

ANNUAL REPORT
ALLAN GRAY AFRICA
EQUITY FUND LIMITED

2021

ALLAN GRAY

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ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

as at 31 December 2014

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.

INVESTMENT MANAGER'S REPORT

TOTAL RATE OF RETURN IN US DOLLARS (NET OF ALL FEES AND EXPENSES)	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	22.1	13.1	8.7	9.2	-5.1	-13.9
Benchmark ¹	11.7	10.1	6.3	6.7	3.8	0.4

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 2014 (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.

The Fund had a good start to the year but unfortunately a very poor second half. The biggest detractors were the oil companies and our Nigerian bank exposure. These shares have halved in price over the past six months. The decline in the oil price from US\$110 per barrel (bbl) to the current US\$57/bbl is clearly the underlying reason. The performance relative to the MSCI Emerging and Frontier Markets Africa Index (the Index) was also disappointing. The Index had a strong year as the largest weightings are to the broader South African industrial shares, which performed very well. We think the South African industrials are generally very overvalued and have almost no exposure to the sector.

In our valuations we estimate the normal oil price to be US\$85/bbl, below the US\$105/bbl that prevailed in the early part of the year, but well above current levels. Market commentators have turned very negative on the outlook for oil as demand has disappointed and production growth surprised on the upside. Forecasts are for supply to increase further into the first half of 2015. Fortunately, financial markets being what they are, this oversupply situation is likely already in the price. We focus on the long-term price outlook rather than attempting to make short-term predictions. Our assumption is that a price below US\$85/bbl will discourage capital investment to a point where supply

and demand move back into balance.

At over US\$100/bbl, the oil price of the past three years has encouraged the oil industry to make huge capital investments. Most companies have spent all their cash flow and have borrowed to fund projects. The lower oil price will reduce both the operating cash flows that are available for investment and the willingness of lenders to fund projects. Despite the oil price having been below US\$80/bbl for only a few weeks, the major oil companies have already announced cuts to their capital budgets.

We are comfortable that at current oil prices, let alone our normal estimate of US\$85/bbl, the oil companies we own offer compelling value. The Nigerian economy is a more complex proposition. Oil revenues account for almost all government revenue and exports receipts. As these receipts decline the economic situation will become very difficult for Nigerian corporates. There is huge uncertainty regarding how this will play out for the banks, which lend to these companies and the oil industry. The market is pricing in these risks and most of the banks are trading well below book value and at between three and five times historic earnings. The banks are well capitalised and have survived very difficult periods in the past. On a risk-adjusted basis they look to offer very good value at these levels.

ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

as at 31 December 2014

SCHEDULE OF NET ASSETS AS AT 31 DECEMBER 2014

NUMBER HELD	INSTRUMENT (RANKED BY SECTOR)	MARKET VALUE US\$	% OF FUND	MSCI EFM AFRICA INDEX (%)
	FINANCIALS	74 083 503	26.9%	29.8%
1 339 499	Standard Bank	16 625 546	6.0%	
307 277 025	Access Bank	11 082 122	4.0%	
8 005 533	CFC Stanbic	10 962 850	4.0%	
214 767 478	FBN Holdings	10 327 616	3.8%	
62 176 282	Zenith Bank	6 255 002	2.3%	
1 971 677	Old Mutual	5 918 442	2.2%	
166 959 788	Diamond Bank	5 090 905	1.9%	
597 192	Investec	5 019 822	1.8%	
	Positions less than 1%	2 801 198	1.0%	
	CONSUMER GOODS	71 293 766	25.9%	7.1%
1 458 535	Eastern Tobacco	44 665 537	16.2%	
19 681 487	Delta Corporation	20 075 117	7.3%	
5 084 954	Innsco Africa	3 050 972	1.1%	
	Positions less than 1%	3 502 140	1.3%	
	OIL & GAS	43 507 848	15.8%	6.4%
3 314 041	MPI	12 271 582	4.4%	
5 108 843	SEPLAT Petroleum Development Co	11 183 182	4.1%	
232 499	Sasol	8 668 633	3.1%	
1 902 845	TransGlobe Energy	7 893 040	2.9%	
3 641 945	Afren	2 682 565	1.0%	
	Positions less than 1%	808 846	0.3%	
	TELECOMMUNICATIONS	35 360 859	12.9%	12.7%
43 983 693	Econet Wireless Zimbabwe	26 390 216	9.6%	
6 272 635	Global Telecom	4 535 933	1.7%	
105 373	Sonatel	4 434 710	1.6%	
	BASIC MATERIALS	20 019 184	7.3%	5.5%
13 110 183	Centamin	12 029 939	4.4%	
	Positions less than 1%	7 989 245	2.9%	
	UTILITIES	12 203 740	4.4%	0.0%
40 271 775	Kenya Power & Lighting	6 426 584	2.3%	
31 700 000	Umeme	5 777 156	2.1%	
	INDUSTRIALS	10 114 536	3.7%	8.6%
765 601	Paint & Chemical Industries	4 818 434	1.8%	
	Positions less than 1%	5 296 102	1.9%	
	CONSUMER SERVICES	138	0.0%	23.7%
	Positions less than 1%	138	0.0%	
	CASH AND ACCRUALS	8 344 619	3.0%	
	NET ASSETS	274 928 193	100.0%	

ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

as at 31 December 2014

COUNTRY OF PRIMARY LISTING AS AT 31 DECEMBER 2014

COUNTRY	% OF EQUITIES	BENCHMARK ¹
Egypt	19.9	2.8
Zimbabwe	18.6	0.0
Nigeria	16.5	4.4
South Africa	13.7	87.8
United Kingdom	10.9	0.0
Kenya	6.8	1.7
France	4.6	0.0
Canada	3.1	0.0
Uganda	2.2	0.0
BRVM	1.8	0.3
Tanzania	1.0	0.0
Australia	0.9	0.0
Morocco	0.0	1.9
Malta	0.0	0.7
Mauritius	0.0	0.4
Tunisia	0.0	0.2
TOTAL²	100.0	100.0

SECTOR ALLOCATION AS AT 31 DECEMBER 2014

SECTOR	% OF FUND	BENCHMARK ¹
Oil & gas	15.8	6.4
Basic materials	7.3	5.5
Industrials	3.7	8.6
Consumer goods	25.9	7.1
Healthcare	0.0	6.3
Consumer services	0.0	23.7
Telecommunications	12.9	12.7
Utilities	4.4	0.0
Financials	26.9	29.8
Fixed interest/Liquidity	3.0	0.0
TOTAL²	100.0	100.0

1. MSCI EFM Africa Index (total returns) (Source: Bloomberg). Calculation based on the latest available data as supplied by third parties.

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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 which comprise the financial position as at 31 December 2014, 31 December 2013 and 1 January 2013 and its financial performance and cash flows for the years ended 31 December 2014 and 2013, are set out on pages 6 to 29 and have been approved by the board of directors of the Fund and are signed on its behalf by:



John CR Collis
Director

6 March 2015



Craig Bodenstab
Director

6 March 2015

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND MEMBERS OF ALLAN GRAY AFRICA EQUITY FUND LIMITED (THE 'FUND')

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at 31 December 2014 and 2013, and 1 January 2013, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the years ended 31 December 2014 and 2013, and a summary of significant accounting policies and other explanatory information on pages 6 to 29.

DIRECTOR'S 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 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 auditors' 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 auditors consider 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 in our audits 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 the Fund as at 31 December 2014 and 2013, and 1 January 2013, and its financial performance and its cash flows for the years ended 31 December 2014 and 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

19 March 2015
Toronto, Canada

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014, 31 December 2013 and 1 January 2013

	NOTES	31 DECEMBER 2014 US\$	31 DECEMBER 2013 US\$	1 JANUARY 2013 US\$
ASSETS				
Financial assets at fair value through profit or loss	2	266 583 575	285 169 493	255 040 269
Cash and cash equivalents	3	8 948 483	10 247 792	6 692 986
Trade and other receivables	4	120 084	54 587	850 177
TOTAL ASSETS		275 652 142	295 471 872	262 583 432
LIABILITIES				
Trade and other payables	5	723 949	829 023	1 631 655
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		723 949	829 023	1 631 655
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		274 928 193	294 642 849	260 951 777

The above Statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2014 and 31 December 2013

	2014 US\$	2013 US\$
NET INVESTMENT (LOSSES)/ INCOME	(4 918 448)	39 933 954
Dividends	12 156 421	9 826 067
Interest	267	25 453
Realised gains on disposal of investments	21 778 027	25 309 357
Unrealised (losses) / gains on investments	(38 522 026)	5 399 279
Foreign exchange losses	(479 855)	(668 008)
Other income	148 718	41 806
OPERATING EXPENSES	(9 653 948)	(8 375 075)
Management fees	(7 568 889)	(6 901 156)
Audit fees	(39 451)	(42 739)
Custodian fees	(616 480)	(481 252)
Transaction fees	(26 799)	(24 973)
Administration fees	(75 043)	(70 467)
Withholding taxes	(1 284 230)	(802 304)
Other expenses	(43 056)	(52 184)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(14 572 396)	31 558 879

The above Statements of comprehensive income should be read in conjunction with the accompanying notes.

