

ANNUAL REPORT
ALLAN GRAY AFRICA EX-SA
BOND FUND LIMITED

2021

ALLAN GRAY

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ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED STRATEGY

as at 31 December 2014

The Allan Gray Africa ex-SA Bond Fund Limited (the 'Fund') invests in a focused portfolio of African (ex-South African) interest bearing assets that are selected for their perceived superior fundamental value and expected risk and return profile. The Fund seeks to achieve the maximum US dollar total return while minimising the risk

of loss within the context of an African bond fund. The benchmark is the J.P. Morgan GBI-EM Global Diversified Index. The Fund may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets. The Fund's holdings may deviate meaningfully from those in the index.

INVESTMENT MANAGER'S REPORT

TOTAL RATE OF RETURN IN US DOLLARS (NET OF ALL FEES AND EXPENSES)	% NOT ANNUALISED		% ANNUALISED
	SINCE INCEPTION ON 27 MARCH 2013	1 YEAR	LATEST QUARTER
Allan Gray Africa ex-SA Bond Fund	3.3	1.9	-4.2
J.P. Morgan GBI-EM Global Diversified Index ¹	-8.2	-5.7	-5.7

1. Source: J.P. Morgan

Note: The offshore sector includes insufficient comparables for a meaningful peer group comparison for the Fund.

Over the last quarter of 2014, the Fund's price decreased by 4.2%. The fall in commodity prices, particularly oil, was the main reason for the disappointing performance. Over the last year, however, the Fund's price increased by 1.9%. Although we target higher returns than this over the long term, a positive result is pleasing in a year characterised by emerging market weakness.

23.3% of the Fund is directly exposed to these risks via its holdings in Ghanaian and Nigerian government debt. As mentioned in previous commentaries, we believe Ghanaian bond prices compensate investors for their exposure to these risks. Ghanaian dollar bonds offer 8-9% yields while local currency bonds offer mid 20% yields in a currency that is 35% cheaper than it was a year ago. Regarding Nigeria, the Fund's exposure to naira-denominated debt has more than halved since June, limiting the impact of recent currency weakness.

The Fund is also exposed to the oil price via its holdings in corporate bonds. The largest oil related exposure is to Transglobe Energy, an Egyptian oil company. While a small oil producer in a volatile country may appear to be high risk, Transglobe's balance sheet is particularly strong. As of September 2014, Transglobe had US\$305m of

liquid assets (cash, debtors and inventory) and US\$300m of fixed assets, relative to US\$180m of total liabilities, about half of which is debt. In a liquidation scenario, all liabilities would be repaid in full even if Transglobe only recovered 60% of liquid assets and zero for fixed assets. A more probable scenario is that Transglobe remains a going concern and monetises its liquid assets to repay its debt.

Investors were being paid 8% yield to buy Transglobe convertible debt prior to the recent oil price fall. We found this attractive. With hindsight, we should have waited, since Transglobe convertible debt can now be bought at 15% yield. Despite this, the true test of whether Transglobe convertibles are a good investment will come when they mature in early 2017. Our analysis suggests that in most scenarios we should earn a double digit return on investment.

The lower oil price undoubtedly increases the risks of owning African debt. However, as outlined above, by focusing on long-term opportunities where valuation compensates for risks, we believe the Fund will generate attractive returns over time.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED STRATEGY

as at 31 December 2014

FUND POSITIONING ON 31 DECEMBER 2014

	LOCAL CURRENCY	US\$	% OF PORTFOLIO
GOVERNMENTS	32.1	15.1	47.2
Ghana	8.1	8.3	16.4
Zambia	7.5	5.4	12.9
Kenya	7.8	0.0	7.8
Nigeria	6.9	0.0	6.9
Tanzania	0.0	1.4	1.4
Uganda	0.9	0.0	0.9
Namibia	0.8	0.0	0.8
CORPORATE	0.0	49.9	49.9
Nigeria	0.0	28.4	28.4
Kenya	0.0	9.0	9.0
Egypt	0.0	8.7	8.7
Ghana	0.0	3.4	3.4
DRC	0.0	0.4	0.4
SUPRANATIONAL	1.2	0.0	1.2
Zambia	1.2	0.0	1.2
CASH¹	-	-	1.7
TOTAL²	33.3	65.1	100.0

1. Cash is held in multiple currencies.

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The directors of the Fund are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements for the year ended 31 December 2014 set out on pages 5 to 27 have been approved by the board of directors of the Fund and are signed on its behalf by:



John CR Collis
Director

6 March 2015



Craig Bodenstab
Director

6 March 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Allan Gray Africa ex-SA Bond Fund Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Allan Gray Africa ex-SA Bond Fund Limited set out on pages 5 to 27, which comprise the Statement of financial position as at 31 December 2014, and the Statement of comprehensive income, Statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Fund's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Allan Gray Africa ex-SA Bond Fund Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Inc.

