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ANNUAL REPORT ALLAN GRAY  
AFRICA EQUITY FUND LIMITED

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ALLAN GRAY

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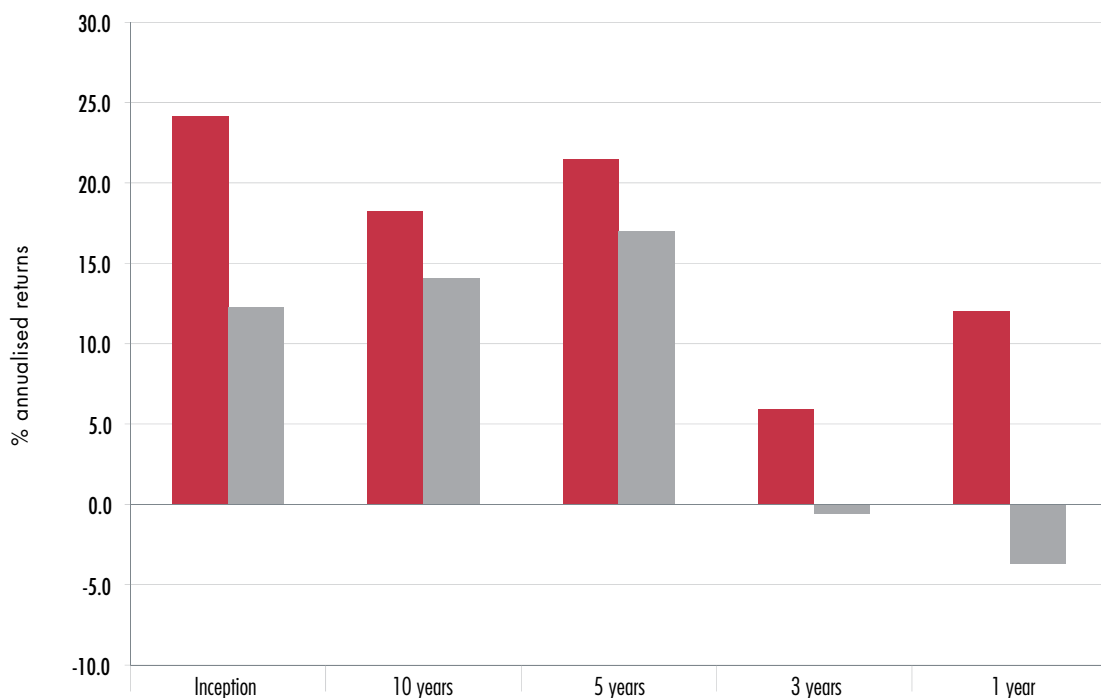
# ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

as at 31 December 2013

The Allan Gray Africa Equity Fund Limited (the 'Fund') invests in a relatively focused portfolio of companies that are listed on an African stock exchange or have significant business interests in Africa. The Fund's benchmark is the MSCI Emerging and Frontier Markets Africa Index, including

income, measured in US dollars (the MSCI EFM Africa Index). The Fund does not seek to mirror the MSCI EFM Africa Index but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns.

## ALLAN GRAY AFRICA EQUITY FUND LIMITED VS THE BENCHMARK



- Allan Gray Africa Equity Fund Limited
- Benchmark<sup>1</sup>

1. The current benchmark is the MSCI EFM Africa Index (total returns). Since inception to 30 April 2012 the benchmark was the FTSE/JSE Africa All Share Index including income. Performance as calculated by Allan Gray as at 31 December 2013 (Source: Bloomberg). Calculation based on the latest available data as supplied by third parties.

# ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

as at 31 December 2013

## COUNTRY OF PRIMARY LISTING AS AT 31 DECEMBER 2013

COUNTRY	% OF EQUITIES	BENCHMARK <sup>2</sup>
South Africa	22.9	87.4
Zimbabwe	17.1	0.0
Egypt	15.3	2.3
United Kingdom	12.7	0.0
Nigeria	11.0	6.2
Kenya	7.0	1.5
France	5.0	0.0
Canada	4.5	0.0
BRVM	2.0	0.0
Uganda	1.6	0.0
Tanzania	0.7	0.0
Australia	0.3	0.0
United States	0.1	0.0
Morocco	0.0	2.0
Mauritius	0.0	0.4
Tunisia	0.0	0.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## SECTOR ALLOCATION AS AT 31 DECEMBER 2013

SECTOR	% OF FUND	BENCHMARK <sup>2</sup>
Oil & gas	15.7	8.4
Basic materials	9.9	8.8
Industrials	4.4	9.4
Consumer goods	21.8	6.2
Healthcare	1.9	5.5
Consumer services	0.8	20.7
Telecommunications	12.6	14.1
Utilities	3.8	0.0
Financials	26.0	26.8
Fixed interest/Liquidity	3.2	0.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

2. MSCI EFM Africa Index (total returns) (Source: Bloomberg). Calculation based on the latest available data as supplied by third parties.  
Note: There may be slight discrepancies in the totals due to rounding.

# ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

as at 31 December 2013

## INVESTMENT MANAGER'S REPORT

TOTAL RATE OF RETURN IN US DOLLARS	LATEST % ANNUALISED			% NOT ANNUALISED		
	FROM INCEPTION ON 1 JULY 1998	10 YEARS	5 YEARS	3 YEARS	1 YEAR	LATEST QUARTER
Allan Gray Africa Equity Fund Limited	24.1	18.2	21.5	5.9	12.0	6.0
Benchmark <sup>1</sup>	12.3	14.0	17.0	-0.6	-3.7	3.1

1. The current benchmark is the MSCI EFM Africa Index (total returns). Since inception to 30 April 2012 the benchmark was the FTSE/JSE Africa All Share Index including income. Performance as calculated by Allan Gray as at 31 December 2013 (Source: Bloomberg). Calculation based on the latest available data as supplied by third parties.

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

Market commentators often talk of Africa as if it is a single market. However, 2013 proved once again that each of the African markets, and equities within those markets, have their own drivers and fundamentals and must be assessed on their own merits. The FTSE/JSE All Share Index (ALSI) declined 1.9% in dollars, while the moves in the three large markets outside of South Africa were all positive: the Nigerian and Kenyan markets rose 40% and 41% respectively, while the Egyptian market gained 12% in dollars. However, the gains in both the Kenyan and the Nigerian markets were not particularly broad based. In Kenya, Safaricom, which accounts for 21% of the market, doubled, and in Nigeria, Dangote Cement, 30% of the index, rose 80%. Stripping out the Dangote Cement move, the index gained 22% rather than the headline-grabbing 40%. This adjustment is appropriate as the Dangote free float is only 5%. Similar to 2012, the performances of the smaller markets were mixed. The Moroccan and Tunisian markets were basically flat, while Mauritius rose 21% and Zimbabwe 32%.

Over the past two years the Fund has been underweight Nigerian shares when compared to

the size and liquidity of the Nigerian market. The reason for this underweight position is that we have found only a few Nigerian shares that we think offer good value to investors. The majority of the Fund's Nigerian position is in financials. The Nigerian banks we own trade, on average, at a small premium to tangible book value and generate a 20% return on equity. This looks to be good value once the risks and possible downward pressure on banking profits are considered. We have added to the Nigerian bank holdings over the past quarter as the share prices have declined and we have gained more confidence in the earnings' sustainability. The Fund only owns one Nigerian consumer company as these businesses are generally priced for rapid earnings growth on what seems to be already-high earnings.

The exposure to South African equities continued to decline over the past quarter as we are still finding better value elsewhere. However, the level of disparity is narrowing as certain sectors in the South African market have underperformed sharply and are beginning to offer value. We have begun to invest in a few names in these sectors.

