

Fund description and summary of investment policy

The Fund invests in a focused portfolio of companies with significant business interests in Africa regardless of the location of the stock exchange listing (excluding South Africa). 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. The Fund does not seek to mirror the benchmark but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns. To the extent that its investments differ from those in the benchmark, the Fund faces the risk of underperforming the benchmark.

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 (excluding South 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

Capacity

The Fund has limited capacity. Allan Gray Bermuda Limited (the 'Investment Manager') may refuse a subscription or phase it into the Fund. Redemptions may be limited to US\$5m or 2.5% of the Fund (whichever is less) per dealing day.

Fair value pricing

The board of directors of the Fund ('the board') may fair value the Fund's assets in accordance with the board's fair value pricing policies if:

- the closing market quotations or official closing prices are not readily available or do not accurately reflect the fair value of a Fund asset; or
- the value of a Fund asset has been materially affected by events occurring before the Fund's pricing time but after the close of the exchange or market on which the asset is principally traded.

The board delegates the responsibility for fair value pricing decisions to a Valuation Committee of the Investment Manager.

Fund information on 30 November 2017

Fund currency	US\$
Fund size	US\$374m
Number of shares	2 468 573
Price (net asset value per share)	US\$131.58
Number of share holdings	55
Dealing day	Weekly (Thursday)
Class	A

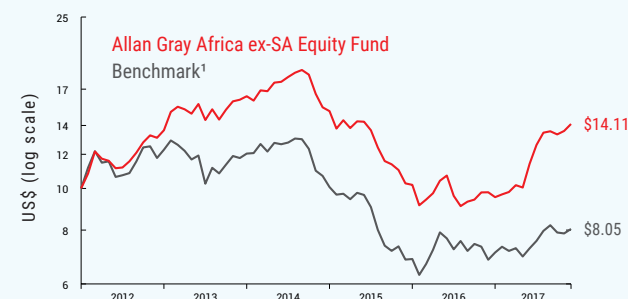
Minimum investment amounts

Minimum initial investment	US\$50 000
Minimum subsequent investment	US\$1 000

- Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 30 November 2017. Calculation based on the latest available data as supplied by third parties.
- Maximum percentage decline over any period. The maximum drawdown occurred from August 2014 to July 2016 and maximum benchmark drawdown occurred from July 2014 to January 2016. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- This is the highest or lowest rolling 12-month return the Fund has experienced since inception. The Fund's highest annual return occurred during the 12 months ended 31 July 2017 and the benchmark's occurred during the 12 months ended 30 June 2014. The Fund's lowest annual return occurred during the 12 months ended 31 August 2015 and the benchmark's occurred during the 12 months ended 31 August 2015. All rolling 12-month figures for the Fund and the benchmark are available from the Allan Gray Service Team on request.

Performance in US\$ net of all fees and expenses

Value of US\$10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark¹
Cumulative:		
Since inception (1 January 2012)	41.1	-19.5
Annualised:		
Since inception (1 January 2012)	6.0	-3.6
Latest 5 years	1.5	-7.3
Latest 3 years	-2.9	-9.0
Latest 2 years	17.2	8.5
Latest 1 year	44.1	17.9
Year-to-date (not annualised)	47.9	13.4
Risk measures (since inception, based on month-end prices)		
Maximum drawdown²	-51.7	-51.8
Percentage positive months³	57.7	52.1
Annualised monthly volatility⁴	18.3	18.7
Highest annual return⁵	48.1	24.6
Lowest annual return⁵	-38.6	-43.4

Relative to benchmark return required to reach high watermark: 0.0%.

Meeting the Fund objective

The Fund aims to outperform African equity markets (excluding South Africa) over the long term without taking on greater risk of loss. The Fund experiences periods of underperformance in pursuit of this objective. Since inception the Fund has outperformed its benchmark by a significant margin. The maximum drawdown and lowest annual return numbers, in the 'Performance in US\$ net of all fees and expenses' table, show that the Fund has not experienced more downside than its benchmark in periods of negative market returns. We believe our philosophy of buying undervalued equities should generate positive absolute returns over time.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund may distribute any surplus.	31 Dec 2016
Dollars per unit	4.4719

Subscription and redemption charge

Investors are charged 1% when subscribing for Fund shares. Investors may be charged 1% when redeeming Fund shares in the case of significant redemptions. These charges are paid into the Fund to offset the costs associated with the transactions that are borne by the Fund. The Investment Manager may waive these charges if transactions substantially offset one another.

Annual management fee

The management fee consists of a base fee of 1% and a performance component. The fee rate is calculated daily by comparing the Fund's total performance for the day, after the base fee is deducted, to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a.

