

2015

ANNUAL REPORT **ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED**

ALLAN GRAY

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ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED STRATEGY

as at 31 December 2015

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)	% ANNUALISED		
	SINCE INCEPTION ON 27 MARCH 2013	2 YEAR	1 YEAR
Allan Gray Africa ex-SA Bond Fund ¹	-1.8	-4.3	-10.3
J.P. Morgan GBI-EM Global Diversified Index ²	-10.7	-10.4	-14.9

1. The net of fee return is calculated as the gross of fee return reduced by an investment management fee of 1% per annum, which is accrued monthly in arrears.
2. J.P. Morgan GBI-EM Global Diversified Index (source J.P. Morgan), performance as calculated by Allan Gray as at 31 December 2015. Calculation based on the latest available data as supplied by third parties.

The yield spread between two similar maturity fixed interest instruments denominated in the same currency represents the relative credit risk between them. For example, South African government bonds denominated in US dollars currently yield 2.8% more than US Treasury bonds to compensate investors for well-known South Africa specific risks.

Three years ago the yield spreads between African sovereign Eurobonds and the US 10-year Treasury bond were 2.2%, 3.6% and 4.6% for Nigeria, Zambia and Ghana respectively. Investors were willing to accept relatively low reward for taking on the risk of these developing African economies. In hindsight this was a mistake. These yield spreads have since increased to 6%, 8.9% and 9.8% for Nigeria, Zambia and Ghana respectively. Lower commodity prices, questionable macroeconomic policies and lower global liquidity are possible reasons, but the most likely explanation is that risk was mispriced three years ago and the yield spread is now more appropriate.

The increase in African spreads represents an opportunity for long-term investors such as the Fund. The annual

income from a Zambian Eurobond is four times more than that from a US Treasury bond, providing significant downside protection within a diversified portfolio. The risk is that Zambia, or similar African governments, default on their foreign currency obligations. We think such a default is unlikely due to the probable consequence of foreign capital exodus. However, it is possible and we are cognisant that some African governments may lack the political will to make necessary but unpopular macroeconomic adjustments.

A sovereign default would be disappointing, but should be kept in context. Provided all coupons are paid, an equally weighted basket of five African Eurobonds yielding 10% per annum over 10 years would outperform a US Treasury bond yielding 2.2% per annum, even if four of the five African Eurobonds repaid zero bond capital. This scenario of four African sovereign defaults is unlikely, and as such the risk-reward on the Fund's portfolio is attractive.

We remain cautious on the outlook for African economies, but we believe the yields on the Fund's holdings compensate for the risks. We continue to limit the Fund's exposure to local currency risk.

ALLAN GRAY AFRICA EX-SA BOND FUND LIMITED STRATEGY

as at 31 December 2015

FUND POSITIONING ON 31 DECEMBER 2015

	LOCAL CURRENCY	FOREIGN CURRENCY	% OF PORTFOLIO
Governments	9.5	31.9	41.4
Zambia	4.2	10.2	14.4
Kenya	4.4	3.0	7.4
Nigeria	0.0	7.3	7.3
Ghana	0.0	6.3	6.3
Tanzania	0.0	3.9	3.9
Rwanda	0.0	1.2	1.2
Uganda	0.9	0.0	0.9
Corporate	1.0	53.5	54.5
Nigeria	0.0	32.1	32.1
Ghana	0.0	8.4	8.4
Kenya	1.0	5.9	6.9
Egypt	0.0	6.9	6.9
DRC	0.0	0.2	0.2
Supranational	0.5	0.0	0.5
Zambia	0.5	0.0	0.5
Cash¹	0.1	3.6	3.6
Total²	11.0	89.0	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 2015

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 2015 set out on pages 5 to 28 have been approved by the board of directors of the Fund and are signed on its behalf by:



John CR Collis
Director

29 February 2016



Craig Bodenstab
Director

29 February 2016

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 28, which comprise the Statement of financial position as at 31 December 2015, 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 2015, 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
4 March 2016