Ernst & Young Inc
Director – Anthony Robert Cadman
Registered Auditor
Chartered Accountant
6 March 2015

Ernst & Young House
35 Lower Long Street
Cape Town 8000

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	2014 US\$	2013 US\$
INCOME	98 946	1 061 987*
Interest income	6 688 509	825 744
Dividend income	22 600	34 600
Realised gains on disposal of financial assets at fair value through profit or loss	227 725	278 547
Unrealised losses on financial assets at fair value through profit or loss	(6 839 888)	(76 904)
EXPENSES	(237 259)	(60 316)
Custodian fees	(82 569)	(26 952)
Bank charges	(22 097)	(10 425)
Withholding taxes	(109 947)	(8 650)*
Other expenses	(22 646)	(14 289)
CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	(138 313)	1 001 671

* Prior year figures were reclassified to separately disclose each component of net gains of financial assets at fair value through profit or loss.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	NOTES	2014 US\$	2013 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	108 920 582	28 307 744*
Amounts due from brokers		607 738	279 196*
Cash and cash equivalents		1 259 459	693 909*
TOTAL ASSETS		110 787 779	29 280 849
LIABILITIES			
Trade and other payables		27 940	12 094
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		27 940	12 094
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		110 759 839	29 268 755

*Prior year cash and cash equivalents and financial assets at fair value through profit or loss were reclassified to separately disclose unsettled transactions due from brokers.

Allan Gray Africa ex-SA Bond Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

for the year ended 31 December 2014

	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES US\$	NUMBER OF SHARES IN ISSUE	NET ASSET VALUE PER SHARE US\$
BALANCE AT 1 JANUARY 2013	-	-	
Increase in net assets attributable to holders of redeemable shares from transactions in shares	28 267 084	279 264	
Increase in net assets attributable to holders of redeemable shares as a result of operations	1 001 671		
BALANCE AT 31 DECEMBER 2013	29 268 755	279 264	104.81
Increase in net assets attributable to holders of redeemable shares from transactions in shares	81 629 397	746 388	
Decrease in net assets attributable to shareholders from operations	(138 313)		
BALANCE AT 31 DECEMBER 2014	110 759 839	1 025 652	107.99

STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	NOTES	2014 US\$	2013* US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	3.1	(127 312)	(51 666)
Working capital changes	3.2	(312 696)	(267 102)
Interest received, net of withholding tax		4 820 405	680 331
Dividends received, net of withholding tax		16 950	25 950
NET CASH GENERATED BY OPERATING ACTIVITIES		4 397 347	387 513
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(119 532 433)	(37 366 455)
Proceeds from sale of investments		34 071 239	9 405 767
NET CASH UTILISED IN INVESTING ACTIVITIES		(85 461 194)	(27 960 688)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		81 629 397	28 267 084
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		81 629 397	28 267 084
Net increase in cash and cash equivalents		565 550	693 909
Cash and cash equivalents at the beginning of the year		693 909	-
Effect of exchange rate changes on cash and cash equivalents		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1 259 459	693 909

* Prior year figures were restated to present the statement of cash flows according to the indirect method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

CORPORATE INFORMATION

Allan Gray Africa ex-SA Bond Fund Limited was incorporated on 16 November 2012 and is a limited liability company of unlimited duration. The Fund was launched to the public on 27 March 2013 and is a Bermuda exempted Mutual Fund Company. The Investment Manager of the Fund is Allan Gray International Proprietary Limited (the 'Investment Manager'). Allan Gray Proprietary Limited is the Investment Advisor to the Fund.

The Fund invests in a focused portfolio of African (ex-South African) interest bearing assets, regardless of the location of the stock exchange listing. The assets are selected for their perceived superior fundamental value and expected risk and return profile. The Fund may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets.

1. ACCOUNTING STANDARDS AND POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost, in accordance with International Financial Reporting Standards ('IFRS'). These financial statements are presented in US dollars, being the functional currency of the Fund.

1.2 IFRS

The Fund has adopted all new and revised Standards, Interpretations and Amendments issued by the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for the annual accounting period ended 31 December 2014.

The significant accounting policies adopted in the preparation of the financial statements are set out below and are in accordance with and comply with IFRS.