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

The fee is capped at 5% over any 12-month period and can decrease to a minimum of 0%. If the fee would have been negative, the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

Total expense ratio (TER) and Transaction costs

The annual management fee charged is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

Country of primary listing on 30 November 2017

Country	% of Equities	Benchmark ⁷
Nigeria	38.3	14.1
Zimbabwe ⁶	23.0	2.1
Egypt	14.7	15.8
United Kingdom	5.5	12.4
Kenya	5.2	13.3
Uganda	3.2	0.0
Australia	2.4	0.4
Rwanda	2.0	0.0
BRVM	1.5	2.8
Malawi	1.1	0.0
Ghana	0.7	0.0
Zambia	0.7	0.0
Tanzania	0.6	0.8
France	0.5	0.0
Canada	0.4	25.8
Morocco	0.0	5.9
Tunisia	0.0	3.1
Mauritius	0.0	2.4
Botswana	0.0	0.8
United States	0.0	0.2
Total⁸	100.0	100.0

6. Zimbabwe assets are currently being fair valued in accordance with the board's fair value pricing policies.

Sector allocation on 30 November 2017

Sector	% of Fund	Benchmark ⁷
Oil and gas	10.8	4.8
Basic materials	5.0	33.9
Industrials	1.9	2.9
Consumer goods	25.5	7.8
Consumer services	1.0	0.0
Telecommunications	13.0	13.1
Utilities	3.0	0.0
Financials	33.4	37.1
Fixed interest/Liquidity	6.4	0.4
Total⁸	100.0	100.0

7. Standard Bank Africa Total Return Index (source: Standard Bank). Calculation based on the latest available data as supplied by third parties.

8. There may be slight discrepancies in the totals due to rounding.

Asset allocation on 30 November 2017

Asset Class	Total
Net equity	93.6
Hedged equity	0.0
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	6.4
Total (%)	100.0

Total expense ratio (TER) and Transaction costs⁹

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 September 2017	1yr %	3yr %
Total expense ratio	1.43	2.47
Fee for benchmark performance	0.42	0.79
Performance fees	0.53	1.08
Custody fees	0.32	0.30
Other costs excluding transaction costs	0.06	0.07
VAT	0.10	0.23
Transaction costs (including VAT)	0.35	0.45
Total investment charge	1.78	2.92

9. Prior to 1 September 2017, the Fund was subject to VAT.

Unfortunately the Zimbabwean currency situation has deteriorated further. As the government prints ever-greater sums of money, people have lost faith in the value of Zimbabwean bank deposits and are looking to buy real goods including cars, property and listed equities. As a result, Zimbabwean equities rose 78% in September, and are now up 189% year to date.

Since December 2016, we have applied a steadily increasing discount to the value of the Fund's Zimbabwean assets to reflect an implied devaluation in the currency. This was a practical solution when the dislocation between listed equity prices and value was progressing relatively slowly, but recent price movements have made this approach impractical. We have therefore decided to adopt a fair value methodology. As part of the investment process, analysts prepare research reports, and the investment team gets together to discuss their investment ideas in policy group meetings. In line with this process, our analysts prepared updated research reports on our Zimbabwean holdings. As with all our research reports, the analysts estimate the cash flows the businesses should generate in a normal environment and recommend fair multiples to apply to these cash flows.

In this case the particular risks facing Zimbabwe were considered, including the fact that any cash earnings over the next few years could be lost to currency depreciation. The policy group discussed the recommended values and made some adjustments. The sum of the bottom-up valuations is a little lower than the portfolio values as at 31 August 2017, which were determined using listed prices discounted by 40%. The new valuations caused the Fund's net asset value (NAV) to fall by 2.4%. The change was implemented on 28 September 2017. While the process described above was underway, we held the Zimbabwean equities at their 31 August 2017 portfolio values.

On 30 September, our fair values of the Zimbabwean assets used to calculate the Fund NAV were 31% of the market price of these assets on the Zimbabwean Stock Exchange. For reference and as a sense check, Old Mutual's share price in Zimbabwe is trading at US\$9.61, while the JSE price was US\$2.59. These Old Mutual share prices indicate that investors are discounting Zimbabwean currency by 73%, which is relatively consistent with the effective discount of 69% we have applied to the Zimbabwean assets in the Fund. We use the Old Mutual implied discount to price the Zimbabwean cash holdings. The Old Mutual Zimbabwe share price is extremely volatile and thinly traded, but we will continue to monitor the difference between the value implied by Old Mutual and our valuations.

Eighty-nine percent of the Fund's Zimbabwean assets are invested in three companies: telecommunications company Econet, beverage company Delta Corporation and food producer Innscor. These three businesses are high quality, strong cash flow generators with a proven ability to survive trying times. Furthermore, we believe the valuations we have used for the Zimbabwean assets are conservative and should allow long-term investors to realise good returns

from here. Consistent with our approach since the Fund's inception, we will manage flows and capacity carefully to ensure all clients are treated fairly, and maximise our ability to generate long-term real returns.

The Fund's investments outside Zimbabwe have been surprisingly stable recently. After rallying hard in the first half of the year, the Nigerian market has taken a breather. We still think Nigeria has the cheapest stocks and are still net buyers of Nigerian equities.

Egypt's Eastern Tobacco reported good results and very strong cash flow for the year ended June. The net cash is now EGP72 per share, up from net debt a year ago, on a share price of EGP299. The dividend was increased from EGP8 to EGP11.5 at the AGM, which is a little disappointing compared to the free cash flow.

