

Allan Gray Africa ex-SA Equity Fund

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

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

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.

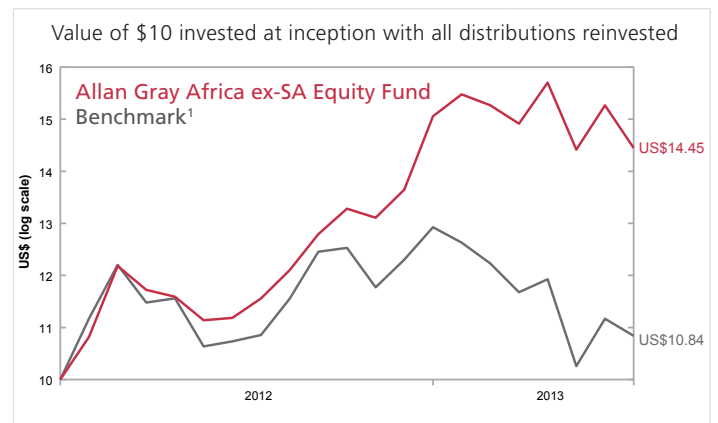
Capacity

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. The Investment Manager may at its discretion limit redemptions to US\$5m or 2.5% of the Fund (whichever is less) per dealing day.

Fund information on 31 August 2013

Fund currency: US\$
Fund size: US\$108m
Fund price: US\$144.48
Number of share holdings: 51
Dealing day: Weekly (Thursday)

Performance in US\$ net of all fees and expenses



% Returns	Fund	Benchmark ¹
<i>Unannualised:</i>		
Since inception	44.5	8.4
<i>Annualised:</i>		
Since inception	24.7	4.9
Latest 1 year	19.4	-6.2
Year-to-date (unannualised)	5.9	-11.9
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ²	-8.6	-20.6
Percentage positive months ³	60.0	60.0
Annualised monthly volatility ⁴	18.8	22.8

Relative to benchmark return required to reach high watermark: 5.4%.

1. Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 31 August 2013. Calculation based on the latest available data as supplied by third parties.
2. Maximum percentage decline over any period. The maximum drawdown occurred from February 2012 to May 2012 and maximum benchmark drawdown occurred from January 2013 to June 2013. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
4. 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 30 June 2013

Mining companies have come under extreme share price pressure over the past few months as commodity prices have retreated. There are many reasons for the commodity price declines, but in our view, the three most significant are China, supply and the speculative unwind. On China, investors seem to be realising that a lot of the Chinese commodity demand is built on a foundation of excessive and unsustainable credit growth. The supply response to the high prices over the past decade is finally catching up and overtaking demand in copper and iron ore. The speculative inflows into gold have reversed and the price has retreated accordingly. Whether the gold price recovers on renewed investor interest or continues to fall is anyone's guess.

We are analysing many mining companies and have begun to make selective investments. We are cautious about the choices we make and are only investing in low-cost producers that have net cash on balance. These companies are less geared to any metal price recovery, but importantly will be able to survive a prolonged commodity price slump without the need for additional capital. We also look for businesses that have a history of cash flow generation. If a company could not generate cash in the good times it is unlikely to be able to do so in a downturn. Another important consideration is management behaviour, as mining company management are notoriously shareholder unfriendly. Operating cash flow is often wasted on exploration and head office costs rather than shareholder returns as management are incentivised, through salary structures, to grow rather than realise value for shareholders. To minimise these risks we look for companies that have substantial insider ownership. These strict criteria mean we have made only a few investments despite the price declines.

Country of primary listing on 31 August 2013

Country	% of Equities	Benchmark ¹
Zimbabwe	19.6	2.3
Egypt	18.2	16.2
Nigeria	16.6	20.4
United Kingdom	9.6	18.2
France	8.5	1.8
Kenya	7.6	11.3
Canada	7.5	8.6
BRVM	4.3	1.9
Uganda	2.5	0.0
Netherlands	2.1	0.0
Rwanda	1.7	0.1
Australia	1.0	6.2
Botswana	0.4	0.4
Mauritius	0.3	0.9
Malawi	0.2	0.0
Morocco	0.0	5.7
Tunisia	0.0	3.0
Portugal	0.0	2.0
USA	0.0	0.5
Ghana	0.0	0.2
Germany	0.0	0.1
Total²	100.0	100.0

Sector allocation on 31 August 2013

Sector	% of Fund	Benchmark ¹
Oil & gas	12.6	8.9
Basic materials	15.9	27.2
Industrials	0.5	5.0
Consumer goods	19.1	10.8
Healthcare	0.4	0.0
Consumer services	3.5	0.8
Telecommunications	13.8	10.1
Utilities	4.1	0.0
Financials	20.8	36.1
Technology	0.0	0.3
Fixed interest/Liquidity	9.4	0.8
Total²	100.0	100.0

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.

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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 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.

Fees

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

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.