STATEMENTS/INTERPRETATIONS/AMENDMENTS	EFFECTIVE DATE YEARS BEGINNING ON/AFTER	EXPECTED IMPACT
IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014	No significant impact
IFRS 10 IFRS 10 - Investment entities exemption	1 January 2014	No significant impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The following new or revised IFRS statements, interpretations and amendments applicable to the Fund have been issued but are not yet effective.

STATEMENTS/INTERPRETATIONS/AMENDMENTS		EFFECTIVE DATE YEARS BEGINNING ON/AFTER	EXPECTED IMPACT
IFRS 9	Financial instruments disclosure	1 January 2018	Impact still being determined
IAS 24	Key management personnel	1 July 2014	No significant impact
IFRS 15	Revenue for contracts with customers	1 January 2017	Impact still being determined, no significant impact expected

A number of other changes, that are effective for accounting periods ended after 31 December 2014, have been issued by the IASB and IFRS Interpretations Committee. However, these are not considered relevant to the Fund's operations.

1.3 ACCOUNTING POLICIES

The Fund has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are set out below and have been consistently applied.

1.3.1 REVENUE

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Fund and the amount of revenue can be measured reliably.

Interest is recognised in the Statement of comprehensive income, gross of withholding taxes.

Dividends on preference shares are recognised when the last date to register for the dividend has passed. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of comprehensive income.

Unrealised gains and losses comprise changes in the fair value of financial assets for the period.

Realised gains and losses on disposal on financial assets classified as at fair value through profit or loss are calculated using the weighted average basis. This represents the difference between an instrument's weighted average cost and disposal amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

1.3.2 MANAGEMENT FEE

The Investment Manager is entitled to receive a fixed fee of 1.00% per annum of the Fund's daily value. The fixed fee is calculated and accrued daily and paid by the Fund to the Investment Manager monthly in arrears.

1.3.3 DISTRIBUTIONS TO HOLDERS OF REDEEMABLE SHARES

Distributions from the Fund will be automatically reinvested in additional redeemable shares unless a holder of redeemable shares requests in writing that any dividends be paid to them.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Fund until claimed. No dividend shall bear interest against the Fund. An entitlement shall lapse in favour of the Fund if not claimed within twelve years after the accrual of such entitlement.

1.3.4 TAXATION

There are no Bermuda income, corporation, or profits taxes, withholding taxes, capital gains taxes, capital transfer taxes, estate or stamp duty or inheritance taxes payable by the Fund or its Members in respect of shares in the Fund. The Bermuda Government has undertaken that in the event that any income, profit, transfer capital, capital gains, estate or inheritance taxes are levied in Bermuda in the future, the Fund and its shares will be exempt from such taxes until 30 March 2035.

Income from the Fund's investments, however, may be subject to taxes withheld at source in certain countries.

1.3.5 EXPENSES

Any interest expense is recognised on an accrual basis using the effective interest method. All other expenses are recognised in profit or loss on an accrual basis.

1.3.6 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

CLASSIFICATION

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund classifies its investments in debt instruments as financial assets at fair value through profit or loss.

Financial instruments designated as at fair value through profit or loss upon initial recognition comprise debt instruments that are not held for trading. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Fund.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash and cash equivalents and amounts due from brokers.

FINANCIAL LIABILITIES

Trade and other payables, including amounts due to brokers, are classified as financial liabilities at amortised cost which are measured at amortised cost. Net assets attributable to holders of redeemable shares are held at fair value (refer to note 1.3.10).

RECOGNITION

A 'regular way' contract is one that requires the delivery of an asset within the time frame established, generally by regulation or convention within the marketplace concerned. Regular way purchases and sales of financial assets are recognised using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or to sell an asset.

MEASUREMENT

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recorded in the Statement of financial position at fair value. All

transaction costs for such instruments are recognised directly in profit or loss.

Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in Net gain or loss on financial assets and liabilities at fair value through profit or loss in the Statement of comprehensive income.

LOANS AND RECEIVABLES AND FINANCIAL LIABILITIES AT AMORTISED COST

Initial measurement

Loans and receivables and financial liabilities at amortised cost are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Subsequent measurement

Subsequent to initial recognition, loans and receivables and financial liabilities at amortised cost are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired
- The Fund has transferred its rights to receive cash flows from the asset, or

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

- The Fund has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

ASSETS CARRIED AT AMORTISED COST

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced directly. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its original amortised cost at the reversal date.

DETERMINATION OF FAIR VALUE

Financial instruments carried at fair value are valued based on a quoted price in an active market. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

An analysis of fair values of financial instruments and further details as to how they are measured, are provided in note 5.2.

OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability are offset, and the net amount presented in the Statement of financial position, only when the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are only offset to the extent that their related instruments have been offset in the Statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

1.3.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

1.3.8 AMOUNTS DUE FROM AND DUE TO BROKERS

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased (in a regular way transaction) that have been contracted for but not yet settled or delivered on the Statement of financial position date. These are included in trade and other receivables and trade and other payables respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

1.3.9 FOREIGN CURRENCIES

Functional and presentation currency

The financial statements of the Fund are presented in US Dollars, which is the functional and presentation currency. The performance of the Fund is measured and reported to holders of redeemable shares in US Dollars relative to its benchmark and its shares are priced in US Dollars. The Investment Manager

considers the US Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Foreign currency translation

Foreign currency transactions, including purchases and sales of securities, income and expenses, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Gains and losses arising from the translation of these monetary assets and liabilities are recognised in profit or loss. Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included as part of realised gains or losses on disposal of financial assets at fair value through profit or loss.

1.3.10 REDEEMABLE SHARES AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

The Fund's redeemable shares are not the most subordinate class of shares. Therefore, these are classified as financial liabilities in the Statement of financial position and disclosed as net assets attributable to holders of redeemable shares.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

Redeemable shares are issued and redeemed based on the Fund's net asset value per share, calculated by dividing the net assets of the Fund, calculated in accordance with the Fund's Prospectus, by the number of redeemable shares in issue.

The Fund's assets are valued primarily on the basis of closing market quotations or official closing prices on each valuation day. If closing market quotations or official closing prices are not readily available or do not accurately reflect the fair value of the Fund asset or if the value of the 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, that asset will be valued by another method that the board of directors believes accurately reflects fair value in accordance with the valuation methodology described in the Fund's Prospectus.

1.3.11 CRITICAL JUDGEMENT IN APPLYING THE FUND'S ACCOUNTING POLICIES

FAIR VALUE OF FINANCIAL INSTRUMENTS

Non-government securities in Africa tend to be very illiquid and there is often no market price to use for mark-to-market purposes. If there is no market price, illiquid assets will be valued relative to an

appropriate reference asset, such as government debt in the country and currency of domicile. The calculation between the illiquid asset and the reference asset will be kept unchanged unless there is a deterioration or substantial improvement in the credit quality. The Investment Manager will assess changes in the credit quality and make appropriate adjustments on a monthly basis. Changes to the calculation may be made intra-month in the case of a rapid deterioration in quality.

The Investment Manager will use best efforts to obtain an independent third party to value the illiquid assets quarterly.

1.3.12 FINANCIAL RESULTS

The results of operations for the year are prepared in terms of IFRS and are set out in the accompanying Statement of comprehensive income and Statement of cash flows for the year ended 31 December 2014 as well as the Statement of financial position as at 31 December 2014.

1.3.13 EVENTS SUBSEQUENT TO YEAR END

There were no significant events subsequent to year end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

	2014 US\$	2013 US\$
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2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Money market instruments	16 963 533	9 182 581
Gilts and semi-gilts	91 800 649	18 657 763
Preference shares	156 400	467 400
	108 920 582	28 307 744

3. NOTES TO THE STATEMENT OF CASH FLOWS**3.1 NET CASH OUTFLOW FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES**

(Loss)/Profit for the year	(138 313)	1 001 671
ADJUSTMENTS		
Interest income, net of withholding tax	(6 584 212)	(825 744)
Dividend income, net of withholding tax	(16 950)	(25 950)
Realised gains on disposal of financial assets at fair value through profit or loss	(227 725)	(278 547)
Unrealised losses on financial assets at fair value through profit or loss	6 839 888	76 904
	(127 312)	(51 666)

3.2 WORKING CAPITAL CHANGES

Increase in amounts due from brokers	(328 542)	(279 196)
Increase in trade and other payables	15 846	12 094
	(312 696)	(267 102)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

4. RELATED PARTY TRANSACTIONS

Key management personnel of the Investment Advisor and the Investment Manager and the directors of the Fund held no shares, directly or indirectly in the Fund at 31 December 2014 and 31 December 2013.

A related party relationship exists between Allan Gray Orbis Foundation and the Investment Manager of the Fund, by virtue of a common co-founder. Allan Gray Orbis Foundation held 1 537 shares in the Fund at 31 December 2014 (2013: 1 262 shares).

The Investment Manager is wholly owned by Allan Gray Group Proprietary Limited. At 31 December 2014, Allan Gray Group Proprietary Limited held no shares in the Fund (2013: 81 606 shares). Allan Gray Life Limited, a fellow subsidiary of the Investment Manager, held 174 242 shares in the Fund (2013: 134 836 shares).

