

**Fund manager:** Andrew Lapping, Nick Ndiritu  
**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.

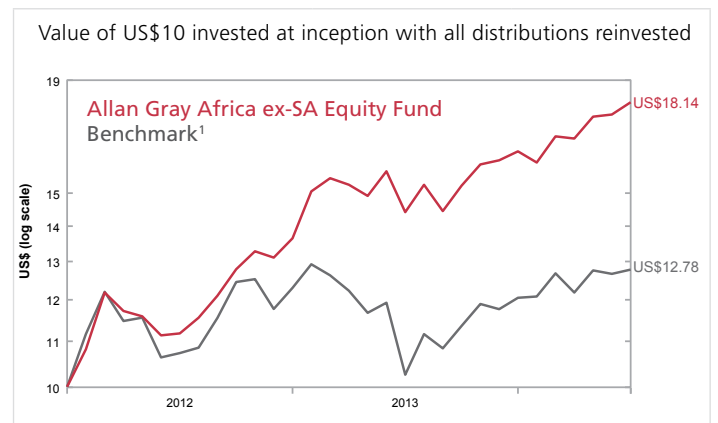
## Capacity

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 30 June 2014

**Fund currency:** US\$  
**Fund size:** US\$205m  
**Fund price:** US\$181.45  
**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	81.4	27.8
<i>Annualised:</i>		
Since inception	26.9	10.3
Latest 2 years	27.4	9.1
Latest 1 year	25.9	24.6
Year-to-date (unannualised)	10.8	6.1
<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	63.3
Annualised monthly volatility <sup>4</sup>	16.1	19.5

Relative to benchmark return required to reach high watermark: 1.8%.

1. Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 30 June 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 30 June 2014

The Fund's biggest move over the past quarter was the reduction in its Egyptian holdings from 19% to 14% of equities. The Egyptian market is up 22% year to date, and 84% over the last 12 months, and there is clearly less value to be found. African markets have generally done well over the past year and there is no market that stands out as an outlier in terms of value. The only possible exception is Zimbabwe, which is still generally cheap, but even this market has done well of late. Fortunately we are managing to find opportunities in selected stocks across the continent where we are allocating capital; at the moment these are in some of the less liquid, overlooked stocks.

As managers of assets we want to allocate capital to the investments we find the most attractive. The implication has been that we run a concentrated portfolio of our best ideas. Since inception, the Fund's top 10 holdings have accounted for about 60% of the portfolio and the top 20 for about 80%. We prefer to buy more of the shares we find most attractive rather than smaller, possibly less attractive holdings.

*Commentary contributed by Andrew Lapping*

## Country of primary listing on 30 June 2014

Country	% of Equities	Benchmark <sup>1</sup>
Nigeria	26.9	20.0
Zimbabwe	21.5	2.1
Egypt	14.1	16.3
United Kingdom	6.9	18.7
Canada	6.8	11.0
France	5.7	1.4
Kenya	4.6	13.0
Australia	3.3	4.9
BRVM	2.6	1.2
Rwanda	1.7	0.2
Malawi	1.6	0.0
Uganda	1.6	0.0
Zambia	1.1	0.0
Botswana	0.9	0.4
Mauritius	0.6	1.7
Morocco	0.0	5.1
Portugal	0.0	1.5
Tunisia	0.0	1.3
United States	0.0	0.7
Ghana	0.0	0.3
Germany	0.0	0.1
<b>Total<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

## Sector allocation on 30 June 2014

Sector	% of Fund	Benchmark <sup>1</sup>
Oil & gas	15.4	13.9
Basic materials	13.0	24.9
Industrials	0.9	4.3
Consumer goods	21.2	8.2
Healthcare	0.3	0.0
Consumer services	2.1	1.3
Telecommunications	11.3	10.0
Utilities	2.4	0.4
Financials	28.4	36.7
Fixed interest/Liquidity	5.0	0.3
<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.

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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.