ALLAN GRAY

ANNUAL REPORT
ALLAN GRAY AFRICA EQUITY FUND LIMITED

31 DECEMBER 2017

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ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

As at 31 December 2017

Portfolio manager

Andrew Lapping

Fund description and summary of investment policy

The Allan Gray Africa Equity Fund Limited (the 'Fund') invests in a focused portfolio of companies with significant business interests in Africa, regardless of the location of the stock exchange listing. The Fund price is reported in US dollars but the underlying holdings are denominated in various currencies. Returns are likely to be volatile.

Fund objective and benchmark

The Fund aims to outperform African equity markets over the long term without taking on greater risk of loss. The Fund's benchmark is the MSCI Emerging and Frontier Markets (EFM) Africa Index (total returns).

Suitable for those investors who

- Seek exposure to African equities
- Are comfortable with stock market and currency fluctuations
- Are prepared to take on the risk of capital loss
- Typically have an investment horizon of more than five years

Commentary

African equity markets bounced back strongly in 2017, yielding attractive dollar returns in key markets: Kenya 29%, Nigeria 27% and Egypt 20%. Zimbabwe's stock market had double digit nominal gains, but real US dollar returns were harder to quantify. The Fund delivered a net return of 63.4% in 2017, compared to its benchmark return of 34.9%.

Intuitively, it is easy to grasp that occasional periods of negative market sentiment and gloomy economic forecasts often lay the foundation for finding attractive bargains and a subsequent market recovery. In practice, these periods can be excruciatingly long and uncomfortable – for investment managers and clients. There is false comfort in trying to predict the timing of a market rebound. Rather, the best anchor during these periods is to focus on the intrinsic value of individual companies. Over time, equity prices gravitate towards intrinsic value.

Today's most promising African equity markets were yesterday's laggards. The Fund's largest overweight positions in Zimbabwe and Nigeria are discussed in detail below. Both markets have experienced challenging periods in the recent past, but their fortunes are improving. Egypt is also a turnaround story, but the country's promising prospects are broadly reflected in equity prices. The Fund's large exposure to Eastern Tobacco has contributed meaningfully to the past year's performance, but we have struggled to find similar attractively priced opportunities in that country. In early 2017, we increased the Fund's exposure to Kenya's top tier banks, premised on the market being overly pessimistic after the introduction of a law capping interest rates. We subsequently reduced this exposure after the banking stocks rallied.

Zimbabwe

Counterintuitively, Zimbabwe's equity prices rose sharply as macro conditions worsened. The Zimbabwe stock exchange was up 268% over the year to 10 November 2017. This reflected fears of a return to hyperinflation as the government, shunned by international lenders, funded its growing fiscal deficits domestically by creating pseudo-US dollars. Robert Mugabe's ouster was a welcome relief and the market has corrected by 38% since 10 November 2017. Using Old Mutual's dual-listed shares in Harare and London, the implied discount for a US dollar in Zimbabwe has sharply reduced to 44% from a peak of 83% before Mugabe's exit. This suggests that the risk of monetary collapse has reduced, but a chronic shortage of US dollars persists.

We have steadily discounted our Zimbabwean assets since December 2016 and we are currently using a bottom-up approach to value each of the Fund's Zimbabwean holdings. In aggregate, our carrying value on 31 December 2017 implies a 61% discount to market prices compared to the 44% discount implied by Old Mutual's dual listing. Using the Old Mutual rate as a currency proxy is useful, but has its drawbacks since Old Mutual Zimbabwe shares are thinly traded with significant price volatility. In effect, it is one of multiple black market currency rates in Zimbabwe.

We do not have an edge in estimating the appropriate discount for a dollar in Zimbabwe – no more than we did three months ago. What we can predict is that patience will be handsomely rewarded as Zimbabwe's risk premium unwinds over time. The pace of political and fiscal reforms will dictate the turnaround in US dollar liquidity shortages. We are encouraged by the new government's focus on restoring fiscal discipline, which could be a harbinger for re-engagement with international institutions. Our best anchor today is that Econet and Delta, the Fund's top holdings in that country, are cash-generative businesses with dominant market shares. In a normal macro environment, the intrinsic values of these businesses are meaningfully above our carrying values.