Ernst & Young House
35 Lower Long Street
Cape Town 8000

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	NOTES	2015 US\$	2014 US\$
NET INVESTMENT (LOSS) / INCOME		(15 281 917)	98 946
Interest income		14 933 175	6 688 509
Dividend income		53 400	22 600
Realised (losses) / gains on disposal of financial assets at fair value through profit or loss		(9 990 384)	227 725
Unrealised losses on financial assets at fair value through profit or loss		(20 413 924)	(6 839 888)
Income adjustments on creation and cancellation of shares		135 816	-
EXPENSES		(453 984)	(237 259)
Custodian fees		(82 047)	(82 569)
Bank charges		(14 958)	(22 097)
Withholding taxes		(261 079)	(109 947)
Other expenses		(95 900)	(22 646)
CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES BEFORE FINANCE COSTS		(15 735 901)	(138 313)
Finance cost - distribution to holders of redeemable shares	7	(12 092 127)	-
CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		(27 828 028)	(138 313)

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	NOTES	2015 US\$	2014 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	146 336 033	108 920 582
Trade and other receivables	3	3 946 418	607 738
Cash and cash equivalents		5 033 958	1 259 459
TOTAL ASSETS		155 316 409	110 787 779
LIABILITIES			
Trade and other payables		13 128	27 940
Distribution payable	7	6 311 301	-
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		6 324 429	27 940
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		148 991 980	110 759 839

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 2015

	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES US\$	NUMBER OF SHARES IN ISSUE	NET ASSET VALUE PER SHARE US\$
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
Increase in net assets attributable to holders of redeemable shares from transactions in shares	66 060 169	618 534	
Decrease in net assets attributable to shareholders from operations	(27 828 028)		
BALANCE AT 31 DECEMBER 2015	148 991 980	1 644 186	90.62

STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	NOTES	2015 US\$	2014 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	4.1	(57 089)	(127 312)
Working capital changes	4.2	(16 260)	(312 696)
Interest received, net of withholding tax		11 348 214	4 820 405
Dividends received, net of withholding tax		40 050	16 950
NET CASH GENERATED BY OPERATING ACTIVITIES		11 314 915	4 397 347
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(117 429 328)	(119 532 433)
Proceeds from sale of investments		49 609 569	34 071 239
NET CASH UTILISED IN INVESTING ACTIVITIES		(67 819 759)	(85 461 194)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		60 279 343	81 629 397
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		60 279 343	81 629 397
Net increase in cash and cash equivalents		3 774 499	565 550
Cash and cash equivalents at the beginning of the year		1 259 459	693 909
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		5 033 958	1 259 459

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

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 2015.

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.

The following new IFRS standards, interpretations and amendments applicable to the Fund were adopted during the year.

STATEMENTS/INTERPRETATIONS/AMENDMENTS		EFFECTIVE DATE YEARS BEGINNING ON/AFTER	IMPACT
IAS24	Related Party Disclosures (Amendment)	1 July 2014	No material impact
IFRS13	Fair Value Measurement (Amendment)	1 July 2014	No material impact

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

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
IFRS7	Financial Instruments Disclosures (Amendments)	1 January 2016	No material impact
IFRS15	Revenue from contracts with customers	1 January 2018	Impact still to be determined
IFRS9	Financial Instruments	1 January 2018	Impact still to be determined
IFRS12	Disclosure of Interests in Other Entities (Amendment)	1 January 2018	No material impact

A number of other changes, that are effective for accounting periods ended after 31 December 2015, 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 income is accrued for on a daily basis using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its carrying value. Interest income includes income from cash and cash equivalents, debt securities and money market instruments. Interest income 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 2015

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 for Class A. The fixed fee is calculated and accrued daily and paid by the Fund to the Investment Manager monthly in arrears. A zero fee is levied for Class B.

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. Distributions to holders of redeemable shares are recognised in the Statement of comprehensive income as finance costs.

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, 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 INCOME ADJUSTMENTS

Income adjustments on creation/cancellation of shares represent the income portion of the price received or paid when shares are created or cancelled. The income portion of the price received by the Fund on creation of shares is, in effect, a payment by shareholders for entitlement to a distribution of income that was earned by the Fund before they joined. The income portion of the price paid to shareholders when shares are cancelled is, in effect, compensation for the income distribution they will forfeit when exiting the Fund before the distribution date. The income adjustment on creation or cancellation of shares is recognised when shares from which it arises are either purchased or sold.

