

Fund manager: Andrew Lapping
Inception date: 1 July 1998
Class: A

Fund description

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

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

We invest in shares that we believe offer superior fundamental value while taking into account risk and return. We research companies and assess their intrinsic value based on long-term fundamentals; we then invest in businesses where our assessment of intrinsic value exceeds the share price by a margin of safety. This approach allows us to identify shares that may be out of favour with the market because of poor near-term prospects, but offer good value over the long-term. The Fund's holdings will deviate meaningfully from those in the index both in terms of individual holdings and sector exposure.

Suitable for those investors who

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

The Fund is not available to South African residents.

Minimum investment amounts

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

Annual management fee

The annual management fee ranges from 0.5% to 2.5% depending on the relative return of the Fund to the benchmark, before fees. The fee is calculated on a base of 1.5% plus one twenty-fifth of the cumulative three-year relative performance, subject to a floor of 0.5% and cap of 2.5%. For example if the cumulative three year performance of the fund is 20% and that of the benchmark is 15%, the fee rate is: $1.5\% + (20\% - 15\%) / 25 = 1.7\%$.

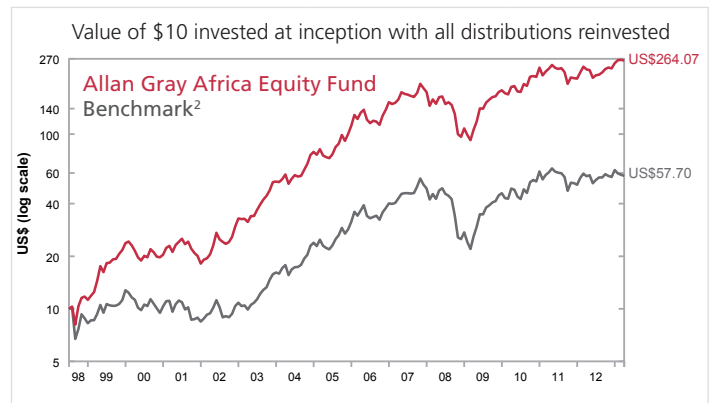
Subscription and redemption charge

Investors are charged 0.5% when transacting in Fund shares, both on subscription and redemption. This is paid into the Fund to offset the costs associated with the transaction that are borne by the Fund. Allan Gray International Proprietary Limited may waive this charge in the case of significant offsetting flows.

Fund information on 31 March 2013

Fund currency: US\$¹
Fund size: US\$273m
Fund price: US\$190.60
Number of share holdings: 62
Dealing day: Weekly (Thursday)

Performance in US\$ net of all fees and expenses



% Returns	Fund	Benchmark ²
Unannualised:		
Since inception	2540.7	477.0
Annualised:		
Since inception	24.8	12.6
Latest 10 years	23.7	19.3
Latest 5 years	12.1	6.3
Latest 3 years	12.3	5.7
Latest 2 years	5.5	-2.3
Latest 1 year	12.4	0.5
Year-to-date (unannualised)	3.5	-7.4
Risk measures (since inception)		
Maximum drawdown ³	-52.5	-60.5
Percentage positive months ⁴	60.5	58.2
Annualised monthly volatility ⁵	26.8	28.1

1. The Fund is currently priced in US dollars. Since inception to 30 April 2012 the Fund was priced in South African rands.
2. The current benchmark is the MSCI EFM Africa Index (total returns). Since inception to 30 April 2012 the benchmark was the FTSE/JSE All Share Index including income. Performance as calculated by Allan Gray as at 31 March 2013 (Source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
3. Maximum percentage decline over any period. The maximum drawdown occurred from October 2007 to February 2009 and maximum benchmark drawdown occurred from October 2007 to February 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

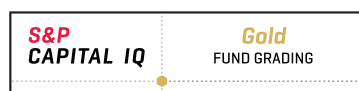
Fund manager quarterly commentary as at 31 March 2013

South African equities which have the largest allocation in the Fund got off to a poor start, with the FTSE/JSE All Share Index falling 5% in US dollars in the first quarter. Fortunately some of the other African markets had a much better start to the year. The Zimbabwean, Nigerian and Kenyan markets all appreciated by close on 20% in the first quarter. Despite these relative price moves we are still finding more attractive investment opportunities in markets outside South Africa. An interesting example is that of MTN and Econet Wireless. MTN, domiciled in South Africa, is the largest constituent in the MSCI EFM Africa Index, accounting for 9.8%, while Econet, domiciled in Zimbabwe, is not a member of the Index. We own no MTN while Econet is a top 5 holding in the Fund. Why is this?