At 31 December 2014, the Allan Gray Unit Trust funds held 623 073 shares in the Fund (2013: nil shares).

5. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

5.1 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The directors of the Fund have defined that the Fund's investment portfolio may comprise interest bearing securities, cash and cash equivalents, government and corporate debt, convertible bonds, securitised debt, preference shares and derivative instruments where the underlying asset is a debt security. The Fund may invest in listed and unlisted securities as well as unrated securities and these securities may be denominated in local or foreign currency. The Fund invests in a focused portfolio of assets that are selected for their perceived superior fundamental value and expected risk and return profile. The Fund seeks to take advantage of opportunities that arise and may invest a substantial portion of the assets in a single country or region rather than a diversified portfolio of assets with exposure to a basket of African countries. The Fund defines "African Securities" as securities issued by entities that are African but not South African in nature. The Fund's asset allocation will be flexible amongst the various fixed income asset classes.

MARKET RISK

The Fund's investing activities expose holders of Fund shares to various types of risk that are associated with the financial instruments and markets in which the Fund invests. Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate, foreign currency and other price risks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk as it invests in interest bearing instruments. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

The table below illustrates the effect of reasonably

possible changes in prevailing interest rates, with all other variables held constant. This analysis ignores operating bank accounts in the underlying Fund.

Modified duration is used to estimate the change in the net assets attributable to holders of redeemable shares as a result of a change in interest rates. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance.

ASSETS	SENSITIVITY TO CHANGES IN INTEREST RATES			
	2014	INVESTMENT VALUE (US\$)	+ 0.50% OR - 0.50%	+ 1.00% OR - 1.00%
MONEY MARKET INSTRUMENTS		16 963 533	19 509	39 016
Denominated in Nigerian naira		7 687 483	8 841	17 681
Denominated in Ugandan shilling		1 002 395	1 153	2 306
Denominated in Zambian kwacha		8 273 655	9 515	19 029
GILTS AND SEMI-GILTS		91 800 649	1 257 669	2 515 338
Denominated in Canadian dollar		9 659 696	132 338	264 676
Denominated in Ghanaian cedi		8 998 207	123 275	246 551
Denominated in Kenyan shilling		8 677 306	118 879	237 758
Denominated in Namibian dollar		902 305	12 362	24 723
Denominated in US dollar		62 242 977	852 729	1 705 458
Denominated in Zambian kwacha		1 320 158	18 086	36 172

Coupon rates on bonds range between 6.0% and 26.0%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

ASSETS	SENSITIVITY TO CHANGES IN INTEREST RATES		
	INVESTMENT VALUE (US\$)	+ 0.50% OR - 0.50%	+ 1.00% OR - 1.00%
2013			
MONEY MARKET INSTRUMENTS	9 182 581	117 996	235 992
Denominated in Malawian kwacha	1 105 784	14 209	28 418
Denominated in Nigerian naira	7 568 459	97 255	194 510
Denominated in US dollar	508 338	6 532	13 064
GILTS AND SEMI-GILTS	18 657 763	239 752	479 503
Denominated in Canadian dollar	2 473 019	31 778	63 556
Denominated in Ghanaian cedi	1 703 170	21 886	43 772
Denominated in Kenyan shilling	993 252	12 763	25 526
Denominated in Namibian dollar	941 145	12 094	24 187
Denominated in US dollar	11 027 133	141 698	283 396
Denominated in Zambian kwacha	1 520 044	19 533	39 066

Coupon rates on bonds range between 5.4% and 26.0%.

FOREIGN CURRENCY RISK

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund undertakes certain transactions denominated in foreign currencies and hence is exposed to the effects of exchange rate fluctuations.

The following table indicates the currencies to which the Fund had exposure at 31 December 2014 and 31 December 2013 on its monetary financial assets and liabilities. It illustrates the effect of reasonably possible changes in exchange rates, with all other

variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance. A positive number indicates a decrease in net assets attributable to holders of redeemable shares where the US Dollar strengthens against the relevant currency. For a weakening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the net assets attributable to holders of redeemable shares, and the balances below would be negative.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

2014	CURRENCY IMPACT IN US\$							
	CANADIAN DOLLAR (CAD)	GHANAIAI CEDI (GHS)	KENYAN SHILLING (KES)	MALAWIAN KWACHA (MWK)	NAMIBIAN DOLLAR (NAD)	NIGERIAN NAIRA (NGN)	UGANDAN SHILLING (UGX)	ZAMBIAN KWACHA (ZMW)
Monetary financial assets	9 659 695	8 998 207	8 677 306	10 267	910 947	7 727 270	1 002 395	9 601 827
+5%	482 985	449 910	433 865	513	45 547	386 363	50 120	480 091
+10%	965 970	899 820	867 732	1 026	91 095	772 727	100 240	960 183
+20%	1 931 939	1 799 640	1 735 463	2 052	182 188	1 545 453	200 478	1 920 364