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

for the years ended 31 December 2014 and 31 December 2013

	NOTES	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES US\$	NUMBER OF SHARES	NET ASSET VALUE PER SHARE US\$
BALANCE AT 1 JANUARY 2013		260 951 777	1 417 742	184.06
Total comprehensive income for the year		31 558 879		
Net capital contributions		2 132 193	11 121	
BALANCE AT 31 DECEMBER 2013		294 642 849	1 428 863	206.21
Total comprehensive loss for the year		(14 572 396)		
Net capital withdrawals		(5 142 260)	(23 340)	
BALANCE AT 31 DECEMBER 2014	8	274 928 193	1 405 523	195.61

The above Statements of changes in net assets attributable to holders of redeemable shares should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

for the years ended 31 December 2014 and 31 December 2013

	NOTES	2014 US\$	2013 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	6.1	(8 221 000)	(7 530 965)
Working capital changes	6.2	(170 571)	(7 042)
Interest received		267	25 453
Dividends received, net of withholding tax		10 872 191	9 023 763
NET CASH GENERATED BY OPERATING ACTIVITIES		2 480 887	1 511 209
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(95 345 929)	(93 419 846)
Proceeds from sale of investments		97 187 848	93 999 258
NET CASH GENERATED BY INVESTING ACTIVITIES		1 841 919	579 412
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		12 274 472	5 243 957
Redemption of redeemable shares		(17 416 732)	(3 111 764)
NET CASH FLOWS (UTILISED IN) / PROVIDED BY FINANCING ACTIVITIES		(5 142 260)	2 132 193
Net (decrease) / increase in cash and cash equivalents		(819 454)	4 222 814
Cash and cash equivalents at the beginning of the year		10 247 792	6 692 986
Effect of exchange rate changes on cash and cash equivalents		(479 855)	(668 008)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		8 948 483	10 247 792
SUPPLEMENTAL INFORMATION:			
Actual interest received		267	25 453
Actual dividends received, net of withholding tax		10 806 694	9 102 842

The above Statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CORPORATE INFORMATION

Allan Gray Africa Equity Fund Limited was incorporated on 22 April 1997 and is a limited liability company of unlimited duration. The Fund was launched to the public on 1 July 1998 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's registered address is at 5 Reid Street, Hamilton, HM11, Bermuda.

The financial statements of the Fund were authorised for issue by the Board of Directors on 6 March 2015.

The Allan Gray Africa Equity Fund Limited (the 'Fund') invests in a focused portfolio of companies that have significant business interests in Africa, regardless of the location of the stock exchange listing. 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.

1. ACCOUNTING STANDARDS AND POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, using the 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

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB'). The Fund adopted this basis of accounting on 1 January 2014 as required by the Canadian Accounting Standards Board and has applied it consistently in preparing the Statement of Financial Position as at 1 January 2013 and throughout all periods presented.

Previously, the Fund prepared the financial statements in accordance with generally accepted accounting principles in Canada and Bermuda as defined in Part V of the Chartered Professional Accountants Canada Handbook ('Canadian GAAP'). As discussed in Note 9, the Fund adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ('IFRS 1'). Note 9 also discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended 31 December 2013 prepared under Canadian GAAP.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

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

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

1.3 ACCOUNTING POLICIES

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

1.3.1 NET INVESTMENT INCOME

Net investment income comprises interest income, dividend income, other income and realised and unrealised gains and losses on investments.

INTEREST INCOME

Interest is recognised in the Statements of comprehensive income using the effective interest method.

DIVIDEND INCOME

Dividends 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 Statements of comprehensive income.

OTHER INCOME

A 0.5% charge is payable by investors on all subscriptions and redemptions in the Fund. This is paid into the Fund to offset the costs associated with the transactions that are borne by the Fund.

INVESTMENT GAINS AND LOSSES

Changes in the fair value of financial assets held at fair value through profit or loss, and gains or losses made on the disposal of these financial assets, calculated using the average cost method, are recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.3.2 MANAGEMENT FEE

The Investment Manager is entitled to receive an annual management fee (the 'Fee') from the Fund. The Fee ranges from 0.5% to 2.5% depending on the relative return of the Fund to the benchmark, before fees.

1.3.3 EXPENSES

All expenses are recognised on an accrual basis in profit or loss.