Nigeria

Keen readers of our commentaries are familiar with our long held view that Nigerian banks are undervalued, despite the country's macro risks. Nigeria's economic challenges started dissipating in 2017. Relative stability in the Niger Delta has led to a recovery in oil production and oil prices have bounced back. The authorities effectively devalued the naira in April 2017 with the introduction of a new foreign exchange regime. Foreign investors, who had previously shunned Nigeria's fixed income and equity markets, have trooped back gradually. Domestic investors, who were underweight equities, are also waking up to the realisation that a high-yielding fixed income environment will not last forever.

An index of the top 10 Nigerian banks has returned 54% in US dollars over the past year. Remarkably, despite this run, this same index is trading on 7.1x price-to-earnings ratio and 0.9x price-to-book. On our estimates, there is still ample headroom for these banks to continue re-rating.

Outlook

Over time, we aim to deliver substantial returns for patient investors, but market gains or losses in any single year are unpredictable. In spite of the recent gains in most African markets, the Fund is well positioned in attractively priced equities and we are continuously scouting for new bargains.

Commentary contributed by Nick Ndiritu

Performance in US$ net of all fees and expenses[1]

% Returns	Fund	Benchmark[2]
Cumulative:		
Since inception (1 July 1998)	2 843.6	625.5
Annualised:		
Since inception (1 July 1998)	18.9	10.7
Latest 10 years	5.4	4.0
Latest 5 years	2.9	3.1
Latest 3 years	2.8	5.2
Latest 2 years	27.9	24.4
Latest 1 year	63.4	34.9
Risk measures (since inception, based on month-end prices)		
Maximum drawdown[3]	-52.5	-60.5
Percentage positive months[4]	59.0	58.1
Annualised monthly volatility[5]	24.9	26.2

Note: The Fund's returns shown above are all A class.

1. The Fund is currently priced in US dollars. From inception to 30 April 2012 the Fund was priced in South African rands.
2. The current benchmark is the MSCI EFM Africa Index (total returns). From inception to 30 April 2012 the benchmark was the FTSE/JSE All Share Index including income. Performance as calculated by Allan Gray as at 31 December 2017 (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
3. Maximum percentage decline over any period. The maximum drawdown occurred from October 2007 to February 2009 and maximum benchmark drawdown occurred from October 2007 to February 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus.	31 Dec 2017
Dollars per unit	-

ALLAN GRAY AFRICA EQUITY FUND LIMITED STRATEGY

As at 31 December 2017

Annual management fee

The management fee consists of a base fee of 1% and a performance component. The fee rate is calculated weekly by comparing the Fund's total performance for the week, after the base fee is deducted, to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a.

For each percentage point above or below the benchmark we add or deduct 0.2%. This means that Allan Gray shares in approximately 20% of the performance relative to the benchmark.

The fee is capped at 5% over any 12 month rolling period and can decrease to a minimum of 0%. If the fee would have been negative, the negative fee will be carried forward to reduce the next week's fee (and all subsequent weeks until the underperformance is recovered).

Total expense ratio ('TER') and Transaction costs[6]

The annual management fee charged is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1 and 3-year period ending 31 December 2017	1yr %	3yr %
Total expense ratio	**0.66**	**1.23**
Fee for benchmark performance[7]	1.29	1.43
Performance fees	-0.94	-0.48
Custody fees	0.26	0.23
Other costs excluding transaction costs	0.05	0.05
Transaction costs	**0.33**	**0.23**
Total investment charge	**0.99**	**1.46**

Note: The fees, TERs and Transaction costs provided are for Class A only. The fees, TER's and transaction costs for all other classes are available from the Allan Gray service team.