2013	CURRENCY IMPACT IN US\$							
	CANADIAN DOLLAR (CAD)	GHANAIAI CEDI (GHS)	KENYAN SHILLING (KES)	MALAWIAN KWACHA (MWK)	NAMIBIAN DOLLAR (NAD)	NIGERIAN NAIRA (NGN)	ZAMBIAN KWACHA (ZMW)	
Monetary financial assets	2 473 018	1 703 170	993 252	1 119 707	950 665	8 088 863	1 520 044	
+5%	123 651	85 158	49 663	55 985	47 533	404 443	76 002	
+10%	247 302	170 316	99 326	111 970	95 066	808 886	152 004	
+20%	494 604	340 632	198 652	223 940	190 132	1 617 772	304 008	

The closing foreign exchange rates at 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
USD: CAD	1.16	1.06
USD: GHS	3.22	2.37
USD: KES	90.70	86.45
USD: MWK	475.96	430.00
USD: NAD	11.57	10.51
USD: NGN	183.02	159.45
USD: UGX	2 777.78	2 527.00
USD: ZMW	6.39	5.51

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

At year end, financial assets exposed to credit risk included debt instruments. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. The Investment Manager monitors the creditworthiness of the Fund's counterparties (e.g. brokers, custodians and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis. In accordance with the investment restrictions as described in the Fund's Prospectus, no more than 10% of the Fund may be invested in any one corporate's debt securities. This limit does not apply to cash held in a bank. The Fund may own no more than 25% of any one corporate's outstanding debt. The sum of individual corporate credit exposures exceeding 5% may not exceed 60% of the Fund. The Fund may not enter into uncovered derivative positions. The Investment Manager's compliance department monitors compliance with applicable regulations and the investment mandate on a daily basis.

The carrying amount of financial assets recorded in the financial statements, represents redeemable

shareholders' maximum exposure to credit risk.

The table below provides an analysis of the credit quality of the Fund's debt securities at reporting date by rating agency category. The credit quality has been assessed by reference to S&P credit ratings and where unavailable, Fitch ratings have been used. Ratings are presented in ascending order of credit risk.

CREDIT RATING	2014 % OF DEBT SECURITIES	2013 % OF DEBT SECURITIES
AAA	1.2	5.2
B+	20.7	9.2
B	11.3	54.5
B-	16.4	-
BB-	22.4	2.6
BBB	0.9	3.2
UNRATED	25.5	22.0
	98.4	96.7

Note that the balance (1.6% of the Fund's assets) (2013: 3.3% of the Fund's assets) comprises cash and cash equivalents which have been excluded from the table above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

RISK CONCENTRATIONS OF THE MAXIMUM EXPOSURE TO CREDIT RISK

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration of credit risk is managed by counterparty and geographical region.

The following table contains an analysis of the concentration of credit risk in the Fund's debt portfolio by geographical distribution (based on counterparties' country of domicile):

COUNTRY OF ISSUER ON 31 DECEMBER	2014 % OF FUND	2013 % OF FUND
Nigeria	35.4	36.0
Ghana	19.8	10.2
Kenya	16.9	3.4
Zambia	14.1	9.5
Canada	8.7	11.0
Tanzania	1.4	5.5
Uganda	0.9	-
Namibia	0.8	3.2
BRVM*	0.4	2.3
Rwanda	-	6.6
Malawi	-	3.8
Mozambique	-	3.5
Zimbabwe	-	1.7
Cash	1.6	3.3
TOTAL¹	100.0	100.0

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

* Bourse Régionale des Valeurs Mobilières SA

LIQUIDITY RISK

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund invests in markets that are considered emerging markets. Such markets are generally less mature and developed than those in advanced countries. Liquidity risk management rests with the Investment Manager, which has built an appropriate liquidity risk management framework for the management of the Fund's short-, medium- and long-term funding and liquidity management requirements.

The Fund's redeemable shares are redeemable for cash equal to the proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to weekly redemptions by the holders of redeemable shares.

