



# ANNUAL REPORT

ALLAN GRAY AFRICA EX-SA FUND LIMITED  
31 DECEMBER 2012

ALLAN GRAY

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## Allan Gray Africa ex-SA Fund Limited strategy as at 31 December 2012

The Allan Gray Africa ex-SA Fund Limited (the 'Fund') invests mainly in African (excluding South Africa) equities. The Fund's benchmark is the Standard Bank Africa Total Return Index, including income, measured in US dollars. The Fund does not seek to mirror the Standard Bank Africa Total Return Index but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns.

## Country of primary listing as at 31 December 2012

Country	% of Equities	Benchmark <sup>1</sup>
Nigeria	22.3	20.8
Zimbabwe	20.8	5.0
Egypt	16.9	14.0
Kenya	14.3	10.4
France	9.7	1.3
Rwanda	3.9	0.0
United Kingdom	3.7	6.4
BRVM	3.1	1.2
Uganda	2.1	0.0
Bermuda	1.8	0.0
Mauritius	0.7	2.9
Botswana	0.7	0.4
Ghana	0.1	0.0
Canada	0.1	13.2
Australia	0.0	14.5
Morocco	0.0	6.4
Tunisia	0.0	2.7
Portugal	0.0	0.6
USA	0.0	0.2
Zambia	0.0	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

1. Standard Bank Africa Total Return Index. Calculation based on the latest available data as supplied by third parties.  
Note: There may be slight discrepancies in the totals due to rounding.

## Sector allocation at 31 December 2012

Sector	% of Fund	Benchmark <sup>1</sup>
Oil & gas	8.2	10.4
Basic materials	6.3	26.2
Industrials	2.1	5.7
Consumer goods	24.8	10.3
Healthcare	1.2	0.3
Consumer services	6.0	1.0
Telecommunications	16.8	9.2
Utilities	7.3	0.3
Financials	20.4	36.4
Fixed interest/Liquidity	7.0	0.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

1. Standard Bank Africa Total Return Index. Calculation based on the latest available data as supplied by third parties.  
Note: There may be slight discrepancies in the totals due to rounding.

## Investment Manager's report

Total rate of return in US dollars	% not annualised	
	1 year	Latest quarter
Allan Gray Africa ex-SA Fund Limited	36.5	6.7
Standard Bank Africa Total Return Index	23.0	-1.2

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

2012 was a good year for stock markets globally, particularly many in Africa. The Egyptian market was among the best overall performers, returning 43% for the year. Interestingly there was a large dispersion in returns in Africa, with both the Moroccan and Tunisian stock markets delivering negative returns.

The Fund began the year with US\$5 million in assets and closed with assets approaching US\$40 million. Unfortunately, and exacerbated by rising stock markets new fund inflows for the year were a drag on performance as we were not able to invest those monies in a timely manner. Now that the Fund is larger, new flows will have a far smaller influence on performance.

The Fund's core holdings remained fairly stable over the year, but we sold out of some of the top 10 positions due to price appreciation. The bigger changes were to country allocations, although these changes were the result of bottom-up stock picking, rather than a conscious effort to increase or decrease exposures to any one country. In January the largest allocation was to Egypt (45%) but by December the Egyptian exposure had reduced to 17%. Conversely the Zimbabwean and Nigerian exposures increased materially over the 12 months.

Despite the recent price appreciation of African equities, making them less attractively priced than a year ago, we think the outlook for real returns is still exciting. We are managing to find what we think are attractive investment opportunities for the Fund.

