

**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.

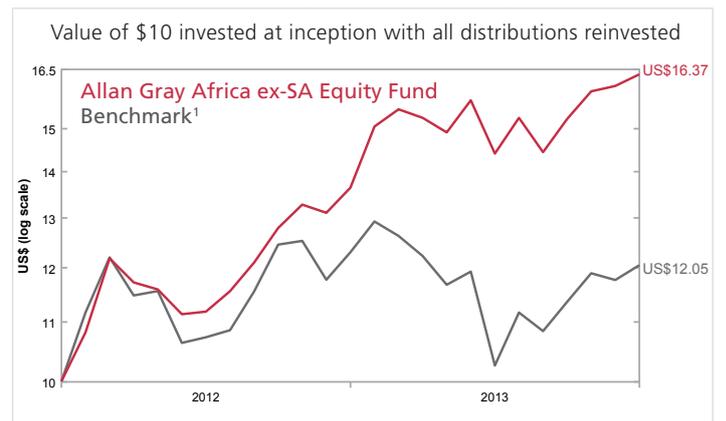
## Capacity

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 December 2013

**Fund currency:** US\$  
**Fund size:** US\$147m  
**Fund price:** US\$163.74  
**Number of share holdings:** 53  
**Dealing day:** Weekly (Thursday)

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



% Returns	Fund	Benchmark <sup>1</sup>
<i>Unannualised:</i>		
Since inception	63.7	20.5
<i>Annualised:</i>		
Since inception	27.9	9.8
Latest 2 years	27.9	9.8
Latest 1 year	20.0	-2.1
Year-to-date (unannualised)	20.0	-2.1
<b>Risk measures (since inception, based on month-end prices)</b>		
Maximum drawdown <sup>2</sup>	-8.6	-20.6
Percentage positive months <sup>3</sup>	66.7	62.5
Annualised monthly volatility <sup>4</sup>	17.3	21.2

Relative to benchmark return required to reach high watermark: 3.4%.

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

Market commentators often talk of Africa as if it is a single market. However, 2013 proved once again that each of the African markets and equities within those markets have their own drivers and fundamentals and must be assessed on their own merits. The overall index moves in the three large markets were all positive: the Nigerian and Kenyan markets rose 40% and 41% respectively, while the Egyptian market gained 12% in dollars. However, the gains in both the Kenyan and the Nigerian markets were not particularly broad based. In Kenya, Safaricom, which accounts for 21% of the market, doubled, and in Nigeria, Dangote Cement, 30% of the Nigerian All Share Index, rose 80%. Stripping out the Dangote Cement move, the index gained 22%, rather than the headline-grabbing 40%. This adjustment is appropriate as the Dangote free float is only 5%. Similar to 2012, the performances of the smaller markets were mixed. The Moroccan and Tunisian markets were basically flat, while Mauritius rose 21% and Zimbabwe 32%. The performance of the Standard Bank Africa Total Return Index was dragged down by the exposure to basic materials shares listed in the UK, Australia and Canada.

Since its launch in January 2012, the Fund has been underweight Nigerian shares when compared to the size and liquidity of the Nigerian market. The reason for this underweight position is that we have found only a few Nigerian shares that we think offer good value to investors. The majority of the Fund's Nigerian position is in financials. The Nigerian banks we own trade, on average, at a small premium to tangible book value and generate a 20% return on equity. This looks to be good value once the risks and possible downward pressure on banking profits are considered. We have added to the Nigerian bank holdings over the past quarter, as the share prices have declined and we have gained more confidence in the earnings' sustainability. The Fund only owns one Nigerian consumer company as these businesses are generally priced for rapid earnings growth on what seems to be already-high earnings.

*Commentary contributed by Andrew Lapping*

## Country of primary listing on 31 December 2013

Country	% of Equities	Benchmark <sup>1</sup>
Zimbabwe	22.7	1.7
Nigeria	21.7	20.9
Egypt	16.7	17.1
United Kingdom	7.0	19.0
Kenya	6.8	10.5
Canada	6.7	8.0
France	6.3	1.4
BRVM	3.7	1.2
Rwanda	2.2	0.1
Malawi	1.8	0.0
Uganda	1.8	0.0
Botswana	1.0	0.6
Mauritius	0.9	1.4
Australia	0.9	7.3
Morocco	0.0	5.9
Portugal	0.0	2.2
Tunisia	0.0	1.6
USA	0.0	0.8
Ghana	0.0	0.3
Tanzania	0.0	0.2
<b>Total<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

## Sector allocation on 31 December 2013

Sector	% of Fund	Benchmark <sup>1</sup>
Oil & gas	10.7	12.3
Basic materials	10.8	26.3
Industrials	0.4	5.2
Consumer goods	22.3	9.2
Healthcare	0.3	0.0
Consumer services	2.8	0.5
Telecommunications	14.2	9.9
Utilities	3.1	0.3
Financials	28.8	36.0
Technology	0.0	0.1
Fixed interest/Liquidity	6.5	0.1
<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.

### 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.