6. The Fund's annual management fee was amended on 1 September 2017.
7. The fee for benchmark performance was previously 1.5% p.a. up until 31 August 2017. Effective 1 September 2017, when we implemented the new investment management fee, the fee for benchmark performance changed to 1% p.a. The fee for benchmark performance reflected is the average fee charged over the respective period.

Sector allocation as at 31 December 2017

Sector	% of Fund	Benchmark[8]
Oil and gas	8.3	0.1
Basic materials	14.1	10.2
Industrials	0.9	5.3
Consumer goods	22.4	3.1
Healthcare	1.0	3.2
Consumer services	3.3	37.9
Telecommunications	11.9	8.1
Utilities	3.0	0.0
Financials	31.8	31.9
Fixed interest/Liquidity	3.4	0.0
Total[10]	**100.0**	**100.0**

Country of primary listing as at 31 December 2017

Country	% of Equities	Benchmark[8]
Nigeria	26.6	2.1
South Africa	23.0	89.5
Zimbabwe[9]	20.2	0.0
Egypt	16.6	1.4
United Kingdom	4.8	0.0
Kenya	3.6	1.4
Australia	2.8	0.0
Uganda	2.3	0.0
Canada	0.0	0.0
Morocco	0.0	2.4
Romania	0.0	1.5
Mauritius	0.0	0.8
BRVM	0.0	0.4
Malta	0.0	0.3
Tunisia	0.0	0.1
Total[10]	**100.0**	**100.0**

8. MSCI EFM Africa Index (total returns) (source: Bloomberg). Calculation based on the latest available data as supplied by third parties.
9. Zimbabwe assets are currently being fair valued in accordance with the board's fair value pricing policies.
10. There may be slight discrepancies in the totals due to rounding.

SCHEDULE OF NET ASSETS

As at 31 December 2017

Number held	Instrument (ranked by sector)	Market value US$	% of Fund	MSCI EFM Africa index (total returns) (%)
	FINANCIALS	85 995 170	31.8%	31.9%
284 837 467	Zenith Bank	20 286 757	7.5%	
692 003 077	Access Bank	20 087 312	7.4%	
864 931	Standard Bank	13 678 219	5.1%	
212 281 628	First Bank of Nigeria	5 189 106	1.9%	
249 146	Nedbank	5 157 147	1.9%	
1 474 717	Old Mutual	4 529 375	1.7%	
5 232 833	Stanbic Holdings	4 107 165	1.5%	
7 804 650	Kenya Commercial Bank	3 233 031	1.2%	
	Positions less than 1%	9 727 058	3.6%	
	CONSUMER GOODS	60 476 948	22.4%	3.1%
1 567 546	Eastern Tobacco	38 715 212	14.3%	
22 465 170	Delta Corporation	17 972 136	6.7%	
10 526 667	Innscor Africa	3 789 600	1.4%	
	BASIC MATERIALS	38 107 088	14.1%	10.2%
602 399	Sasol	20 847 629	7.7%	
1 161 660	Zimplats	5 891 125	2.2%	
808 564	Caledonia Mining	5 573 630	2.1%	
	Positions less than 1%	5 794 704	2.1%	
	TELECOMMUNICATIONS	33 290 070	12.3%	8.1%
138 317 331	Econet Wireless	29 963 330	11.1%	
7 971 622	Global Telecom	3 326 740	1.2%	
	OIL AND GAS	22 423 861	8.3%	0.1%
13 664 112	SEPLAT Petroleum Development Co	21 414 475	7.9%	
	Positions less than 1%	1 009 386	0.4%	
	CONSUMER SERVICES	8 925 965	3.3%	37.9%
21 300	Naspers	5 941 151	2.2%	
	Positions less than 1%	2 984 814	1.1%	
	UTILITIES	8 070 374	3.0%	0.0%
54 077 479	Umeme	5 956 310	2.2%	
	Positions less than 1%	2 114 064	0.8%	
	HEALTHCARE	2 827 556	1.0%	3.2%
1 391 000	Netcare	2 827 556	1.0%	
	INDUSTRIALS	2 373 962	0.9%	5.3%
	Positions less than 1%	2 373 962	0.9%	
	CASH AND ACCRUALS	7 994 410	3.0%	-
	NET ASSETS	**270 485 404**	**100.0%**	