1.3.7 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

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for the year ended 31 December 2015

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.

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 and distributions payable, 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 1.3.11).

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 unrealised gains or losses 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

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
- 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 6.2.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

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

1.3.8 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.

1.3.9 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.

1.3.10 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 date the fair value is measured, 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.

1.3.11 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 2015

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.

1.3.12 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.

1.3.13 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 2015 as well as the Statement of financial position as at 31 December 2015.

1.3.14 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 2015

	2015 US\$	2014 US\$
2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Money market instruments	6 310 575	16 963 533
Gilts and semi-gilts	139 964 754	91 800 649
Preference shares	60 704	156 400
	146 336 033	108 920 582

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of interest and dividend receivables from investments, as well as receivables due from stockbrokers for deals not settled at year end.

Interest receivable	3 337 232	-
Amounts due from brokers	609 186	607 738
	3 946 418	607 738

4. NOTES TO THE STATEMENT OF CASH FLOWS**4.1 NET CASH OUTFLOW FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES**

Loss for the year	(27 828 028)	(138 313)
ADJUSTMENTS		
Interest income, net of withholding tax	(14 685 446)	(6 584 212)
Dividend income, net of withholding tax	(40 050)	(16 950)
Realised losses / (gains) on disposal of financial assets at fair value through profit or loss	9 990 384	(227 725)
Unrealised losses on financial assets at fair value through profit or loss	20 413 924	6 839 888
Finance cost - distribution to holders of redeemable shares	12 092 127	-
	(57 089)	(127 312)

4.2 WORKING CAPITAL CHANGES

Increase in amounts due from brokers	(1 448)	(328 542)
(Decrease)/increase in trade and other payables	(14 812)	15 846
	(16 260)	(312 696)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

5. RELATED PARTY TRANSACTIONS

The directors of the Investment Manager and the directors of the Fund held no shares, directly or indirectly in the Fund at 31 December 2015 and 31 December 2014.

Allan Gray Life Limited, a fellow subsidiary of the Investment Manager, held 326 318 shares in the Fund (2014: 174 242 shares).

A related party relationship exists between Allan Gray Orbis Foundation and the Investment Manager of the Fund, by virtue of a common ultimate shareholder. Allan Gray Orbis Foundation held 1 593 shares in the Fund at 31 December 2015 (2014: 1 537 shares).

At 31 December 2015, the Allan Gray Unit Trust funds and the Allan Gray Namibia Balanced Fund held 992 721 shares in the Fund (2014: 623 073 shares).

6. 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.

6.1 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.

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 Fund does not hedge interest rate risk. Instead the Investment Manager tries to mitigate interest rate risk by monitoring the duration and term of the Fund compared to its benchmark, and relative to the long-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

term outlook on interest rate levels. Interest rate risk is linked to foreign currency risk, as currency weakness typically results in inflationary pressure which in turn poses significant upside risk to the outlook for interest rates. Where the Investment Manager believes there is upside risk to the outlook for interest rates, the Investment Manager would look to manage this through lowering the duration in the portfolio.

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		
	INVESTMENT VALUE (US\$)	+ 0.50% OR - 0.50%	+ 1.00% OR - 1.00%
2015			
MONEY MARKET INSTRUMENTS	6 310 575	8 644	17 286
Denominated in Kenyan shilling	911 591	1 249	2 497
Denominated in Ugandan shilling	529 713	726	1 451
Denominated in Zambian kwacha	4 869 271	6 669	13 338
GILTS AND SEMI-GILTS	139 964 754	2 155 403	4 310 806
Denominated in Canadian dollar	10 657 180	164 116	328 233
Denominated in Ugandan Shilling	858 444	13 220	26 439
Denominated in Kenyan shilling	7 239 972	111 493	222 986
Denominated in US dollar	119 539 018	1 840 854	3 681 709
Denominated in Zambian kwacha	1 670 140	25 720	51 439

Coupon rates on bonds range between 6.0% and 17.0%.

