

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 30 September 2012

Fund currency: US\$
 Fund size: US\$20.6m
 Fund price: US\$127.90
 Number of share holdings: 45
 Dealing day: Weekly (Thursday)

Performance in US\$ net of all fees and expenses

% Returns	Fund	Benchmark ¹
<i>Unannualised:</i>		
Month-to-date	5.7	7.8
Year-to-date	27.9	24.5

Relative to benchmark return required to reach high watermark: 4.2%.

1. Standard Bank Africa Total Return Index (Source: Standard Bank), performance as calculated by Allan Gray as at 30 September 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 September 2012

The September quarter was one of change for the Fund. We started taking weekly subscriptions as more investors became aware of the Fund and decided to invest. The downside of the investment flows is that the money can't be invested immediately in the relatively illiquid African markets and dilutes the Fund's equity weighting. This is a drag on performance in rising markets. Fortunately the Fund is now triple the size it was three months ago and the new flows are far smaller relative to the existing capital and hence the impact of flows is far lower.

We have reduced our Kenyan exposure by more than half because of share price appreciation relative to our valuations. The strength of the Kenyan shilling is also a concern considering the 12% of GDP current account deficit and falling interest rates. A current account deficit of this size is not sustainable in the long term and could result in sharp currency depreciation and a concomitant loss of value for equity investors.

The Zimbabwean shares we invested in earlier this year have underperformed relative to our other holdings. The recent results of these businesses have led us to revise our valuations upwards so the valuation discrepancy is now even greater. As a result we have increased the Fund's exposure to these counters to take advantage of this opportunity.

Country of primary listing as at 30 September 2012

Country	% of Fund	Benchmark ¹
Egypt	22.6	17.0
Nigeria	20.4	22.5
Zimbabwe	18.0	2.6
France	13.7	4.5
Kenya	13.6	9.9
BRVM	4.0	1.6
United Kingdom	3.8	14.4
Mauritius	1.4	2.3
Rwanda	1.1	0.0
Botswana	1.1	0.4
Ghana	0.2	0.1
Canada	0.1	8.4
Morocco	0.0	5.0
Portugal	0.0	3.8
Australia	0.0	3.7
Tunisia	0.0	2.6
Germany	0.0	0.7
Zambia	0.0	0.4
USA	0.0	0.1
Total	100.0	100.0

Sector allocation as at 30 September 2012

Sector	% of Fund	Benchmark ¹
Oil & gas	11.5	9.9
Basic materials	4.0	21.5
Industrials	4.3	4.9
Consumer goods	24.8	11.9
Healthcare	2.2	0.1
Consumer services	6.3	1.1
Telecommunications	13.2	7.4
Utilities	4.2	0.3
Financials	16.3	40.5
Fixed interest/Liquidity	13.3	2.5
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. 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 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.

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.