24 033)	(27 218)
Directors' fees		(24 000)	(18 000)
Bank charges		(10 959)	(30 846)
Other expenses		(80 929)	(275 351)
PROFIT BEFORE TAXES		20 749 460	23 880 126
Withholding and other taxes		(1 004 022)	(92 392)
TOTAL COMPREHENSIVE INCOME		19 745 438	23 787 734

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 2021

	Note	Net assets attributable to holders of redeemable shares US\$	Number of share in issue
BALANCE AT 31 DECEMBER 2019		430 922 931	2 909 739
Net capital redemptions		(41 291 758)	(308 767)
Total comprehensive income for the year		23 787 734	-
BALANCE AT 31 DECEMBER 2020	7	413 418 907	2 600 972
Net capital redemptions		(20 614 654)	(123 519)
Total comprehensive income for the year		19 745 438	-
BALANCE AT 31 DECEMBER 2021	7	412 549 691	2 477 453

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 2021

	Note	2021 US\$	2020 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	5.1	(748 588)	(887 901)
Working capital changes	5.2	156 726	(327 788)
Interest received, net of withholding tax		34 240 492	38 706 844
NET CASH GENERATED BY OPERATING ACTIVITIES		33 648 630	37 491 155
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(319 257 420)	(245 028 485)
Proceeds from sale of investments		330 649 980	276 963 322
NET CASH GENERATED BY INVESTING ACTIVITIES		11 392 560	31 934 837
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		4 248 108	20 323 454
Redemption of redeemable shares		(24 862 762)	(61 615 212)
NET CASH UTILISED IN FINANCING ACTIVITIES		(20 614 654)	(41 291 758)
Net increase in cash and cash equivalents		24 426 536	28 134 234
Cash and cash equivalents at the beginning of the year		43 221 275	22 063 173
Effect of exchange rate changes on cash and cash equivalents		(1 485 112)	(6 976 132)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		66 162 699	43 221 275

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 2021

Corporate information

Allan Gray Africa Bond Fund Limited (the 'Fund'), previously known as Allan Gray Africa ex-SA Bond Fund Limited, was incorporated on 16 November 2012 and is a limited liability company of unlimited duration under the laws of Bermuda. 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, a fellow subsidiary within the Allan Gray group, is the Investment Adviser to the Fund.

The financial statements of the Fund were authorised for issue by the directors of the Fund on 8 March 2022.

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 year ended 31 December 2021.

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.

A number of other changes, that are effective for the accounting periods beginning on or after 1 January 2021, have been issued by the IASB and IFRIC. However, these are not considered to have material impact to the Fund's operations.

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
IAS 1	Presentation of Financial Statements	01 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2023

The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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 2021, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Fund that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

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.

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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.

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 of the trade and other receivables and cash and cash equivalents 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 and cash and cash equivalents 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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.

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.

1.3.10 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 Redeemable shares and 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

Fair value

When the fair values 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

There were no significant events subsequent to year end up to the date of approval of these financial statements.

1.3.14 Comparative information

Where necessary, comparative figures are adjusted to comply with changes in presentation in the current year.

2. Financial assets and liabilities at fair value through profit or loss

	2021 US\$	2020 US\$
FINANCIAL ASSETS		
Money market instruments	15 203 826	39 742 029
Gilts and semi-gilts	320 298 558	318 490 802
Cash and cash equivalents for investment purposes	-	1 537 351
TOTAL	335 502 384	359 770 182
FINANCIAL LIABILITIES		
Futures contracts	-	17 765
TOTAL	-	17 765

3. Trade and other receivables

Interest receivable	9 491 852	8 895 733
Amounts due from brokers	1 614 119	3 277 003
TOTAL	11 105 971	12 172 736

4. Trade and other payables

Other payables	221 363	60 586
Amounts due to brokers	-	1 666 935
TOTAL	221 363	1 727 521

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. Notes to the statement of cash flows