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for the year ended 31 December 2015

ASSETS	SENSITIVITY TO CHANGES IN INTEREST RATES		
	INVESTMENT VALUE (US\$)	+ 0.50% OR - 0.50%	+ 1.00% OR - 1.00%
2014			
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%.

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 Fund does not hedge foreign currency risk. The Investment Manager's primary concern in managing the Fund is the risk of permanent capital loss. As such the Investment Manager is cognisant of all macro and political risks, including any currency devaluation risk. This risk is incorporated in the assessment of the attractiveness of the securities the Fund invests in. As part of the investment research, the Investment Manager also determines what is believed to be the long-term fair value of each currency in which the Fund invests. As part of this analysis, the Investment Manager looks at which markets are in a period of currency weakness or strength alongside what level of currency risk the markets are pricing in relative to history. For long-

term investors, the ability to find cheap assets in discounted macro-weakness environments can help to mitigate the currency risk.

The following table indicates the currencies to which the Fund had exposure at 31 December 2015 and 31 December 2014 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.

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for the year ended 31 December 2015

2015	CURRENCY IMPACT IN US\$							
	CANADIAN DOLLAR (CAD)	GHANAIAN CEDI (GHS)	KENYAN SHILLING (KES)	MALAWIAN KWACHA (MWK)	NAMIBIAN DOLLAR (NAD)	NIGERIAN NAIRA (NGN)	UGANDAN SHILLING (UGX)	ZAMBIAN KWACHA (ZMW)
MONETARY FINANCIAL ASSETS	10 657 180	7 815 567	7 352	-	-	1 389 228	6 614 070	
+5%	532 859	-	407 578	368	-	-	69 461	330 703
+10%	1 065 718	-	815 158	734	-	-	138 923	661 407
+20%	2 131 436	1	1 630 315	1 469	-	-	277 845	1 322 813
2014	CURRENCY IMPACT IN US\$							
	CANADIAN DOLLAR (CAD)	GHANAIAN 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

The closing foreign exchange rates at 31 December 2015 and 31 December 2014 are as follows:

	2015	2014
USD: CAD	1.39	1.16
USD: GHS	3.83	3.22
USD: KES	102.22	90.70
USD: MWK	664.45	475.96
USD: NAD	15.62	11.57
USD: NGN	199.08	183.02
USD: UGX	3 389.83	2 777.78
USD: ZMW	11.01	6.39

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for the year ended 31 December 2015

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. None of the financial assets disclosed in the financial statements are past due.

The following table 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 Fitch credit ratings and where unavailable, Moody's ratings have been used. Ratings are presented in ascending order of credit risk.

CREDIT RATING	2015 % OF DEBT SECURITIES	2014 % OF DEBT SECURITIES
AAA	0.5	1.2
B+	23.3	20.7
B	29.1	11.3
B2	8.7	0.0
B-	0.0	16.4
BB	7.4	0.0
BB-	7.6	22.4
BBB	0.0	0.9
UNRATED	21.6	25.5
	98.2	98.4

Note that the balance (1.8% of the Fund's assets) (2014: 1.6% of the Fund's assets) comprises cash and cash equivalents which have been excluded from the table above.

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for the year ended 31 December 2015

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	2015 % OF FUND	2014 % OF FUND
Nigeria	40.2	35.4
Ghana	15.1	19.8
Kenya	14.8	16.9
Zambia	14.7	14.1
Egypt	7.1	8.7
Tanzania	4.0	1.4
Rwanda	1.2	0.0
Uganda	0.9	0.9
DRC	0.2	0.4
Namibia	0.0	0.8
Cash and accruals	1.8	1.6
TOTAL	100.0	100.0

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 2015

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 2015.

