

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.

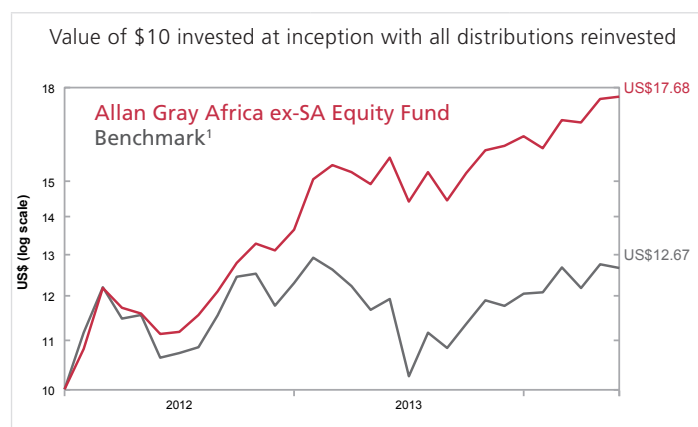
Capacity

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 May 2014

Fund currency: US\$
Fund size: US\$195m
Fund price: US\$176.85
Number of share holdings: 53
Dealing day: Weekly (Thursday)

Performance in US\$ net of all fees and expenses



% Returns	Fund	Benchmark ¹
<i>Unannualised:</i>		
Since inception	76.8	26.7
<i>Annualised:</i>		
Since inception	26.6	10.3
Latest 2 years	26.0	9.1
Latest 1 year	12.6	6.2
Year-to-date (unannualised)	8.0	5.1
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ²	-8.6	-20.6
Percentage positive months ³	65.5	62.1
Annualised monthly volatility ⁴	16.3	19.9

Relative to benchmark return required to reach high watermark: 0.7%.

1. Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 31 May 2014. 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 March 2014

The Fund's relatively stable performance over the past three months masks sizeable price moves in the underlying investments. The Nigerian Banks, which we began buying in the latter part of 2013, continued to fall in price, with our holdings declining by 20% on average. Our fair value estimates have not changed materially so we are adding to these positions. The Nigerian Central Bank implemented further monetary policy measures, which will affect profits negatively in the short term. However, banks tend to be adaptable businesses and are able to make up for lost revenue in one area through price changes or adjustments to other areas of their businesses.

The good performance of the Fund's Egyptian holdings, buoyed by the move in Egyptian equities generally, offset the negative performance of the Nigerian holdings. We have sold out some of our Egyptian holdings and reduced others as the share prices have moved to, and in some cases exceeded, our estimates of fair value.

We are in the fortunate position of being able to invest across Africa, where the markets often move in different directions. This allows us to reinvest sale proceeds in what we think are much more attractive opportunities. The 55% appreciation of the Egyptian stock market since June 2013 reinforces the need for a contrarian mindset. The sentiment was terrible during the violent ouster of the Muslim Brotherhood last year; needless to say that was a much better buying opportunity than where we sit today, with both local and international sentiment currently far more positively inclined towards Egyptian equities.

Commentary contributed by Andrew Lapping

Country of primary listing on 31 May 2014

Country	% of Equities	Benchmark ¹
Nigeria	27.0	19.4
Zimbabwe	21.3	2.0
Egypt	14.4	17.3
United Kingdom	7.0	19.1
Canada	6.4	9.7
France	5.4	1.5
Kenya	5.1	12.8
Australia	3.0	5.4
BRVM	2.5	1.2
Rwanda	2.0	0.1
Malawi	1.7	0.0
Uganda	1.5	0.0
Zambia	1.1	0.0
Botswana	0.9	0.4
Mauritius	0.6	1.7
Morocco	0.0	5.3
Portugal	0.0	1.8
Tunisia	0.0	1.4
United States	0.0	0.6
Ghana	0.0	0.3
Germany	0.0	0.1
Total²	100.0	100.0

Sector allocation on 31 May 2014

Sector	% of Fund	Benchmark ¹
Oil & gas	14.1	13.8
Basic materials	12.4	23.9
Industrials	0.3	4.3
Consumer goods	20.7	8.4
Healthcare	0.3	0.0
Consumer services	1.8	1.4
Telecommunications	11.7	10.3
Utilities	2.5	0.4
Financials	29.9	37.3
Fixed interest/Liquidity	6.3	0.3
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.