5.1 Net cash outflow from operations before working capital changes

	2021 US\$	2020 US\$
Total comprehensive income for the year	19 745 438	23 787 734
ADJUSTMENTS		
Interest income, net of withholding tax	(33 833 341)	(34 093 095)
Realised (gains)/losses on disposal of investments	(2 790 310)	19 087 308
Unrealised losses/(gains) on investments	14 644 513	(16 645 980)
Foreign exchange losses	1 485 112	6 976 132
TOTAL	(748 588)	(887 901)

5.2 Working capital changes

Decrease/(increase) in amounts due from brokers	1 662 884	(1 965 090)
(Decrease)/increase in trade and other payables	(1 506 158)	1 637 302
TOTAL	156 726	(327 788)

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 2021

	Financial assets measured at amortised cost US\$	Financial assets measured at fair value US\$	Financial liabilities measured at amortised cost US\$	Financial liabilities measured at fair value US\$	Total US\$
ASSETS					
Financial assets at fair value through profit or loss	-	335 502 384	-	-	335 502 384
Cash and cash equivalents	66 162 699	-	-	-	66 162 699
Trade and other receivables	11 105 971	-	-	-	11 105 971
TOTAL ASSETS	77 268 670	335 502 384	-	-	412 771 054
LIABILITIES					
Trade and other payables	-	-	221 363	-	221 363
TOTAL LIABILITIES	-	-	221 363	-	221 363

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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\$	Financial liabilities measured at fair value US\$	Total US\$
ASSETS					
Financial assets at fair value through profit or loss	-	359 770 182	-	-	359 770 182
Cash and cash equivalents	43 221 275	-	-	-	43 221 275
Trade and other receivables	12 172 736	-	-	-	12 172 736
TOTAL ASSETS	55 394 011	359 770 182	-	-	415 164 193
LIABILITIES					
Trade and other payables	-	-	1 727 521	-	1 727 521
Futures contracts	-	-	-	17 765	17 765
TOTAL LIABILITIES	-	-	1 727 521	17 765	1 745 286

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.

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 and non-African development institutions and corporate issuers, where the funds raised are earmarked for use in Africa. 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 2021, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

2021	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
MONEY MARKET INSTRUMENTS	15 203 826	10 903	21 806
Denominated in Nigerian naira	11 231 106	8 054	16 108
Denominated in Egyptian pound	3 972 720	2 849	5 698
GILTS AND SEMI-GILTS	320 298 558	7 677 794	15 355 590
Denominated in US dollar	178 186 807	4 271 271	8 542 541
Denominated in Ghanaian cedi	28 449 019	681 944	1 363 888
Denominated in Ugandan shilling	41 288 092	989 706	1 979 413
Denominated in Euro	17 645 509	422 976	845 952
Denominated in Zambian kwacha	3 433 478	82 303	164 606
Denominated in Egyptian pound	4 088 990	98 016	196 032
Denominated in Botswanan pula	2 049 060	49 117	98 235
Denominated in Kenyan shilling	8 250 863	197 779	395 559
Denominated in South African rand	29 360 174	703 785	1 407 570
Denominated in Namibian dollar	7 546 566	180 897	361 794

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

Coupon rates on bonds range between 4.8% and 21% (2020: 4.8% and 19.3%).

2020	Sensitivity to changes in interest rates US\$		
	Investment value	+ or - 0.50%	+ or - 1.00%
MONEY MARKET INSTRUMENTS	39 742 029	20 021	40 042
Denominated in Nigerian naira	39 742 029	20 021	40 042
GILTS AND SEMI-GILTS	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

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 2021 and 31 December 2020 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

		Currency impact in US\$			
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2021					
Currency		Net Assets US\$	+/- 5%	+/- 10%	+/- 20%
Botswanan pula	BWP	2 101 872	105 094	210 187	420 374
Canadian dollar	CAD	37	2	4	7
Egyptian pound	EGP	8 466 413	423 321	846 641	1 693 283
Euro	EUR	18 136 254	906 813	1 813 625	3 627 251
Ghanaian cedi	GHS	29 234 269	1 461 713	2 923 427	5 846 854
Kenyan shilling	KES	8 481 049	424 052	848 105	1 696 210
Malawian kwacha	MWK	5 984	299	598	1 197
Namibian dollar	NAD	7 995 931	399 797	799 593	1 599 186
Nigerian naira	NGN	38 606 820	1 930 341	3 860 682	7 721 364
Ugandan shilling	UGX	41 294 555	2 064 728	4 129 456	8 258 911
South African rand	ZAR	29 647 807	1 482 390	2 964 781	5 929 561
Zambian kwacha	ZMW	3 613 328	180 666	361 333	722 666
			9 379 216	18 758 432	37 516 864