1.3.4 DISTRIBUTIONS TO HOLDERS OF REDEEMABLE SHARES

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

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

1.3.5 TAXATION

There are no Bermuda income taxes, corporation taxes, 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, 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 31 March 2035.

Income and capital gains on the Fund's investments, however, may be subject to taxes in certain countries.

1.3.6 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

CLASSIFICATION

The Fund classifies its investment in equity instruments, related derivatives and money market instruments as financial assets at fair value through profit or loss.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund's investments in equity instruments are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document. Derivatives are categorised as held for trading and are not designated as effective hedging instruments in terms of IAS 39. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

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 trade and other receivables, which include dividend receivable and amounts due from brokers, which are short-term in nature.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FINANCIAL LIABILITIES AT AMORTISED COST

The Fund classifies its trade and other payables as financial liabilities at amortised cost which is measured at amortised cost. Trade and other payables include accrued expenses and amounts due to brokers, which are short-term in nature.

RECOGNITION AND MEASUREMENT

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.

Financial instruments are recognised on the trade date at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Fund determines the classification of their financial instruments on initial recognition, when the Fund becomes a party to the contract governing the instrument.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated as at fair value through profit or loss are measured at fair value. Subsequent to initial recognition, investments at fair value through profit or loss are marked to market on a daily basis with changes in fair value taken through profit or loss as gains and losses. Attributable transaction costs are recognised in profit or loss as incurred.

LOANS AND RECEIVABLES AND FINANCIAL LIABILITIES AT AMORTISED COST

Loans and receivables and financial liabilities at amortised cost are measured initially at fair value plus any directly attributable transaction costs. 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 and financial liabilities at amortised cost are derecognised or impaired, and through the amortisation process.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised where:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

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 7.

OFFSETTING FINANCIAL INSTRUMENTS

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

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

1.3.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash

commitments rather than for investment or other purposes are current assets and disclosed separately on the face of the Statements of financial position.

Subsequent to initial recognition, cash and cash equivalents, accounts receivable and accounts payable are measured at amortised cost using the effective interest rate method.

1.3.8 AMOUNTS DUE FROM AND DUE TO BROKERS

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

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

1.3.9 FOREIGN CURRENCIES

The Fund's functional currency is the US dollar, which is the currency in which the performance of the Fund is evaluated and its liquidity is managed. Foreign currency items are recorded at the exchange rate ruling on the transaction date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at rates of exchange ruling at the Statement of financial position date or when settled. Gains and losses arising from the translation of these monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Realised and unrealised foreign currency gains or losses on investments measured at fair value through profit or loss are included in the Statements of comprehensive income in Realised gains on disposal investments and Unrealised (losses) / gains on investments, respectively. Realised and unrealised foreign currency gains or losses on all other financial instruments denominated in foreign currencies are included in the Statements of comprehensive income in Foreign exchange losses.

1.3.10 NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

Shares issued by the Fund are classified as financial liabilities and disclosed as net assets attributable holders of redeemable shares. The value of net assets attributable to holders is what is commonly known as the capital value of the fund. This financial liability (as defined by IAS 32) represents the holders' right to a residual interest in the Fund's net assets.

1.3.11 CRITICAL JUDGEMENT IN APPLYING THE FUND'S ACCOUNTING POLICIES

The preparation of the Fund's financial statements requires the Investment Manager to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

When the fair value of financial assets and liabilities recorded in the Statements of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques. Refer to note 7.2.

1.3.12 EVENTS SUBSEQUENT TO YEAR END

There were no significant events subsequent to year end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Equities	266 583 575	285 169 493	255 040 269
	266 583 575	285 169 493	255 040 269
3. CASH AND CASH EQUIVALENTS			
Cash held at banks	8 948 483	10 247 792	6 692 986
	8 948 483	10 247 792	6 692 986
4. TRADE AND OTHER RECEIVABLES			
Dividends receivable	120 084	54 587	133 666
Amounts due from brokers	-	-	716 511
	120 084	54 587	850 177
5. TRADE AND OTHER PAYABLES			
Management fees	537 100	650 522	487 562
Other expenses	186 849	178 501	178 781
Amounts due from brokers	-	-	965 312
	723 949	829 023	1 631 655

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 US\$	2013 US\$
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6. NOTES TO THE STATEMENTS OF CASH FLOWS

6.1 NET CASH OUTFLOW FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

Total comprehensive (loss) / income for the year	(14 572 396)	31 558 879
Adjustments:		
Realised gains on disposal of investments	(21 778 027)	(25 309 357)
Unrealised losses / (gains) on investments	38 522 026	(5 399 279)
Foreign exchange losses	479 855	668 008
Interest income	(267)	(25 453)
Dividend income, net of withholding tax	(10 872 191)	(9 023 763)
	(8 221 000)	(7 530 965)

