

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 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 March 2013

Fund currency: US\$  
 Fund size: US\$67.9m  
 Fund price: US\$152.66  
 Number of share holdings: 49  
 Dealing day: Weekly (Thursday)

## Performance in US\$ net of all fees and expenses

% Returns	Fund	Benchmark <sup>1</sup>
<i>Unannualised:</i>		
Since inception	52.7	22.3
<i>Annualised:</i>		
Since inception	40.3	17.5
Latest 1 year	30.2	6.5
Year-to-date (unannualised)	11.9	-0.6

Relative to benchmark return required to reach high watermark: 0.0%.

1. Standard Bank Africa Total Return Index (Source: Standard Bank), performance as calculated by Allan Gray as at 31 March 2013. 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 31 March 2013

African stock markets got off to a strong start in 2013, most notably the Nigerian and Kenyan markets, which are up 17% and 19% respectively year-to-date. Things have taken a tougher turn in Egypt where the EGX30 is down 11.5% in dollars for the year. Naturally we are beginning to find more interesting opportunities in Egypt than in other markets. The Fund's allocation to Egypt has begun to increase and all things being equal will continue to rise. Despite the recent price appreciation of many of the Fund's holdings we still think there is value to be had.

Econet Wireless, the Fund's largest holding, had a great start to the year, appreciating 55% in the first quarter. Investors may be questioning why we have not sold down our position after this price movement. The reason we still own the share is that we think it is still very cheap despite the country and regulatory risks.

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. This compares with other African mobile operators that are ex-growth and trade on EV/EBITDA multiples of between 5.5 and 7.5 times.

We believe this depressed valuation more than compensates investors for the potential risks of investing in Zimbabwe.

## Country of primary listing as at 31 March 2013

Country	% of Equities	Benchmark <sup>1</sup>
Zimbabwe	22.2	2.6
Nigeria	19.5	25.0
Egypt	16.5	12.9
Kenya	14.1	13.3
France	9.2	1.5
United Kingdom	5.3	15.8
BRVM	3.9	1.3
Uganda	3.1	0.0
Rwanda	2.8	0.0
Bermuda	1.8	0.0
Canada	0.7	6.2
Mauritius	0.5	3.3
Botswana	0.4	0.4
Ghana	0.1	0.0
Morocco	0.0	6.3
Australia	0.0	4.7
Tunisia	0.0	2.9
Portugal	0.0	2.7
USA	0.0	0.8
Germany	0.0	0.3
Zambia	0.0	0.1
<b>Total<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

## Sector allocation at 31 March 2013

Sector	% of Fund	Benchmark <sup>1</sup>
Oil & gas	8.9	10.8
Basic materials	9.0	19.4
Industrials	1.4	5.9
Consumer goods	22.1	11.6
Healthcare	0.7	0.3
Consumer services	7.0	1.2
Telecommunications	16.6	9.2
Utilities	7.2	0.3
Financials	18.6	40.0
Fixed interest/Liquidity	8.5	1.3
<b>Total<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

1. Standard Bank Africa Total Return Index (Source: Standard Bank). Calculation based on the latest available data as supplied by third parties.
2. There may be slight discrepancies in the totals due to rounding.

Tel +1 905 212 8760 Fax +1 905 212 8668 AGclientservice@citi.com

### 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 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. 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 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 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.