

Fund manager: Andrew Lapping
 Inception date: 1 January 2012
 Class: A

The Fund is not approved for marketing in South Africa.

Fund description

The Fund invests in a focused portfolio of companies with significant business interests in Africa (excluding South 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 Standard Bank Africa Total Return Index.

How we aim to achieve the Fund's objective

We invest in shares that we believe offer the 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 on the risk of capital loss
- Typically have an investment horizon of more than five years

Minimum investment amounts

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

Fund information on 31 August 2012

Fund currency: US\$
 Fund size: US\$12.8m
 Fund price: US\$120.99
 Number of share holdings: 44
 Dealing day: Weekly (Thursday)

Performance in US\$ net of all fees and expenses

% Returns	Fund	Benchmark ¹
<i>Unannualised:</i>		
Month-to-date	4.7	6.4
Year-to-date	21.0	15.5

1. Standard Bank Africa Total Return Index (Source: Standard Bank), performance as calculated by Allan Gray as at 31 August 2012. Calculation based on the latest available data as supplied by third parties.

Annual management fee

The management fee consists of a fixed fee and a performance fee component. The fixed fee is charged at a rate of 1% per year. The performance fee is 20% of the extent to which the Fund outperforms the benchmark, after the fixed fee is deducted and subject to the Fund exceeding the 'high watermark'. The high watermark is the maximum ratio the Fund's net asset value per share, including distributions, has achieved relative to the benchmark since the Fund's inception.

Subscription and redemption charge

Investors are charged 1% 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.

Capacity

The Fund currently has limited capacity. The Investment Manager may, at its discretion, refuse a subscription or phase a subscription into the Fund over a number of Dealing Days.

Fund manager quarterly commentary as at 30 June 2012

The Fund's performance in the second quarter was disappointing as some of our larger holdings underperformed the market. After a strong contribution in the first quarter of 2012, the Egyptian counters detracted from the Fund's performance, however we still have confidence in our Egyptian investments. The businesses are well run, have strong competitive positions and in most cases excellent growth prospects, and all of this at surprisingly low valuations.

The Nairobi All Share Index rose 15% in the quarter. All the Fund's Kenyan holdings posted good performances, particularly KenolKobil which rose 23%. KenolKobil is an oil trader and marketer with operations across East Africa. Puma, an international player in the same business, has bid for the group. The bid price has not been disclosed and due diligence is still underway. At the current price of KES14.60 we think KenolKobil is attractively priced on the fundamentals, and a higher offer price offers additional upside potential.

Investors are very negative about Zimbabwe at the moment and we agree that there is a great deal of uncertainty surrounding the country. The ZANU-PF is pushing ahead with the indigenisation policy whereby they want all companies to be 51% owned by Zimbabweans. This applies particularly to mining companies. Despite the political and economic risks we believe Zimbabwe has a bright future and is coming off a very low base. We have invested in five companies that should benefit from the growing economy and are very cheap, more than compensating investors for the above average risk.

Country of primary listing as at 31 August 2012

Country	% of Fund	Benchmark ¹
Egypt	24.6	16.2
Nigeria	18.6	22.5
Zimbabwe	15.8	2.5
Kenya	15.6	10.4
France	13.0	4.8
United Kingdom	3.8	14.4
BRVM	3.1	1.7
Rwanda	1.9	0.0
Botswana	1.7	0.4
Mauritius	1.7	2.5
Canada	0.2	8.0
Ghana	0.1	0.1
Morocco	0.0	5.6
Australia	0.0	3.6
Portugal	0.0	3.1
Tunisia	0.0	2.8
Germany	0.0	0.8
Zambia	0.0	0.5
USA	0.0	0.1
Total	100.0	100.0

Sector allocation at 31 August 2012

Sector	% of Fund	Benchmark ¹
Oil & gas	10.3	10.4
Basic materials	4.0	20.6
Industrials	7.5	5.0
Consumer goods	19.7	12.1
Healthcare	2.0	0.2
Consumer services	6.2	1.2
Telecommunications	9.6	7.7
Utilities	4.8	0.3
Financials	12.9	39.9
Fixed interest/Liquidity	23.1	2.6
Total	100.0	100.0

1. Standard Bank Africa Total Return Index. Calculation based on the latest available data as supplied by third parties.

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

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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. The Standard Bank Africa Total Return Index is the proprietary information and registered trademark of Standard Bank Plc. All copyright subsisting in the Standard Bank Africa Total Return Index values and constituent lists vests in Standard Bank Plc. All their rights are reserved. Allan Gray International Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. 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.

Share price

Share prices are calculated on a net asset value basis, which calculation is made 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 Hedge Fund Services Limited) 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, 10 (ten) Business Days prior to the particular dealing day on which shares are to be redeemed to receive that week's price.

Fees

A schedule of fees, charges and maximum commissions is available on request from Allan Gray International Proprietary Limited or the Registrar. Commission and incentives may be paid and if so, would be included in the overall costs.

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 the future. Performance figures are from Allan Gray International Proprietary Limited and are for lump sum investments with income distributions reinvested.