6.2 WORKING CAPITAL CHANGES

(Increase)/decrease in trade and other receivables	(65 497)	795 590
Decreases in trade and other payables	(105 073)	(802 633)
	(170 570)	(7 043)

7. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CATEGORISATION OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2014

	LOANS AND RECEIVABLES US\$	FINANCIAL ASSETS MEASURED AT FAIR VALUE US\$	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST US\$	TOTAL US\$
ASSETS				
Financial assets at fair value through profit or loss	-	266 583 575	-	266 583 575
Cash and cash equivalents	8 948 483	-	-	8 948 483
Trade and other receivables	120 084	-	-	120 084
TOTAL ASSETS	9 068 567	266 583 575	-	275 652 142
LIABILITIES				
Trade and other payables	-	-	723 949	723 949
TOTAL LIABILITIES	-	-	723 949	723 949

CATEGORISATION OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2013

	LOANS AND RECEIVABLES US\$	FINANCIAL ASSETS MEASURED AT FAIR VALUE US\$	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST US\$	TOTAL US\$
ASSETS				
Financial assets at fair value through profit or loss	-	285 169 493	-	285 169 493
Cash and cash equivalents	10 247 792	-	-	10 247 792
Trade and other receivables	54 587	-	-	54 587
TOTAL ASSETS	10 302 379	285 169 493	-	295 471 872
LIABILITIES				
Trade and other payables	-	-	829 022	829 022
TOTAL LIABILITIES	-	-	829 022	829 022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CATEGORISATION OF FINANCIAL INSTRUMENTS AT 1 JANUARY 2013

	LOANS AND RECEIVABLES US\$	FINANCIAL ASSETS MEASURED AT FAIR VALUE US\$	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST US\$	TOTAL US\$
ASSETS				
Financial assets at fair value through profit or loss	-	255 040 269	-	255 040 269
Cash and cash equivalents	6 692 986	-	-	6 692 986
Trade and other receivables	850 177	-	-	850 177
TOTAL ASSETS	7 543 163	255 040 269	-	262 583 432
LIABILITIES				
Trade and other payables	-	-	1 631 655	1 631 655
TOTAL LIABILITIES	-	-	1 631 655	1 631 655

7.1 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Fund's investment portfolio may comprise equities, equity-linked securities, interest-bearing non-equity linked securities and cash and cash equivalents. The Fund may invest in listed and unlisted 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 equities in companies with significant

business interests in Africa, regardless of the location of the stock exchange listing.

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.

The table below shows the Fund's exposure to price and interest rate risks, split into the different types of financial instruments held by the Fund at reporting date. The analysis only relates to instruments subject to those specific risks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

EXPOSURE	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
SUBJECT TO PRICE RISK			
Equities	266 583 575	285 169 493	255 040 269
SUBJECT TO INTEREST RATE RISK			
Cash and cash equivalents	8 948 483	10 247 792	6 692 986

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Holders of redeemable shares are exposed to changes in the market values of the individual investments underlying the Fund. Exposure to price risk is mainly through listed instruments.

As a result of the nature of the Fund's underlying investments, there will be significant price fluctuations in the pursuit of superior long-term returns, there will be periods when the equities in the Fund underperform its benchmark and/or generate negative absolute returns. Short-term performance can be volatile and investors are encouraged to focus on long-term returns when evaluating the Fund's performance, as the Investment Manager takes a long-term view when making investment decisions.

The Investment Manager's investment philosophy is valuation orientated which means that their research effort is focused on identifying good quality assets that are priced below their assessment of intrinsic value. The Investment Manager typically buys shares when research and analysis indicates that the intrinsic value of the company far exceeds its market price, in anticipation of the price rising to its intrinsic value and where they believe there is a margin of safety.

Their investment philosophy is based on their belief that the market is not always efficient or rational and that at times there can be significant disparities between the market price and the intrinsic business value of an investment. They do not manage price risk in the Fund. However, they believe overall risk of capital loss is mitigated by their disciplined process and philosophy of buying companies that are trading for less than their assessment of what they are worth.

There has been no change to the Fund's exposure to price risk or the manner in which it manages and measures the risk. The following analysis indicates

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

the possible impact on net assets attributable to holders of redeemable shares to price risk, until such time as the investments are sold. The table also illustrates the effect of possible changes in fair value of investments for price risk, assuming that

all other variables remain constant. The disclosure provides information on the risks to which holders of redeemable shares are exposed and is not indicative of future performance.