**STATEMENT OF NET ASSETS**

at 31 December 2013

NUMBER HELD 000'S	SECURITY (RANKED BY SECTOR)	MARKET VALUE US\$ 000'S	% OF FUND	MSCI EFM AFRICA INDEX (%)
	<b>FINANCIALS</b>	76 507	26.0	26.8
1 196	Standard Bank	14 733	5.0	
189 232	Access Bank	11 358	3.9	
1 526	Investec Plc	10 977	3.7	
62 176	Zenith Bank	10 651	3.6	
8 433	CFC Stanbic	8 486	2.9	
72 863	FBN Holdings	7 425	2.5	
2 585	African Bank Investments	2 966	1.0	
	Positions less than 1%	9 911	3.4	
	<b>CONSUMER GOODS</b>	64 160	21.8	6.2
1 668	Eastern Tobacco	27 850	9.5	
19 014	Delta Corporation	26 639	9.0	
	Positions less than 1%	9 671	3.3	
	<b>OIL &amp; GAS</b>	46 201	15.7	8.4
362	Sasol	17 740	6.0	
3 326	MPI	14 138	4.8	
1 402	TransGlobe Energy	11 724	4.0	
	Positions less than 1%	2 599	0.9	
	<b>TELECOMMUNICATIONS</b>	37 232	12.6	14.1
34 656	Econet Wireless Zimbabwe	20 794	7.1	
6 273	Global Telecom	5 383	1.8	
124	Sonatel	5 210	1.7	
2 338	Telecom Egypt	4 939	1.7	
	Positions less than 1%	906	0.3	
	<b>BASIC MATERIALS</b>	29 089	9.9	8.8
24 565	Centamin	18 128	6.1	
267	Impala Platinum	3 132	1.1	
13 480	Pan African Resources	2 875	1.0	
	Positions less than 1%	4 954	1.7	
	<b>INDUSTRIALS</b>	12 891	4.4	9.4
766	Paint & Chemical Industries	4 462	1.5	
	Positions less than 1%	8 429	2.9	
	<b>UTILITIES</b>	11 178	3.8	0.0
40 272	Kenya Power & Lighting	6 592	2.2	
31 700	Umeme	4 586	1.6	
	<b>HEALTH CARE</b>	5 686	1.9	5.5
2 295	Netcare	5 686	1.9	
	<b>CONSUMER SERVICES</b>	2 226	0.7	20.7
	Positions less than 1%	2 226	0.7	
	<b>NET CURRENT ASSETS</b>	9 473	3.2	0.0
<b>NET ASSETS AT END OF YEAR</b>		294 643	100.0	

	2013		2012	
	NET ASSET VALUE PER SHARE	NUMBER OF SHARES IN ISSUE	NET ASSET VALUE PER SHARE	NUMBER OF SHARES IN ISSUE
Class A	206.21	1 428 863	184.06	1 417 742

See accompanying notes on page 6, 7, 8 and 9

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (THOUSANDS)

REPORTING CURRENCY FOR THE YEARS ENDED 31 DECEMBER	US\$ 2013	US\$ 2012
<b>INVESTMENT INCOME:</b>	9 091	10 638*
Dividends and other income	9 091	10 638*
<b>EXPENSES:</b>	7 572	5 504*
Investment Management fees	6 901	4 741
Custodian's fees and other expenses	671	763*
Net investment income	1 519	5 134
<b>NET GAIN FROM INVESTMENTS AND CURRENCIES</b>	30 040	34 754
Realised	24 641	23 798
Unrealised	5 399	10 956
Increase in net assets resulting from net income	31 559	39 888
<b>OTHER CHANGES IN NET ASSETS FROM NON-OWNER SOURCES:</b>		
Cumulative translation adjustment	-	8 466
Increase in net assets from non-owner sources	31 559	48 354
<b>MEMBERS' ACTIVITY DURING THE YEAR:</b>		
Subscriptions	5 244	1 916
Redemptions	(3 112)	(5 766)
Increase in net assets	33 691	44 504
Net assets at beginning of year	260 952	216 448
<b>NET ASSETS AT END OF YEAR</b>	294 643	260 952

\* Prior year amounts were reclassified to conform with current year presentation.

See accompanying notes on page 6, 7, 8 and 9

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

at 31 December 2013 and 2012

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### GENERAL

The Allan Gray Africa Equity (Rand) Fund Limited changed its name to Allan Gray Africa Equity Fund Limited ('the Fund') effective 27 March 2012.

### BENCHMARK AND REPORTING CURRENCY

With effect from 1 May 2012, to better reflect the investment universe of the Fund, the board of directors decided to change the Fund's benchmark from the FTSE/JSE All Share Index (ALSI) to the MSCI Emerging and Frontier Markets Africa Index (MSCI EFM Africa Index). At the same time the board decided to price the Fund in US dollars. This is consistent with the new US dollar-denominated benchmark.