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

As at 31 December 2017

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 2017 and its financial performance and cash flows for the year ended 31 December 2017, are set out on pages 7 to 28 and have been approved by the board of directors of the Fund and are signed on its behalf by:

John CR Collis	Craig Bodenstab
Director	Director
14 June 2018	14 June 2018

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 statement of financial position as at 31 December 2017 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year ended 31 December 2017, and a summary of significant accounting policies and other explanatory information on pages 7 to 28.

Directors' responsibility for the financial statements

The Fund's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as 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 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 controls relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2017 and its financial performance and its cash flows for the year ended 31 December 2017 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

26 June 2018
Toronto, Canada

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 US$	2016 US$
ASSETS			
Financial assets at fair value through profit or loss	2	262 490 994	165 095 555
Cash and cash equivalents	3	8 448 838	4 126 480
Trade and other receivables	4	498 154	65 474
TOTAL ASSETS		271 437 986	169 287 509
LIABILITIES			
Trade and other payables	5	952 582	376 121
Distribution payable	8	-	5 487 913
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		952 582	5 864 034
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		270 485 404	163 423 475

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 US$	2016 US$
NET INVESTMENT INCOME		108 390 925	3 054 211
Dividends		9 570 899	8 076 065
Interest		44 259	255
Realised gains / (losses) on disposal of investments		688 343	1 719 636
Unrealised gains / (losses) on investments		97 925 723	(5 838 345)
Foreign exchange gains / (losses)		143 515	(903 737)
Other income		18 186	337
OPERATING EXPENSES		(2 530 852)	(2 588 680)
Management fees	1.3.2	(752 763)	(1 293 647)
Audit fees		1 690	(39 451)
Custodian fees		(535 025)	(310 509)
Directors' fees		(18 000)	(6 000)
Transaction fees		(25 185)	(11 462)
Administration fees		(52 967)	(43 710)
Withholding taxes		(1 123 410)	(866 024)
Other expenses		(25 192)	(17 877)
TOTAL COMPREHENSIVE INCOME BEFORE FINANCE COSTS		105 860 073	465 531
Finance cost - distribution to holders of redeemable shares	8	-	(5 487 913)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		105 860 073	(5 022 382)

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

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

For the year ended 31 December 2017

	Note	Net assets attributable to holders of redeemable shares US$	Number of shares	Net asset value per share US$
BALANCE AT 31 DECEMBER 2015		164 639 916	1 310 270	125.65
Total comprehensive loss for the year		(5 022 382)		
Net capital contributions		3 805 941	32 799	
BALANCE AT 31 DECEMBER 2016		163 423 475	1 343 069	121.68
Total comprehensive income for the year		105 860 073		
Net capital contributions		1 201 856	16 940	
BALANCE AT 31 DECEMBER 2017	8	270 485 404	1 360 009	198.89

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 US$	2016 US$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	6.1	(1 858 788)	(1 722 319)
Working capital changes	6.2	534 151	(16 310)
Interest received		(3)	255
Dividends received, net of withholding tax		8 101 381	7 210 041
NET CASH GENERATED BY OPERATING ACTIVITIES		6 776 741	5 471 667
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(93 001 802)	(41 786 598)
Proceeds from sale of investments		94 689 962	35 416 817
NET CASH GENERATED BY / (UTILISED IN) INVESTING ACTIVITIES		1 688 160	(6 369 781)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable shares		53 629 790	67 455
Redemption of redeemable shares		(57 915 848)	(1 809 844)
NET CASH FLOWS UTILISED BY FINANCING ACTIVITIES		(4 286 058)	(1 742 389)
Net increase / (decrease) in cash and cash equivalents		4 178 843	(2 640 503)
Cash and cash equivalents at the beginning of the year		4 126 480	7 670 720
Effect of exchange rate changes on cash and cash equivalents		143 515	(903 737)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		8 448 838	4 126 480
SUPPLEMENTAL INFORMATION:			
Actual interest received		(3)	255
Actual dividends received, net of withholding tax		8 101 381	7 211 569