	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
INVESTMENTS SUBJECT TO PRICE RISK			
EQUITIES			
Effect on net assets attributable to holders of redeemable shares			
Gross exposure	266 583 575	285 169 493	255 040 269
+5%	13 329 179	14 258 475	12 752 013
+10%	26 658 358	28 516 949	25 504 027
+20%	53 316 715	57 033 899	51 008 054

CONCENTRATION OF EQUITY PRICE RISK

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by sector allocation:

% OF EQUITY SECURITIES	2014	2013	1 JANUARY 2013
Financials	27.8	26.8	23.6
Consumer Goods	26.7	22.5	21.1
Oil and Gas	16.3	16.2	12.3
Telecommunications	13.3	13.1	10.5
Basic materials	7.5	10.2	13.0
Industrials	3.8	4.5	11.7
Utilities	4.6	3.9	4.0
Healthcare	-	2.0	2.4
Consumer Services	-	0.8	1.4
TOTAL	100.0	100.0	100.0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 through its exposure to holding cash and cash equivalents. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

The table below illustrates the effect of reasonably possible changes in prevailing interest rates, with all other variables held constant. 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.

	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
INVESTMENTS SUBJECT TO INTEREST RATE RISK			
CASH AND CASH EQUIVALENTS	8 948 483	10 247 792	6 692 986
Effect on net assets attributable to holders of redeemable shares			
+/- 0.5%	44 742	51 239	33 465
+/- 1.0%	89 485	102 478	66 930

FOREIGN CURRENCY RISK

Currency risk is the risk that the value 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.

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.

The following table indicates the currencies to which the Fund had exposure at 31 December 2014, 31 December 2013 and 1 January 2013 on its financial assets and liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			CURRENCY IMPACT US\$		
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2014					
CURRENCY		FINANCIAL ASSET US\$	+5%	+10%	+20%
Canadian dollar	CAD	8 214 654	410 733	821 465	1 642 931
Australian dollar	AUD	2 495 471	124 774	249 547	499 094
South African rand	ZAR	48 635 333	2 431 767	4 863 533	9 727 067
Euro	EUR	12 349 690	617 484	1 234 969	2 469 938
British pound	GBP	24 371 279	1 218 564	2 437 128	4 874 256
Egyptian pound	EGP	58 335 202	2 916 760	5 833 520	11 667 040
Kenyan shilling	KES	18 318 361	915 918	1 831 836	3 663 672
Tanzanian shilling	TZS	3 277 448	163 872	327 745	655 490
Ugandan shilling	UGX	5 868 710	293 435	586 871	1 173 742
West African franc	XOF	4 908 030	245 402	490 803	981 606
Nigerian naira	NGN	35 476 746	1 773 837	3 547 675	7 095 349
			11 112 546	22 225 092	44 450 184

EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2013

CURRENCY		FINANCIAL ASSET US\$	+5%	+10%	+20%
Canadian dollar	CAD	12 753 022	637 651	1 275 302	2 550 604
Australian dollar	AUD	945 812	47 291	94 581	189 162
South African rand	ZAR	82 182 795	4 109 140	8 218 280	16 436 559
Euro	EUR	14 226 796	711 340	1 422 680	2 845 359
British pound	GBP	18 164 614	908 231	1 816 461	3 632 923
Egyptian pound	EGP	48 245 239	2 412 262	4 824 524	9 649 048
Kenyan shilling	KES	19 888 226	994 411	1 988 823	3 977 645
Tanzanian shilling	TZS	2 031 783	101 589	203 178	406 357
Ugandan shilling	UGX	4 831 643	241 582	483 164	966 329
West African franc	XOF	5 648 012	282 401	564 801	1 129 602
Nigerian naira	NGN	31 387 985	1 569 399	3 138 799	6 277 597
			12 015 296	24 030 593	48 061 186

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			CURRENCY IMPACT US\$		
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 1 JANUARY 2013					
CURRENCY		FINANCIAL ASSET US\$	+5%	+10%	+20%
Canadian dollar	CAD	165 279	8 264	16 528	33 056
Australian dollar	AUD	1 271 466	63 573	127 147	254 293
South African rand	ZAR	126 521 893	6 326 095	12 652 189	25 304 379
Euro	EUR	11 783 806	589 190	1 178 381	2 356 761
British pound	GBP	2 021 195	101 060	202 119	404 239
Egyptian pound	EGP	41 853 021	2 092 651	4 185 302	8 370 604
Kenyan shilling	KES	21 294 504	1 064 725	2 129 450	4 258 901
Tanzanian shilling	TZS	771 627	38 581	77 163	154 325
Ugandan shilling	UGX	1 809 480	90 474	180 948	361 896
West African franc	XOF	3 900 192	195 010	390 019	780 038
Nigerian naira	NGN	15 350 973	767 549	1 535 097	3 070 195
Rwandian franc	RWF	2 369 330	118 467	236 933	473 866
			11 455 638	22 911 277	45 822 554

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 comprised cash accounts. 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.