### INVESTMENT MANAGEMENT FEE

The Investment Management fee is calculated based on trailing three-year returns versus the benchmark. From 1 May 2012 to 30 April 2015, the Fund will use the MSCI EFM Africa Index to calculate performance, which the Fund combines with historic performance versus the ALSI to calculate the fee. From 1 May 2015 the benchmark for fee purposes will be only the MSCI EFM Africa 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 the year-end, the market value of equity investments was US\$285 million (2012 - US\$255 million), the cost of investments was US\$234 million (2012 - US\$209 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 the 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\$9 million (2012 - US\$10 million) and shareholder charges of US\$42 thousand (2012 - US\$0). During the financial year ended 31 December 2013, foreign investors experienced problems with currency repatriation out of Egypt. Net dividend income of US\$2.9 million accrued to the Fund from its Egyptian investments during the year ended 31 December 2013. At 31 December 2013, dividends receivable to the Fund amounted to US\$2.6 million.

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

There is a 0.5% 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.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

at 31 December 2013 and 2012

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### 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 of US\$7.5 million (2012 US\$5.0 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

Investment companies that are publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS") for the first time for interim and annual financial statements relating to annual periods beginning on or after 1 January 2014. As a result, the Fund will adopt IFRS beginning 1 January 2014 and publish their first financial statements, prepared in accordance with IFRS, for the annual period ending 31 December 2014. The 2014 annual financial statements will include 2013 comparative financial information and an opening Statement of net assets as at 1 January 2013, also prepared in accordance with IFRS.

The Manager has developed a transition plan to changeover to IFRS and meet the required timetable. As at 31 December 2013, the expected impact to the financial statements based on the Manager's assessment of the differences between current Canadian GAAP and IFRS are as follows:

- Shares of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As a result,

shareholders' equity may be required to be presented as a liability in the Statement of net assets with related distributions presented as an expense in the Statement of operations. Alternatively, equity presentation would require additional disclosure of the components of equity.

- IFRS requires the presentation of a Statement of cash flows, including comparatives for 2013. The Fund has not previously presented this statement as permitted by Canadian GAAP.

Other reclassifications, presentation differences and additional disclosures will also be required in the financial statements to comply with the new requirements under IFRS.

### 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.

### CUMULATIVE TRANSLATION ADJUSTMENT

The change in pricing and reporting currency as at 1 May 2012 triggered a cumulative translation adjustment. All items in the Statement of operations and changes in net assets previously recognised in South African rands were restated using a weighted average exchange rate into US dollars.

The cumulative translation adjustment for 2012 was recognised as the difference in the weighted average exchange rate for the period 1 January 2012 to 30 April 2012 and the spot rate as at 30 April 2012.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

at 31 December 2013 and 2012

### SHARE CAPITAL

The Fund's authorised share capital at 31 December 2013 and 2012 is detailed below. Fund shares are divided into two share classes (Class A and Class B), 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 a 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 2013 and 2012, only Class A shares had been issued.

	FUND SHARES PAR VALUE (PER SHARE)	AUTHORISED FUND SHARES	FOUNDER SHARES PAR VALUE (PER SHARE)	AUTHORISED AND ISSUED FOUNDERS' SHARES
ALLAN GRAY AFRICA EQUITY FUND LIMITED	US\$0.13	100 million	US\$0.13	12 000

FUND SHARE TRANSACTIONS WERE AS FOLLOWS (THOUSANDS):	ALLAN GRAY AFRICA EQUITY FUND LIMITED	
	2013	2012
Balance at beginning of year	1 418	1 441
Subscriptions	27	11
Redemptions	(16)	(34)
<b>BALANCE AT END OF YEAR</b>	<b>1 429</b>	<b>1 418</b>

There are no options in existence for any capital.

Dividends have not been declared in respect of the Fund shares.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

at 31 December 2013 and 2012

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### COMMITMENTS

The Fund had a US\$1 million uncommitted daylight intraday line of credit, which could be drawn upon for the purpose of paying redemptions. This facility expired on 31 May 2013. The Fund also has a contractual settlement facility for securities of US\$1 million, a daily overdraft facility of US\$1 million as well as an unallocated facility of US\$3 million. These facilities are intraday and expire on 31 May 2014.