Our investments look to offer good prospective returns and we are in the fortunate position of having to think carefully about which stocks to sell when initiating or adding to positions, as even our least preferred holdings are attractively priced.

Aside from the revaluing of Zimbabwean assets, other material changes to the Fund include reducing our Eastern Tobacco holding, selling some Kenyan bank exposure and buying selected Nigerian companies.

Updated comments on 30 November 2017

The past two weeks have been exciting for Zimbabweans as they have finally seen the back of Robert Mugabe. Emmerson Mnangagwa, formally the vice president, has taken over as the country's leader. Thus far he has made sensible and market-friendly statements. His new cabinet includes Patrick Chinamasa as finance minister. Mr Chinamasa was Zimbabwe's finance minister before Mr Mugabe fired him for trying to implement sensible policies.

Zimbabwe has a long way to climb out of the hole Mr Mugabe dug, but it is surely possible with good leadership. Time will tell if Zimbabwe's new leadership team can stay the course.

As you would expect, equity prices have been very volatile over the past two weeks. On 14 November, Old Mutual's Zimbabwean price implied an 83% discount on the value of Zimbabwean cash; this discount has subsequently narrowed to 56%. Zimbabwe's chronic shortage of foreign currency will take a very long time to resolve, so we don't expect to repatriate dollars in the near term. For now we are still using the fair value methodology to value our Zimbabwean holdings. If the situation changes such that our estimates of fair value change we will adjust our carrying values accordingly.

Commentary contributed by Andrew Lapping

**Fund manager quarterly
commentary as at
30 September 2017**

Fund information

The Fund is incorporated and registered under the laws of Bermuda and is supervised by the Bermuda Monetary Authority. The Fund is also listed on the Bermuda Stock Exchange. The primary custodian of the Fund is Citibank N.A. The custodian can be contacted at 390 Greenwich Street, New York, New York, USA. The Investment Manager has appointed Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Representative') as its representative for the purpose of approval in terms of the Collective Investment Schemes Control Act 45 of 2002. The Representative is incorporated under the laws of South Africa and is supervised by the Financial Services Board ('FSB').

The Fund may be closed to new investments at any time to be managed according to its mandate. Shares in the Fund are traded at ruling prices and the Fund can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. 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 according to the terms and conditions and subject to the restrictions set out in the prospectus. The offering of shares in the Fund may be restricted in certain jurisdictions. Please contact the Allan Gray service team to confirm if there are any restrictions that apply to you.

Performance

Collective Investment Schemes in Securities (unit trusts or mutual funds) are generally medium- to long-term investments. Where annualised performance is mentioned, this refers to the average return per year over the period. The value of shares may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may cause the value of underlying international investments to go up or down. Neither the Investment Manager, the Fund nor the Representative provides any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

Benchmark data

The Fund's benchmark data is provided by Standard Bank Plc who require that we include the following legal note. 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.

Share price

Share prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund divided by the number of shares in issue. Forward pricing is used. The weekly price of the Fund is normally calculated each Friday. Purchase requests must be received by the Registrar of the Fund (being Citibank Europe plc, Luxembourg Branch) by 17:00 Bermuda time on that dealing day to receive that week's price. Redemption requests must be received by the Registrar of the Fund by 12:00 Bermuda time, on the particular dealing day on which shares are to be redeemed to receive that week's price. Share prices are available on www.allangray.co.za

Fees and charges

Permissible deductions from the Fund may include management fees, brokerage, Securities Transfer Tax (STT), auditor's fees, bank charges and custody fees. A schedule of fees, charges and maximum commissions is available on request from the Representative.

Total expense ratio (TER) and Transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged) and other expenses like audit fees. Transaction costs (including brokerage, Securities Transfer Tax [STT] and investor protection levies where applicable) are shown separately. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from published returns. As collective investment scheme expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and Transaction costs is shown as the Total investment charge.

Foreign exposure

There are significant risks involved in investing in shares listed in the Fund's universe of emerging and developing countries including liquidity risks, sometimes aggravated by rapid and large outflows of 'hot money' and capital flight, concentration risk, currency risks, political and social instability, the possibility of expropriation, confiscatory taxation or nationalisation of assets and the establishment of foreign exchange controls which may include the suspension of the ability to transfer currency from a given country.

The Fund can use derivatives to manage its exposure to stock markets, currencies and/ or interest rates and this exposes the Fund to contractual risk. Contractual risk includes the risk that a counterparty will not settle a transaction according to its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, causing the Fund to suffer a loss. Such contract counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Borrowing, leveraging, and trading securities on margin will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading, which the Fund may utilise, permit a high degree of leverage. As a result, a relatively small price movement in a futures or forward contract may result in immediate and substantial losses to the investor.

Important information for investors

Need more information?

You can obtain additional information about the Fund, including copies of the prospectus, application forms and the annual report, free of charge, by contacting the Allan Gray service team, at **+353 1 622 4716** or by email at **AGclientservice@citi.com**