The Fund may not borrow other than to meet redemptions. Such borrowing is limited to 10% of the Fund's Net Asset Value and must be repaid as soon as practically possible. The Investment Manager's compliance department monitors compliance with the applicable requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The Fund manages its obligation to repurchase shares when required to do so and its overall liquidity risk by: Where total Members' redemptions on any dealing day are more than 4% of the total number of issued redeemable shares, the Investment Manager may, at its discretion, redeem only 4% of the total number of issued redeemable shares of the Fund, on a pro-rata basis, per dealing day. If any redemptions requests are not satisfied in full, the balance thereof will be carried forward to the

following dealing day, subject to the same 4% restriction.

The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2014.

MATURITIES	US\$				
	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 7 YEARS	GREATER THAN 7 YEARS	TOTAL
FINANCIAL ASSETS					1 10 787 779
Cash and cash equivalents	1 259 459	-	-	-	1 259 459
Money market instruments	16 963 533	-	-	-	16 963 533
Gilts and semi-gilts	1 993 794	24 710 910	43 443 159	21 652 786	91 800 649
Preference shares	-	-	156 400	-	156 400
Amounts due from brokers	607 738	-	-	-	607 738
FINANCIAL LIABILITIES					(110 787 779)
Net assets attributable to holders of redeemable shares	(110 759 839)	-	-	-	(110 759 839)
Accounts payable	(27 940)	-	-	-	(27 940)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The following table analyses the contractual maturities of the Fund's financial assets and financial liabilities as at 31 December 2013.

MATURITIES	US\$				
	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 7 YEARS	GREATER THAN 7 YEARS	TOTAL
FINANCIAL ASSETS					29 280 849
Cash and cash equivalents	693 909	-	-	-	693 909
Money market instruments	9 182 581	-	-	-	9 182 581
Gilts and semi-gilts	-	666 534	10 900 395	7 090 834	18 657 763
Preference shares	-	-	467 400	-	467 400
Amounts due from broker	279 196	-	-	-	279 196
FINANCIAL LIABILITIES					(29 280 849)
Net assets attributable to holders of redeemable shares	(29 268 755)	-	-	-	(29 268 755)
Accounts payable	(12 094)	-	-	-	(12 094)

5.2 FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Loans and receivables are usually held for the instrument's entire life, being periods not exceeding a year. The carrying amount of these instruments closely approximates the fair value. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either

directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When the fair value of instruments, at the reporting date, are based on quoted market prices, the instruments are included within Level 1 of the hierarchy.

Level 2 inputs include valuations based on quoted prices (in non-active markets or in active markets for similar assets or liabilities), or observable inputs other than quoted prices. In the event that the Fund's financial instruments are not measured at the quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Financial instruments are valued using discounted cash flow analysis based on assumptions supported, where

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

possible, by observable market prices or rates. To the extent that these inputs are observable, the Fund classifies the fair value of these instruments as Level 2. The Fund holds investments in debt instruments that are listed on an exchange but are priced based on binding dealer price quotations. These instruments are valued using observable inputs, such as recently executed transaction prices which can be observed

for the same instrument. The Fund classifies the fair value of these instruments as Level 2.

The fair value of cash and cash equivalents is generally considered to be the amount held on deposit at the relevant institution. When considered necessary a credit spread will be applied. This is considered a Level 2 valuation.

The table below analyses financial instruments, measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	US\$			
	QUOTED MARKET PRICES	OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	TOTAL
FINANCIAL ASSETS				
Money market instruments	-	16 963 533	-	16 963 533
Preference shares	-	156 400	-	156 400
Gilts and Semi-Gilts	55 304 440	36 496 209	-	91 800 649
	55 304 440	53 616 142	-	108 920 582
FINANCIAL LIABILITIES				
Net assets attributable to holders of redeemable shares	110 759 839	-	-	110 759 839
	110 759 839	-	-	110 759 839

There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2014.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The table below analyses financial instruments, measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	US\$			
	QUOTED MARKET PRICES	OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	TOTAL
FINANCIAL ASSETS				
Money market instruments	-	9 182 581	-	9 182 581
Preference shares	-	467 400	-	467 400
Gilts and Semi-Gilts	16 723 365	1 934 398	-	18 657 763
	16 723 365	11 584 379	-	28 307 744
FINANCIAL LIABILITIES				
Net assets attributable to holders of redeemable shares	29 268 755	-	-	29 268 755
	29 268 755	-	-	29 268 755

After reconsidering the benchmark used to define 'actively traded', it was decided to reallocate prior year amounts to the value of \$6 832 182 from Level 1 to Level 2.

There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2013.

DERIVATIVE INSTRUMENTS

There were no derivative transactions for the financial years ended 31 December 2014 and 31 December 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

6. SHARE CAPITAL

AUTHORISED AND ISSUED CAPITAL

The authorised share capital of the Fund is US\$10 000 comprising redeemable participating shares with a par value of US\$0.0001 each and Founders' Shares with a par value of US\$0.01 each.

