

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.

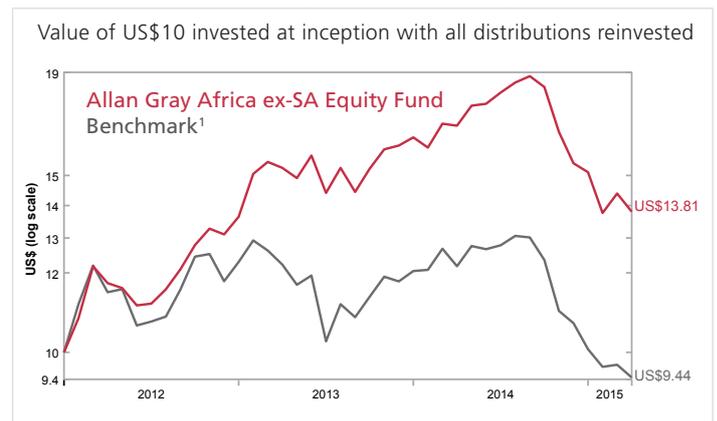
Capacity

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 31 March 2015

Fund currency: US\$
Fund size: US\$231m
Fund price: US\$138.08
Number of share holdings: 52
Dealing day: Weekly (Thursday)

Performance in US\$ net of all fees and expenses



% Returns	Fund	Benchmark ¹
<i>Unannualised:</i>		
Since inception	38.1	-5.6
<i>Annualised:</i>		
Since inception	10.4	-1.8
Latest 3 years	5.6	-6.3
Latest 2 years	-4.9	-12.1
Latest 1 year	-17.9	-22.5
Year-to-date (unannualised)	-8.6	-6.3
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ²	-26.9	-27.7
Percentage positive months ³	59.0	53.8
Annualised monthly volatility ⁴	17.8	19.2

Relative to benchmark return required to reach high watermark: 4.5%.

1. Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 31 March 2015. Calculation based on the latest available data as supplied by third parties.
2. Maximum percentage decline over any period. The maximum drawdown occurred from August 2014 to January 2015 and maximum benchmark drawdown occurred from July 2014 to March 2015. 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 2015

Similar to the last six months of 2014, the first quarter of 2015 was a difficult one for the Fund. We believe we are invested in very attractively priced companies and have been accumulating these holdings as the share prices decline. An unfortunate aspect of the past period is that we have been, and continue to be, underweight Kenya, while the Kenyan market has rallied sharply. Our philosophy is to identify undervalued companies on a bottom-up basis. In the past the Fund has had substantial Kenyan holdings, but we sold these when the share prices exceeded our fair value estimates. Investors are now very positive on Kenya and have priced this positive sentiment into company valuations – in our view, to an excessive degree. On the other hand, investors are very negative on Nigeria and Zimbabwe, which we think creates an opportunity, similar to when the market disliked Kenya in late 2011 and early 2012.

In 2012 we owned Safaricom, the dominant Kenyan mobile operator, when the share was trading at KES3.20 and the market was in a difficult place. Safaricom's dominance is now plain to see and the M-PESA mobile money platform is quickly coming to dominate the payment space in Kenya. Unfortunately we sold our Safaricom some time ago and the share price is now KES17.05. Safaricom trades on 25 times historic earnings and 10 times enterprise value to earnings before interest, taxes, depreciation and amortisation (EV/EBITDA). We think the market has priced in the majority of the potential growth and we cannot justify this valuation. However, we have a large holding in Econet Wireless, Zimbabwe's dominant mobile operator. Sentiment is obviously poor towards Zimbabwe – and for good reason. We think Econet could have the success that Safaricom has had in mobile money as all the prerequisites are in place. This potential is not priced into Econet's share price, which trades on eight times earnings and three times EV/EBITDA.

The valuation discrepancies between the Nigerian and Kenyan banks are similarly stark. We have sold all our Kenyan bank exposure and almost all of the Fund's financial exposure is to Nigerian banks.

Please read our latest GrayIssue, which contrasts Nigerian and Kenyan bank valuations, available on the 'Latest news' page of www.allangray.co.za.

Commentary contributed by Andrew Lapping

Country of primary listing on 31 March 2015

Country	% of Equities	Benchmark ¹
Zimbabwe	25.6	1.3
Nigeria	25.2	13.8
Egypt	16.2	19.1
France	5.6	0.7
United Kingdom	4.6	17.0
Canada	4.3	13.3
BRVM	3.5	1.0
Kenya	3.3	17.9
Australia	2.7	5.3
Rwanda	2.0	0.1
Uganda	1.9	0.2
Malawi	1.8	0.0
Zambia	1.3	0.1
Botswana	1.2	0.5
Mauritius	0.7	1.8
Ghana	0.0	0.2
Morocco	0.0	6.3
Tunisia	0.0	1.2
United States	0.0	0.2
Total²	100.0	100.0

Sector allocation on 31 March 2015

Sector	% of Fund	Benchmark ¹
Oil & gas	14.7	10.4
Basic materials	6.5	28.1
Industrials	0.8	3.2
Consumer goods	28.0	7.5
Healthcare	0.0	0.0
Consumer services	1.9	1.3
Telecommunications	14.1	12.4
Utilities	2.3	0.6
Financials	24.8	35.6
Technology	0.0	0.1
Fixed interest/Liquidity	6.9	0.9
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.

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.