MATURITIES	US\$				
	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 7 YEARS	GREATER THAN 7 YEARS	TOTAL
FINANCIAL ASSETS					155 316 408
Cash and cash equivalents	5 033 958	-	-	-	5 033 958
Money market instruments	6 310 575	-	-	-	6 310 575
Gilts and semi-gilts	-	38 864 341	62 411 576	38 688 837	139 964 754
Preference shares	-	-	-	60 704	60 704
Trade and other receivables	3 946 418	-	-	-	3 946 418
FINANCIAL LIABILITIES					(155 316 409)
Net assets attributable to holders of redeemable shares	(148 991 980)	-	-	-	(148 991 980)
Distribution payable	(6 311 301)	-	-	-	(6 311 301)
Trade and other payables	(13 128)	-	-	-	(13 128)

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for the year ended 31 December 2015

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					1 110 787 779
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
Trade and other receivables	607 738	-	-	-	607 738
FINANCIAL LIABILITIES					(110 787 779)
Net assets attributable to holders of redeemable shares	(1 110 759 839)	-	-	-	(1 110 759 839)
Trade and other payables	(27 940)	-	-	-	(27 940)

6.2 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.

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 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

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 2015, 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	TOTAL
	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	
FINANCIAL ASSETS				
Money market instruments	-	6 310 575	-	6 310 575
Preference shares	-	-	60 704	60 704
Gilts and semi-gilts	126 098 740	13 866 014	-	139 964 754
	126 098 740	20 176 589	60 704	146 336 033
FINANCIAL LIABILITIES				
Net assets attributable to holders of redeemable shares	-	148 991 980	-	148 991 980
	-	148 991 980	-	148 991 980

There were no transfers between Levels 1 and 2 during the year ended 31 December 2015.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

During the current year, negative market conditions impacted the issuing company of the preference share held by the Fund and as a result, the issuing company stopped paying dividends. The valuation of the preference share was adjusted to take into account the expected recovery of the nominal value, which resulted in a transfer from level 2 to level 3.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements of financial assets held at fair value through profit or loss, in level 3 of the fair value hierarchy:

	FINANCIAL ASSETS AT FAIR VALE THROUGH PROFIT OR LOSS US\$
Opening balance	-
Transfer into level 3	156 400
Disposal of shares	(155 089)
Net gains recognised in profit or loss	59 393
	60 704

Total gains or losses included in profit or loss for the year are presented in the Statement of comprehensive income as follows:

	FINANCIAL ASSETS AT FAIR VALE THROUGH PROFIT OR LOSS US\$
Unrealised gains recognised in profit or loss	124 304
Realised losses recognised in profit or loss	(64 911)
	59 393

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for the year ended 31 December 2015

The Investment Manager uses an expected recovery valuation technique to estimate the expected recovery of the nominal value of the preference shares at 31 December 2015. The key unobservable input used in the valuation at 31 December 2015 is the expected recovery rate of 25%.

For fair value measurements in level 3 of the fair value hierarchy, changing the expected recovery rate would have the following effect:

	EFFECT ON PROFIT OR LOSS:	
	GAIN US\$	LOSS US\$
INCREASE / (DECREASE) OF EXPECTED RECOVERY RATE:		
+ - 5%	11 928	(12 283)
+ - 10%	24 034	(24 388)

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	TOTAL
	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	
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.

DERIVATIVE INSTRUMENTS

There were no derivative transactions for the financial years ended 31 December 2015 and 31 December 2014.

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for the year ended 31 December 2015

7. 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 2015 and 31 December 2014 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.

INCOME DISTRIBUTIONS

The Fund declared the following income distributions for the year:

	CLASS A US\$	CLASS B US\$	TOTAL US\$
31 DECEMBER 2015			
Total distribution	4 976	6 306 325	6 311 301
Distribution per share	3.3490	3.8390	
30 JUNE 2015			
Total distribution	-	5 780 826	5 780 826
Distribution per share	-	3.8156	
			12 092 127

The Fund did not declare any income distributions in the prior year.

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 REPORTING FUND STATUS

The Fund's application for reporting fund status for the year ended 31 December 2014 was successful. The Fund will apply for reporting fund status for the year ended 31 December 2015 and subsequent years. The board of directors intend to manage the Fund in such a way that it should continue to 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 can go down as well as up, that investors may not realise the amount initially invested, and that past performance data is not necessarily indicative of future performance.

There are significant risks involved in investing in securities 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 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 (resigned 5 August 2015)
Tapologo Motshubi

INVESTMENT ADVISOR: Allan Gray Proprietary Limited

PRIMARY CUSTODIAN: Standard Bank of South Africa Limited