		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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

The closing foreign exchange rates at 31 December 2021 and 31 December 2020 are as follows:

	2021	2020
USD: BWP	11.74	-
USD: CAD	1.27	1.27
USD: EGP	15.71	15.72
USD: EUR	0.88	0.81
USD: GHS	6.18	5.87
USD: KES	113.15	109.21
USD: MWK	816.40	771.01
USD: NAD	15.93	14.67
USD: NGN	424.11	400.48
USD: UGX	3 545.00	3 663.00
USD: ZAR	15.93	-
USD: ZMW	16.66	21.17

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	2021 % of debt securities	2020 % of debt securities
AAA	12.0	7.2
AA-	-	1.8
A+	6.8	4.9
A	9.6	5.9
B+	25.6	11.3
B	36.2	47.1
B-	8.2	12.8
CCC	-	7.1
C	0.9	0.9
Unrated	0.7	1.0
	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	2021 % of Fund	2020 % of Fund
Ghana	16.8	19.8
Cash and accruals	16.4	10.8
Nigeria	16.3	23.9
Egypt	10.5	11.3
Uganda	10.4	2.5
South Africa	10.2	-
Senegal	6.5	4.2
Kenya	4.5	12.9
Ivory Coast	4.0	4.7
Namibia	1.8	7.2
Tunisia	1.2	-
Zambia	0.9	0.9
Botswana	0.5	-
Mauritius	-	1.8
TOTAL	100.0	100.0

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 or in specie 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.

The Fund manages its obligation to repurchase shares when required to do so and its overall liquidity risk in the following ways:

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 of the Fund, per dealing day.

If any redemption requests are not satisfied in full, the balance 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).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2021. Gilts and semi-gilts, money market instruments and cash and cash equivalents have been disclosed inclusive of accrued interest to date for the purpose of liquidity analysis.

Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
FINANCIAL ASSETS						412 771 054
Cash and cash equivalents	66 162 699	-	-	-	-	66 162 699
Money market instruments	-	16 336 849	-	-	-	16 336 849
Gilts and semi-gilts	-	13 562 467	26 011 073	109 961 539	179 490 194	329 025 273
Trade and other receivables	-	1 246 233	-	-	-	1 246 233
FINANCIAL LIABILITIES						412 771 054
Net assets attributable to holders of redeemable shares	412 549 691	-	-	-	-	412 549 691
Trade and other payables	-	221 363	-	-	-	221 363

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 2020.

Maturities	US\$					Total
	On demand	Less than 1 year	1 to 3 years	3 to 7 years	Greater than 7 years	
FINANCIAL ASSETS						415 164 193
Cash and cash equivalents	43 221 275	-	-	-	-	43 221 275
Cash and cash equivalents for investment purposes	-	1 537 351	-	-	-	1 537 351
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
FINANCIAL LIABILITIES						415 164 193
Net assets attributable to holders of redeemable shares	413 418 907	-	-	-	-	413 418 907
Trade and other payables	-	1 727 521	-	-	-	1 727 521
Futures contracts	-	17 765	-	-	-	17 765

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

6.2 Fair value

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

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets at amortised cost are usually held for the instrument's entire life, being periods not exceeding a year. The carrying amount of these instruments closely approximates the fair value. For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

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)

In the event that the Fund's financial instruments are not measured at the quoted price in an active market, 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.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

The following table analyses financial instruments, measured at fair value at 31 December 2021, 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
FINANCIAL ASSETS			
Money market instruments	15 203 826	-	15 203 826
Gilts and semi-gilts	288 562 460	31 736 098	320 298 558
Futures contracts	-	-	-
	303 766 286	31 736 098	335 502 384
FINANCIAL LIABILITIES			
Net assets attributable to holders of redeemable shares	-	412 549 691	412 549 691
	-	412 549 691	412 549 691

There were no transfers between levels during the year ended 31 December 2021.