The compliance departments of the Administrator and the Investment Manager monitor compliance with applicable regulations and the investment mandate on a daily basis.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013	1 JANUARY 2013
CREDIT RATING	% OF FUND	% OF FUND	% OF FUND
A	3.0	3.3	1.9
BBB	0.3	0.2	0.0
	3.3	3.5	1.9

Note that the balance (96.7% of the Fund's net assets) (31 December 2013: 96.5% of the Fund's net assets) (1 January 2013: 98.1% of the Fund's net assets) comprises financial assets at fair value through profit or loss, trade and other receivables and accrued expenses, which have been excluded from the table above.

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.

Where members request redemption of 5% or more of the issued shares of the Fund, the Investment Manager may determine that all or part of the redemption proceeds be paid by transferring an appropriate portion of the property of the Fund to the redeeming members or their nominees. Where members request redemption of more than 8% of the issued shares of the Fund on any dealing day, the Investment Manager may defer redemption of the excess shares over 8% on a pro rata basis among the members requesting redemption to the next following dealing day.

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.

Trade and other payables are due on demand and net assets attributable to holders of redeemable shares are settled within 30 days.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7.2 FAIR VALUE

The directors of Fund are of the opinion that the fair value of all financial instruments other than those measured at fair value through profit or loss, approximates the carrying amount in the Statements of financial position as these balances are due within 30 days. IFRS 7 and IFRS 13 requires fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy, as follows:

- Quoted (unadjusted) market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs that are directly or indirectly observable (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

The fair value of financial assets and financial liabilities traded in active liquid markets such as listed

The table below shows the fair values of instruments at 31 December 2014, 31 December 2013 and 1 January 2013.

LEVEL 1	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
FINANCIAL ASSETS			
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Equities	266 583 575	285 169 493	255 040 269

The Fund has no investments that are classified within level 2 and 3.

equity securities are based on quoted market prices at the close of trading, and are classified within level 1.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Certain investments that are not valued using the quoted market price on the securities exchange can be valued based on other observable market data at the discretion of the Investment Manager. Securities not traded through recognized public securities exchanges can be valued on the valuation date based on other reliable sources, such as quotations by recognized investment dealers, at the discretion of the Investment Manager. Investments not listed on public securities exchanges, or for which reliable quotations are not readily available, are valued using valuation models based on assumptions that may not be supported by observable market inputs. These investments are classified as level 2 or 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. SHARE CAPITAL

Notwithstanding that the net assets attributable to holders of redeemable shares are classified as financial liabilities, the directors of the Fund considers these to represent the Fund's capital. The number of shares issued and redeemed during the years is reported below. The Fund is not subject to any externally imposed capital requirements. The Fund's authorised share capital at 31 December 2014 and 2013 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. Founder 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 Founder shares will participate only to the extent of their par value. All of the authorised Founder shares of the Fund have been issued as fully paid and are held by Allan Gray International Proprietary Limited. As at 31 December 2014 and 2013 and 1 January 2013, 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 FOUNDER SHARES
Allan Gray Africa Equity Fund Limited	US\$0.13	100 million	US\$0.13	12 000

FUND SHARE TRANSACTIONS	2014	2013
Balance at beginning of year	1 428 863	1 417 742
Subscriptions	54 256	26 972
Redemptions	(77 596)	(15 851)
Balance at end of year	1 405 523	1 428 863

There are no options in existence for any capital.
Dividends have not been declared in respect of the Fund shares.

9. TRANSITION TO IFRS

Refer to the quantification of the effect of the transition to IFRS on the Fund's reporting financial position, financial performance and cash flow.

9.1 EFFECT OF IFRS ADOPTION FOR THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES FOR THE YEAR ENDED 31 DECEMBER 2013:

TRANSITION ELECTIONS

The Fund did not apply any transition exceptions or exemptions to full retrospective application of IFRS, except for the voluntary exemption to designate a financial asset or financial liability at fair value through profit or loss

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

upon transition to IFRS. All financial assets designated at fair value through profit or loss upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

CLASSIFICATION OF UNITS ISSUED BY THE FUND

Under Canadian GAAP, the Fund accounted for its shares as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. Other than presentation, there was no impact to the net assets attributable to holders of redeemable shares of the Fund.