The Fund's authorised share capital at 31 December 2014 and 31 December 2013 is detailed below.

	AUTHORISED SHARES	PAR VALUE PER SHARE	SHARE CAPITAL (US\$)
Redeemable shares	99 990 000	0.0001	9 999
Founders' shares	100	0.01	1
Total			10 000

NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

The redeemable participating shares are issued as Class A or Class B shares, which participate pro-rata in the Fund's net assets and dividends, and are redeemable and non-voting. The Fund's capital is represented by these redeemable participating shares. Quantitative information about the Fund's capital is provided in the Statement of changes in net assets attributable to holders of redeemable shares.

FOUNDERS' SHARES

Founders' shares do not participate in the Fund's portfolio, are redeemable at par value only after all Fund shares have been redeemed, and carry the right to vote. If the Fund is wound up or dissolved, the Founders' shares will participate only to the extent of their par value. All of the authorised Founders' shares of the Fund have been issued as fully paid and are held by the Investment Manager.

NOTICES

SOURCES

Allan Gray Returns: Allan Gray Proprietary Limited using single pricing; J.P. Morgan GBI-EM Global Diversified Index (source J.P. Morgan). The Index is derived from sources that are considered reliable. J.P. Morgan Securities LLC ("JPMS") does not warrant its completeness or accuracy or any other information furnished in connection with the Index. The Index is the exclusive property of JPMS and JPMS retains all property rights therein.

EUROPEAN UNION SAVINGS DIRECTIVE

The board of directors of the Fund believes that the Fund is effectively exempt from the application of the scope of the European Union Savings Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments.

UNITED KINGDOM DISTRIBUTOR STATUS / REPORTING FUND STATUS

The Fund was accepted into the United Kingdom Reporting Fund regime with effect from 1 January 2014. The Fund will apply for reporting fund status for

the year ended 31 December 2014 and subsequent years. The board of directors intend to manage the Fund in such a way that it shall be certified as a reporting fund. There can be no assurance that the Fund's intended applications for reporting fund status will be successful.

NOTICE TO PERSONS IN THE EUROPEAN ECONOMIC AREA (EEA)

The Fund is an Alternative Investment Fund that will not be marketed in the EEA for purposes of the Alternative Investment Fund Managers Directive (AIFMD). As a result, the manager of the Fund will not comply with the requirements of the AIFMD and investors will not have any of the protection of the AIFMD, including but without limitation, certain initial disclosure requirements, period reporting on illiquid assets and leverage, and certain annual reporting requirements.

NOTICES

RISK WARNINGS

There is no assurance that the investment approach of the Fund will be successful or that the Fund will achieve its investment objective. It should be appreciated that the value of shares in the Fund can increase as well as decrease, that investors may not realise the amount initially invested, and that past performance data is not necessarily indicative of future performance. The Fund may be invested in markets which are considered to be emerging markets. Such markets are generally less mature and developed than those in developed countries. There are significant risks involved in investing in emerging markets 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's contractual

risk is increased to the extent it uses derivatives to manage its exposure to stock markets, currencies and/ or interest rates. Contractual risk includes the risk that a counterparty will not settle a transaction in accordance with 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, thus causing the Fund to suffer a loss. Such '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 utilized by the Fund permit a high degree of leverage; accordingly, a relatively small price movement in a futures or forward contract may result in immediate and substantial losses to the investor.

CHARACTERISTICS

STRUCTURE: Open-ended investment company.

MINIMUM INITIAL INVESTMENT: US\$100 000 or the equivalent in any major currency.

DEALING DAY: Weekly, each Thursday.

CUT-OFF TIMES: For subscriptions, a properly completed application form, together with the corresponding payment, must be received by the Fund's Registrar by 5pm (South Africa time).

For redemptions, a properly completed application form must be received by the Fund's Registrar by 12pm (South Africa time).

PRICES AVAILABLE FROM: The latest weekly price of the Fund is normally calculated each Friday. The price may be obtained:

- by telephoning Allan Gray,
- by emailing africanfund@allangray.co.za, and
- from Bloomberg.

REGULATION: The Fund is regulated by the Bermuda Monetary Authority.

DIRECTORS: Craig Bodenstab
John C R Collis
Andrew Lapping
Tapologo Motshubi

INVESTMENT ADVISOR: Allan Gray Proprietary Limited

PRIMARY CUSTODIAN: Standard Chartered Bank (Mauritius) Limited