The following table 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.

	US\$		
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Total
FINANCIAL ASSETS			
Money market instruments	39 742 029	-	39 742 029
Gilts and semi-gilts	228 549 392	89 941 410	318 490 802
	268 291 421	89 941 410	358 232 831
FINANCIAL LIABILITIES			
Net assets attributable to holders of redeemable shares	-	413 418 907	413 418 907
Futures contracts	-	17 765	17 765
	-	413 436 672	413 436 672

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

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 includes futures and forwards. The Fund uses derivative financial instruments to hedge its risks associated primarily with fair value and currency risks relating to debt instruments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 and 31 December 2020, the Fund had positions in the following derivatives:

Futures contracts

Futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

At 31 December 2021, the Fund had no credit exposure to the counterparties of futures contracts as all open contracts settled prior to year end. Forwards contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Futures contracts result in market risk exposure. The following table discloses the total exposure and fair value gains recognised over the period.

Futures contracts held for risk management purposes:

	2021 US\$	2020 US\$
Futures contracts (total exposure)	-	(429 133)
Fair value gains recognised during the year	280 080	(4 855 691)

The 31 December 2020 total exposure has been updated to reflect the net exposure.

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. As at 31 December 2021, the Fund held forward contracts valued at US\$75 486 (2020: US\$0) included within cash and cash equivalents.

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 result in market risk exposure. The following table discloses the total exposure and fair value losses recognised over the period.

Forward contracts held for risk management purposes:

	2021 US\$	2020 US\$
Forward contracts (total exposure)	(39 010 223)	-
Fair value losses recognised during the year	(296 426)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. Share capital

Authorised and issued capital

The Fund's authorised share capital at 31 December 2021 and 31 December 2020 is detailed below.

	Allan Gray Africa Bond Fund Limited
Fund shares par value (per share)	US\$ 0.0001
Authorised Fund shares	99 990 000
Founder shares par value (per share)	US\$ 0.01
Authorised and issued Founder shares	100

The Fund's issued share capital at 31 December 2021 and 31 December 2020 is detailed below.

Fund share transactions	Class A	Class B	Class C	Total
BALANCE AT 31 DECEMBER 2019	166 002	2 743 737	-	2 909 739
Net (decrease)/increase in shares	(12 963)	(302 665)	6 861	(308 767)
BALANCE AT 31 DECEMBER 2020	153 039	2 441 072	6 861	2 600 972
Net (decrease)/increase in shares	(3 711)	(122 150)	2 342	(123 519)
BALANCE AT 31 DECEMBER 2021	149 328	2 318 922	9 203	2 477 453

Net asset value per share	Class A US\$	Class B US\$	Class C US\$
On 31 December 2020	154.24	159.26	154.53
On 31 December 2021	160.33	166.94	161.10

Net assets attributable to holders of redeemable shares

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

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.

Income distributions

No income distributions were declared by the Fund for the years ended 31 December 2021 and 31 December 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 and 31 December 2020.

At 31 December 2021, the Allan Gray Unit Trust Funds and the Allan Gray Namibia Funds collectively held 1 780 192 shares in the Fund (2020: 1 811 328 shares).

The Allan Gray Life Limited, a subsidiary of the Investment Adviser, held 341 996 shares in the Fund (2020: 397 055 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.

The directors of the Fund received total fees of US\$24 000 from the Fund (2020: US\$18 000). During the financial year ended 31 December 2021, one of the directors waived his fee of US\$8 000 (2020: 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 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's share classes are also listed on the Bermuda Stock Exchange. The primary custodian of the Fund is Standard Bank of South Africa Limited. The custodian can be contacted at Investor Services, 2nd Floor, 25 Pixley Ka Isaka Seme Street, Johannesburg, South Africa. The Investment Manager has appointed Allan Gray Unit Trust Management (RF) Proprietary Limited (the "Representative") as its representative for the purpose of approval in terms of the Collective Investment Schemes Control Act 45 of 2002. The Representative is incorporated under the laws of South Africa and is supervised by the Financial Sector Conduct Authority (FSCA). The Investment Manager of the Fund is Allan Gray Bermuda Limited.