## Statement of net assets at 31 December 2012

Number held 000's	Security (ranked by sector)	Market value US\$ 000's	% of Fund	Standard Bank Africa Total Return Index (%)
	<b>Oil &amp; gas</b>		<b>8.2</b>	<b>10.4</b>
821	Maurel & Prom Nigeria	2 426	6.1	
1	Total Gabon	656	1.6	
	Positions less than 1%	185	0.5	
	<b>Basic materials</b>		<b>6.3</b>	<b>26.2</b>
1 555	Centamin	991	2.5	
127	African Minerals	656	1.6	
6	STE International Plants Heveas	525	1.3	
	Positions less than 1%	352	0.9	
	<b>Industrials</b>		<b>2.1</b>	<b>5.7</b>
65	Paints & Chemical Industries	387	1.0	
	Positions less than 1%	432	1.1	
	<b>Consumer goods</b>		<b>24.8</b>	<b>10.3</b>
220	Eastern Tobacco	3 421	8.6	
2 241	Delta Corporation	2 241	5.6	
1 567	Innsco Africa	1 097	2.8	
3 138	7-UP Bottling	844	2.1	
2 007	GlaxoSmithKline Consumer Nigeria	580	1.5	
4 782	International Breweries	496	1.2	
	Positions less than 1%	1 212	3.0	
	<b>Healthcare</b>		<b>1.2</b>	<b>0.3</b>
74	Egyptian International Pharmaceutical	465	1.2	
	<b>Consumer services</b>		<b>6.0</b>	<b>1.0</b>
4 313	Uchumi Supermarket	958	2.4	
11 918	Edgars Stores Zimbabwe	953	2.4	
	Positions less than 1%	480	1.2	
	<b>Telecommunications</b>		<b>16.8</b>	<b>9.2</b>
687	Econet Wireless Zimbabwe	3 091	7.8	
35	Sonatel	1 023	2.6	
16 612	Safaricom	975	2.4	
411	Telecom Egypt	915	2.3	
511	Orascom Telecom	319	0.8	
31	Orascom Telecom - GDR	97	0.2	
637	Orascom Telecom Media - GDR	268	0.7	
	<b>Utilities</b>		<b>7.3</b>	<b>0.3</b>
10 757	Kenya Power & Lighting	2 139	5.4	
7 601	Umeme	777	1.9	
	<b>Financials</b>		<b>20.4</b>	<b>36.3</b>
39 889	Access Bank	2 312	5.8	
12 632	Zenith Bank	1 577	4.0	
5 400	Bank of Kigali	1 127	2.8	
7 962	FBN	802	2.0	
23 333	Diamond Bank	738	1.9	
23 438	First City Monument Bank	563	1.4	
1 056	CFC Stanbic	516	1.3	
	Positions less than 1%	484	1.2	
	<b>Net current assets</b>	<b>2 771</b>	<b>6.9</b>	<b>0.3</b>
	<b>Net assets</b>	<b>39 851</b>	<b>100.0</b>	<b>100.0</b>

Net asset value per share (Class A) 136.46 Shares issued 118 087  
 Net asset value per share (Class E) 138.68 Shares issued 171 162

See accompanying notes on page 5

## Statement of operations and changes in net assets (thousands)

Reporting currency	US\$
For the 13 month period ended 31 December	2012
<b>Investment income:</b>	<b>875</b>
Dividends and others	875
<b>Expenses:</b>	<b>562</b>
Investment Management fees	422
Custodian's fees and other	140
<b>Net investment income</b>	<b>313</b>
<b>Net gain from investments and currencies</b>	<b>4 064</b>
Realised	426
Unrealised	3 638
<b>Increase in net assets resulting from operations</b>	<b>4 377</b>
<b>Members' activity during the year:</b>	
Subscriptions	
Allan Gray funds	26 972
Other members	8 502
Redemptions	-
<b>Dividends declared and paid</b>	<b>-</b>
Increase in net assets	39 851
Net assets at beginning of year	-
<b>Net assets at end of year</b>	<b>39 851</b>

An initial share offering was performed in December 2011, and hence financial statements have been compiled for the 13 month period ending 31 December 2012. No comparatives have therefore been disclosed.

See accompanying notes on page 5

## Notes to financial statements at 31 December 2012

### General

Allan Gray ex-SA Fund Limited (the 'Fund') was launched to the public 1 January 2012 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 companies with significant business interests in Africa (excluding South Africa), regardless of the location of the stock exchange listing. The Fund aims to outperform African equity markets over the long term without taking on a greater risk of loss. The Fund's benchmark is the Standard Bank Africa Total Return Index.

### Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada and Bermuda. The Fund's significant accounting policies are as follows:

### Investments

Investments are recorded as of the trade date and are stated at their fair values. Investments in marketable securities are valued at their closing prices. If these prices are unavailable or considered unrepresentative of fair value, a price considered fair by the Investment Manager will be used. The amounts realised may differ from these valuations due to variations in pricing, exchange rates, trading volumes and regulations.

At 31 December 2012, the market value of equity investments was US\$37 million, the cost of investments was US\$33 million.

### Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into US dollars using exchange rates prevailing at the year-end. Income and expenses in foreign currencies are translated into US dollars at the exchange rates prevailing at the dates of the transactions. Translation exchange gains and losses are included in the Statement of operations and changes in net assets.

### Income and expenses

The accrual basis is used to recognise income and expenses. Dividends are accrued on the ex-date of the dividend, net of withholding taxes. Investment income earned in the Fund in the current period includes primarily dividends US\$0.5 million and shareholder charges of US\$0.3 million.

The Investment Management fee comprises of both a fixed and a performance component. These fees are calculated and accrued for daily.

Realised gains and losses on investments are based on average cost.

There is a 1% subscription and redemption charge that is payable on all subscription and redemption amounts. These charges represents the costs, including, without being limited to, brokerage of investing and disinvesting in the fund.

### Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Net current assets or liabilities

Net current assets or liabilities include primarily cash (US\$3 million). Net current assets or liabilities also include miscellaneous accounts receivable and payable and individual amounts which are not significant in relation to the total net assets of the Fund except for certain balances which will be disclosed elsewhere in these financial statements.

### Future accounting standards

The Accounting Standards Board of the Canadian Institute of Chartered Accountants expect that investment companies, which includes the Fund, will be adopting International Financial Reporting Standards effective 1 January 2014.

### Taxes

There are no Bermuda income, profit, capital gains, estate 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 such Bermuda taxes are levied in Bermuda in the future, the Fund and the Members shares will be exempt from such taxes until 31 March 2035. Income and capital gains on the Fund's investments, however, may be subject to withholding or capital gains taxes in certain countries.

## Notes to financial statements at 31 December 2012

### Share capital

The Fund's authorised share capital at 31 December 2012 is detailed below. Fund shares are divided into five share classes (Class A, Class B, Class C, Class D and Class E) which participate pro rata in the Fund's net assets and dividends, and are redeemable and non-voting. 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 Allan Gray International Proprietary Limited. As at 31 December 2012, only Class A and Class E shares had been issued.

	Fund shares Par value (per share)	Authorised Fund shares	Founders shares Par value (per share)	Authorised and issued Founders' shares
Allan Gray Africa ex-SA Fund Limited	US\$0.0001	99 990 000	US\$0.01	100

Fund share transactions were as follows (thousands):	December 2011 - December 2012		
	Class A	Class E	Total
Balance at 1 December 2011	-	-	-
Subscriptions	118	171	289
Redemptions	-	-	-
Balance at 31 December 2012	118	171	289

There are no options in existence for any capital. No dividends have been declared or paid in respect of the Fund shares.

### Commitments

The Fund entered into an uncommitted daylight intraday line of credit, which may be drawn upon for the purpose of paying redemptions. The maximum which may be drawn is US\$1 million. The facility expires on 31 May 2013. For the 13 month period ended 31 December 2012, no amounts were drawn upon.

### Related party transactions

A related party relationship exists between Orbis Investment Management Limited and Allan Gray International Proprietary Limited, the Investment Manager of the Fund, by virtue of a common ultimate shareholder with significant influence. For the period ended, no Orbis funds or Orbis directors held any shares directly in the fund.

None of the Fund's directors have any interest in the securities of the Fund.

Directors of the Investment Manager held approximately 1 thousand shares, indirectly in the Fund at year end.

The Fund pays the Investment Manager either no fee or a fixed fee plus a performance-based fee depending on the investor type.

The Investment Manager is entitled to receive a fixed fee (the 'Fixed Fee') of 1.00% per annum of the Fund's daily value for all classes except Class E. The Investment Manager is entitled to receive a performance fee (the 'Performance Fee') from the Fund based on the performance of Class A and Class B Shares relative to the Benchmark. The Fixed Fee and Performance Fee is accrued daily and paid by the Fund to the Investment Manager monthly in arrears.

The Performance Fee is 20% of the extent to which the Fund outperforms its Benchmark, after accruing for the Fixed Fee and subject to reaching a new High Watermark. The High Watermark is the maximum ratio the Fund's Net Asset Value per Share, including distributions, has achieved relative to the Benchmark since the Fund's inception. At 31 December 2012, the Fixed Fee and Performance Fee payable by the Fund, in thousands, were US\$15 and US\$19, respectively.