At 31 December 2013 and 2012, and for the years then ended, no amounts were drawn upon.

### RELATED PARTY TRANSACTIONS

The Orbis Group of funds are managed by Orbis Investment Management Limited. 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.

The Fund pays the Investment Manager either no fee or an annual management fee depending on the investor type.

The Investment Manager is entitled to receive an annual management fee (the 'Fee') from the Fund for the Class A shares. The Fee ranges from 0.5% to 2.5% depending on the relative return of the Fund to the benchmark, before fees. The fee is calculated on a base of 1.5% plus one twenty-fifth of the cumulative three-year relative performance, subject to a floor of 0.5% and cap of 2.5%.

During the financial year ended 31 December 2013 the performance fee incurred by the Fund was US\$6.9 million (2012 - US\$4.7 million). At 31 December 2013, the investment performance fee payable by the Fund, was US\$651 thousand (2012 - US\$488 thousand).

At the year-end, Orbis funds held 1 175 thousand (2012 - 1 175 thousand) shares of the Fund.

Other related parties, which include institutional and other clients managed on a discretionary basis and the directors and officers of the Orbis funds and of their managers and investment advisors, held 1 thousand shares (2012 - 1 thousand) excluding their indirect holdings via other Orbis funds.

## AUDITORS' REPORT

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### TO THE BOARD OF DIRECTORS AND MEMBERS OF ALLAN GRAY AFRICA EQUITY 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 4 as at 31 December 2013 and the related Statements of operations and changes in net assets on page 5 for the year then ended and the summary of significant accounting policies and other explanatory information on pages 6, 7, 8 and 9.

### 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 2013 and the results of its operations and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in Canada and Bermuda.

*Ernst & Young LLP*  
Chartered Accountants  
Licensed Public Accountants

25 February 2014  
Toronto, Canada

## NOTICES

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### 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; FTSE/JSE All Share Index: 'FTSE' is a trademark of the London Stock Exchange Limited and is used by FTSE International Limited under licence. The source used for the FTSE/JSE All Share Index is I-Net Bridge; 'MSCI EFM Africa Index: MSCI is a trademark of MSCI or its subsidiaries. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. The source used for the MSCI EFM Africa Index is Bloomberg.

### 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 Board of Inland Revenue has certified the Fund as a distributing fund for the purposes of Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 from the Fund's inception until 31 December 2010. Certification as a distributing fund ('Distributor Status') is applied for annually following the accounting year-end of the Fund. At the start of 2011, Distributor Status is no longer available and has been replaced by the United Kingdom government with a new reporting fund regime. The Fund's application for reporting fund status for 2011, 2012 and 2013 was successful. The 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 for subsequent years 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

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### BANK ACCOUNT DETAILS

The bank account for subscriptions has changed to:

<b>BANK:</b>	Citibank New York, 399 Park Avenue, New York, 10043, USA
<b>SWIFT:</b>	CITIUS33
<b>ACCOUNT NAME:</b>	Allan Gray Africa Equity Fund Limited (Subscription account)
<b>ACCOUNT NUMBER:</b>	30920131
<b>ABA:</b>	021000089

### 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, 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

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**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. The price may be obtained:

- by telephoning Allan Gray
- by emailing AGclientservice@citi.com
- 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:** Citibank Canada

## CHARACTERISTICS

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

### **CITI FUND SERVICES (BERMUDA), LTD. (THE 'REGISTRAR')**

Citi Fund Services (Bermuda), Ltd.  
c/o Citigroup Fund Services Canada, Inc.  
100-5900 Hurontario Street  
Mississauga, Ontario  
Canada, L5R 0E8

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')**

#### **MAILING ADDRESS:**

P.O. Box 51318  
V & A Waterfront  
Cape Town 8002  
South Africa

#### **OFFICE ADDRESS:**

1 Silo Square  
V & A Waterfront  
Cape Town 8001  
South Africa

Telephone: +27 (21) 415 2300  
Facsimile: +27 (21) 415 2413  
Attention: Allan Gray Africa Service Team  
Email: africafund@allangray.co.za