The Fund may be closed to new investments at any time to be managed according to its mandate. Shares in the Fund are traded at ruling prices and the Fund can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. This report does not constitute a financial promotion, a recommendation, an offer to sell or a solicitation to buy shares in the Fund. Investments in the Fund are made according to the terms and conditions and subject to the restrictions set out in the prospectus. Certain capitalised terms are defined in the glossary section of the Fund's prospectus. The offering of shares in the Fund may be restricted in certain jurisdictions. Please contact the Allan Gray service team to confirm if there are any restrictions applicable to you.

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 board of the Fund believe that the Fund is exempt from the application of the EU Directive on Administrative Cooperation.

United Kingdom Reporting Fund Status

HM Revenue & Customs has approved certain Share Classes as Reporting Funds. A list of those Share Classes approved as Reporting Funds, together with the effective date of approval, is available on request from the Investment Manager. Under the Reporting Fund regime, investors are not entitled to receive annual distributions from the Funds and UK investors may be liable to tax annually on their share of Fund income, without receiving a distribution of that income from the Fund. Additionally, for fiscal years beginning on or after 1 April 2017, any performance-based element of fund management fees is no longer deductible in computing a Fund's reportable income for the period. Each year, the Funds will make available, a report for each approved Share Class, which will provide relevant fund income information for UK investors' tax purposes. A Share Class will continue to qualify as a Reporting Fund unless and until it fails to comply with the relevant requirements. The directors intend to manage the Funds in such a way that under existing United Kingdom legislation the approved Share Classes should continue to qualify under the Reporting Funds regime. There can be no assurance that a Share Class will continue to qualify under the Reporting Fund regime. Those Share Classes that are not approved as Reporting Funds are deemed to be Non-Reporting Funds.

IMPORTANT NOTES FOR INVESTORS

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 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, 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

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

Share price

Share prices are calculated on a net asset value basis, which is the total market value determined per the Fund's internal pricing valuation policy 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.

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.

IMPORTANT NOTES FOR INVESTORS**Total expense ratio ('TER') and transaction costs**

The total expense ratio ('TER') is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged) and other expenses like audit fees. Transaction costs (including brokerage, securities transfer tax and investor protection levies where applicable) are shown separately. There are no explicit brokerage charges in global bond markets. The broker rather takes an undisclosed spread between the purchase and sale price. The spread (charge) can vary from negligible to substantial depending on the asset and market circumstances. The disclosed transaction charge is therefore zero but in reality there are transaction costs which reflect in the Fund's returns. We aim to minimise costs by keeping our trading activity to a minimum and always seeking out the most favourable price when buying and selling assets. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the Investment Manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted from published returns. As collective investment scheme expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge ('TIC').

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 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 settlement 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 programmes and policies of governments, and national and international political and economic events and policies. Forward contracts are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Trading in forward contracts is substantially unregulated and there is no limitation on daily price movements.

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.

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

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Company Secretary

Conyers Corporate Services (Bermuda) 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

Allan Gray Bermuda Limited
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Investment Adviser

Allan Gray Proprietary Limited
1 Silo Square
V&A Waterfront
Cape Town 8001
South Africa

Primary Custodian

Standard Bank of South Africa Limited
Investor Services 2nd Floor
25 Pixley Ka Isaka Seme Street
Johannesburg
South Africa

Auditors

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton, HM 08
Bermuda

Administrator, Registrar and Transfer Agent

Allan Gray Proprietary Limited
1 Silo Square
V&A Waterfront
Cape Town 8001
South Africa
Tel +27 21 415 2301
Fax +27 21 415 2413
Email allangraybermuda@allangray.com

Clarendon House,
2 Church Street,
Hamilton, HM11
Bermuda

E allangraybermuda@allangray.com
www.allangray.com