The Investment Manager is wholly owned by Allan Gray Group Proprietary Limited. At year end, Allan Gray Group Proprietary Limited held 50, in thousands of shares in the Fund.

At year end, Allan Gray funds held approximately 169, in thousands of shares in the Fund.

## Auditors' report

### To the Board of Directors and Members of Allan Gray Africa ex-SA Fund Limited (the 'Fund')

We have audited the accompanying statement of net assets of the Fund (a company incorporated with limited liability in Bermuda) on page 3 as at 31 December 2012 and the related statements of operations and changes in net assets on page 4 for the 13 months then ended and the summary of significant accounting policies and other explanatory information on pages 5 and 6.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Canada and Bermuda, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Canada and Bermuda. 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 judgment, 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, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2012 and the results of its operations and the changes in its net assets for the 13 months then ended in accordance with accounting principles generally accepted in Canada and Bermuda.

17 January 2013  
Toronto, Canada

*Ernst & Young LLP*  
**Chartered Accountants**  
**Licensed Public Accountants**

## Notices

### Notice to current and prospective investors

The Fund is currently open to new investors. If you have any questions regarding the status of the Fund, please contact the Allan Gray Africa Service Team, at +27 21 415 2300, by email at [africafund@allangray.co.za](mailto:africafund@allangray.co.za) or by mail to: The Allan Gray Africa Service Team, P.O. Box 51318, V & A Waterfront, Cape Town, 8002.

### Sources

Allan Gray Returns: Allan Gray Proprietary Limited using single pricing; Standard Bank Africa Total Return Index: The Standard Bank Africa Total Return Index is the proprietary information and registered trademark of Standard Bank Plc. All copyright subsisting in the Standard Bank Africa Total Return Index values and constituent lists vests in Standard Bank Plc. All their rights are reserved. The source used for the Standard Bank Africa Total Return Index is Standard Bank.

### 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 will apply for reporting fund status for 2012 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 for 2012 and subsequent years will be successful.

### 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 and 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, 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\$50 000 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 (Bermuda time).  For redemptions, a properly completed application form must be received by the Fund's Registrar by 12pm (Bermuda time).
Prices available from:	The latest weekly price of the Fund is normally calculated each Friday based on the prices of the underlying investments prevailing at 5:30pm Bermuda time on the previous day. The price may be obtained: <ul style="list-style-type: none"><li>• by telephoning Allan Gray.</li><li>• by emailing AGclientservice@citi.com.</li><li>• from the Financial Times of London. The price is updated in Saturday's edition and appears daily in the section headed 'FT Managed Funds Service – Offshore and Overseas – Bermuda Regulated'.</li><li>• from the International Herald Tribune. The price is first updated in Tuesday's edition and run thereafter until Saturday in the section headed 'International Funds', and</li><li>• from Bloomberg.</li></ul>
Regulation:	The Fund is regulated by the Bermuda Monetary Authority.
Directors:	Craig Bodestab (appointed 5 December 2012) John C R Collis (appointed 21 November 2011) Andrew Lapping (appointed 21 November 2011) Tapologo Motshubi (appointed 21 November 2011)
Investment Advisor:	Allan Gray Proprietary Limited
Custodian:	Citibank Canada

## Characteristics

If you have any enquiries, please do not hesitate to contact the appropriate party indicated below:

### Citi Hedge Fund Services Ltd. (the 'Registrar')

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Citi Hedge Fund Services Ltd.  
c/o Citigroup Fund Services Canada, Inc.  
2920 Matheson Blvd. East  
Mississauga, Ontario  
Canada L4W 5J4

Telephone: +1 905 212 8760  
Facsimile: +1 905 212 8668  
Attention: The Allan Gray Service Team  
Email: AGclientservice@citi.com

Please contact the Registrar to notify a change in your address or with questions regarding

- how to subscribe to the Fund,
- how to redeem, transfer or exchange shares,
- share certificates, or
- contract notes.

Please contact the Investment Manager with requests for copies of this report or with questions regarding the Fund or other investment related matters. Questions regarding taxation, estate planning or other legal matters are best answered by a professional advisor.

### Allan Gray International Proprietary Limited (the 'Investment Manager')

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**Mailing address:**  
P.O. Box 51318  
V & A Waterfront  
8002

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Granger Bay Court  
Beach Road  
Cape Town 8001  
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