The Zimbabwean mobile phone market has three players: Econet, Telecel and NetOne. Telecel is owned by Orascom Telecom and according to reported figures is investing almost no capital. NetOne is desperately short of cash, to the extent that it is defaulting on its net interconnect payments. Econet is by far the dominant operator with a market share of about 73% and has invested capital of US\$680 million in just the past three and a half years. The enterprise value (EV) of US\$1 200 million is only 1.75 times this recent capital expenditure. This capital expenditure allows Econet to entrench itself and grow revenue. First half 2013 revenue grew 17% year-on-year and the EV to earnings before interest, taxes and amortisation (EBITDA) multiple is only four.

We believe this depressed valuation more than compensates investors for the potential risks of investing in Zimbabwe. In contrast, we think MTN's markets are ex-growth in terms of profits, and its dollar revenue actually declined 1% over the past year, while the EV/EBITDA multiple is 6.4 times, a substantial premium to that of Econet.

Independent ratings



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Disclaimer

Shares are traded at ruling prices. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Allan Gray International Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Fund. The Fund is incorporated and registered under the laws of Bermuda and is supervised by the Bermudan Monetary Authority. The Fund is also listed on, and regulated by, the Bermuda Stock Exchange. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. Shares in the Fund are not offered to persons or entities that are regarded as residents of South Africa under applicable taxation laws. 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 on the terms and conditions and subject to the restrictions set out in the Prospectus. The offering of shares in the Fund is restricted in certain jurisdictions. Please contact the Fund to confirm if there are any restrictions applicable to you.

Share price

Share prices are calculated on a net asset value basis, which is calculated by dividing the value of the net assets of the Fund attributable to the shares by the number of shares in issue. The weekly price of the Fund is normally calculated each Friday based on the prices of the underlying investments prevailing at 5:30pm Bermuda time on the previous business day. Purchase requests must be received by the Registrar of the Fund (being Citi Fund Services (Bermuda), Ltd.) by 5:00pm Bermuda time on that dealing day to receive that week's price. Redemption requests must be received by the Registrar of the Fund by 12 noon Bermuda time on that dealing day to receive that week's price.

Performance

Investments in Collective Investment Schemes are generally medium- to long-term investments. The value of shares may go down as well as up and past performance is not necessarily a guide to future performance. Performance figures are from Allan Gray International Proprietary Limited and are for lump sum investments with income distributions reinvested.

Independent ratings

Morningstar

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S&P Capital IQ

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Country of primary listing as at 31 March 2013

Country	% of Equities	Benchmark ²
South Africa	31.7	88.1
Egypt	15.5	3.3
Zimbabwe	14.6	0.0
United Kingdom	12.1	0.0
Kenya	8.8	1.4
Nigeria	6.4	5.6
France	5.9	0.0
BRVM	1.7	0.0
Uganda	1.4	0.0
Bermuda	0.5	0.0
Australia	0.5	0.0
Rwanda	0.4	0.0
Tanzania	0.3	0.0
Canada	0.2	0.0
United States	0.1	0.0
Morocco	0.0	1.0
Mauritius	0.0	0.3
Tunisia	0.0	0.2
Total¹	100.0	100.0

Sector allocation as at 31 March 2013

Sector	% of Fund	Benchmark ²
Oil & gas	12.6	8.0
Basic materials	11.0	13.4
Industrials	10.1	10.5
Consumer goods	20.5	5.8
Healthcare	2.1	3.8
Consumer services	1.2	17.7
Telecommunications	13.2	12.6
Utilities	4.8	0.0
Financials	22.7	28.2
Fixed interest/Liquidity	1.6	0.0
Total¹	100.0	100.0

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

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