9.2 EFFECT OF IFRS ADOPTION FOR THE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013:

	PREVIOUS GAAP US\$	EFFECT OF TRANSITION TO IFRS US\$	IFRS US\$
NET INVESTMENT INCOME	39 131 650	802 304	39 933 954
Dividends and other income	9 091 022	(9 091 022)	-
Dividends	-	9 826 067	9 826 067
Interest	-	25 453	25 453
Realised gains on disposal of investments	24 641 349	668 008	25 309 357
Unrealised gains on investments	5 399 279	-	5 399 279
Foreign exchange losses	-	(668 008)	(668 008)
Other income	-	41 806	41 806
OPERATING EXPENSES	(7 572 771)	(802 304)	(8 375 075)
Investment management fees	(6 901 156)	6 901 156	-
Management fees	-	(6 901 156)	(6 901 156)
Custodian's fees and other expenses	(671 615)	671 615	-
Audit fees	-	(42 739)	(42 739)
Custodian fees	-	(481 252)	(481 252)
Transaction fees	-	(24 973)	(24 973)
Administration fees	-	(70 467)	(70 467)
Withholding taxes	-	(802 304)	(802 304)
Other expenses	-	(52 184)	(52 184)
INCREASE IN NET ASSETS RESULTING FROM NET INCOME	31 558 879	-	31 558 879

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9.3 EFFECT OF IFRS ADOPTION FOR THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013:

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative period without exception.

10. COMMITMENTS

The Fund has a US\$1 million uncommitted daylight intraday line of credit, which could be drawn upon for the purpose of paying redemptions. 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 expire annually on 31 May and automatically rolls over. At 31 December 2014 and 2013 and 1 January 2013, and for the years then ended, no amounts were drawn upon.

11. RELATED PARTY TRANSACTIONS

The Orbis Group of funds ('Orbis 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.

During the financial year ended 31 December 2014 the management fee incurred by the Fund was US\$7 568 889 (2013 - US\$6 901 156). At 31 December 2014, the management fee payable by the Fund, was US\$537 100 (2013 - US\$650 522) (1 January 2013 - US\$487 562).

At 31 December 2014, Orbis funds and Orbis Investment Management Limited held 1 177 497 shares of the Fund (2013 - 1 177 495 shares) (1 January 2013 - 1 177 367 shares).

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 2 145 shares as at 31 December 2014 (2013 - 1 778 shares) (1 January 2013 - 2 925 shares) excluding their indirect holdings via other Orbis funds.

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 Service Team, at +1 905 212 8760, by email at AGclientservice@citi.com or by mail to: The Allan Gray Service Team, Citi Fund Services (Bermuda) Ltd., c/o Citigroup Fund Services Canada, Inc., 100-5900 Hurontario Street, Mississauga, Ontario, Canada, L5R 0E8.

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 the year ended 31 December 2011, 2012 and 2013 was successful. The Fund will apply for reporting fund status for the year ended 31 December 2014 and subsequent years. 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

NOTICES

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.

RISK WARNINGS

There is no assurance that the investment approach of the Fund will be successful or that the Fund will achieve its investment objective. It should be appreciated that the value of shares in the Fund can increase as well as decrease, that investors may not realise the amount initially invested, and that past performance data is not necessarily indicative of future performance. The Fund may be invested in markets which are considered to be emerging markets. Such markets are generally less mature and developed than those in developed countries. There are significant risks involved in investing in emerging markets including liquidity risks, sometimes aggravated by rapid and large outflows of 'hot money' and capital flight, concentration risk, currency risks, political and social instability, the possibility of expropriation, confiscatory taxation or nationalisation of assets and the establishment of foreign exchange controls which may include the suspension of the

ability to transfer currency from a given country. The Fund's contractual risk is increased to the extent it uses derivatives to manage its exposure to stock markets, currencies and/ or interest rates. Contractual risk includes the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such 'counterparty risk' is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Borrowing, leveraging, and trading securities on margin, will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading utilized by the Fund permit a high degree of leverage; accordingly, a relatively small price movement in a futures or forward contract may result in immediate and substantial losses to the investor.

CHARACTERISTICS

STRUCTURE: Open-ended investment company.

MINIMUM INITIAL INVESTMENT: US\$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 the Fund's Registrar
- 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

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