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

Corporate information

Allan Gray Africa Equity Fund Limited (the 'Fund') 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 board of directors have resolved to change the investment manager of the Fund from Allan Gray International Proprietary Limited to Allan Gray Bermuda Limited (the 'Investment Manager'), with effect from 1 September 2017. Allan Gray Proprietary Limited is the investment adviser to the Fund.

The financial statements of the Fund were authorised for issue by the board of directors on 14 June 2018.

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

The Fund has adopted all new and revised standards, interpretations and amendments issued by the International Accounting Standards Board (the 'IASB') and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for the annual accounting period ended 31 December 2017.

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

The following new, revised and amended IFRS standards, interpretations and amendments applicable to the Fund were adopted during the period:

Standards		Effective date: Years beginning on/after	Impact
IAS 7	Statement of Cash Flows (disclosure initiative)	1 January 2017	No material impact
IAS 12	Income Taxes (amendment)	1 January 2017	No material impact

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

Standards		Effective date: Years beginning on/after	Expected impact
IFRS 9	Financial Instruments	1 January 2018	Refer to Note 1
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Refer to Note 2

Note 1

The Fund has chosen not to early adopt IFRS 9.

Expected qualitative and quantitative impact of adopting IFRS 9

Financial assets currently classified at fair value through profit or loss will continue to be classified as such. Loans and receivables and financial liabilities held at amortised cost will continue to be classified as such.

The adoption of IFRS 9 is not expected to have a material quantitative impact on the Statement of financial position and the Statement of comprehensive income for the Fund.

The impact of impairment under IFRS 9 is assessed to be immaterial due to the short term nature of the receivables.

Note 2

The Fund has chosen not to early adopt IFRS 15.

Expected qualitative and quantitative impact of adopting IFRS 15

Interest income, dividend income and realised and unrealised gains and losses on investments currently classified as net investment income will continue to be classified as such and we do not expect there to be any material qualitative or quantitative impact of adopting IFRS 15.

A number of other changes, that are effective for accounting periods ended after 31 December 2017, 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 Statement 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 Statement of comprehensive income.

Other income

Investors are charged 0.5% when subscribing for Fund shares. Investors may be charged 0.5% when redeeming Fund shares in the case of significant redemptions. These charges are paid into the Fund to offset the costs associated with the transactions that are borne by the Fund. The Investment Manager may waive these charges if transactions substantially offset one another.

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.

1.3.2 Annual management fee

The management fee is the fee paid by the Fund to the Investment Manager for the management of the Fund and the administration of shareholder transactions. Management fees are calculated and accrued based on the weekly net asset value of the share class and recognised on an accrual basis in profit or loss.

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 12 years after the accrual of such entitlement.

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

1.3.5 Taxation

There is no income tax, corporation tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate or stamp duty or inheritance tax in Bermuda payable by the Fund or its members in respect of shares in the Fund. The government of Bermuda 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.

Financial liabilities at amortised cost

The Fund classifies its trade and other payables and distribution payable 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. Amortised cost approximates fair value due to the short term nature of the financial liabilities.

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 its 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. Amortised cost approximates fair value due to the short term nature of loans and receivables and financial liabilities.

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

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

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

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 Statement 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 in 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. Amortised cost approximates fair value due to the short term nature of amounts due from and to 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.

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.

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

For the year ended 31 December 2017

2. Financial assets at fair value through profit or loss

	2017 US$	2016 US$
Gilts and semi-gilts	1 186 637	-
Equities	261 304 357	165 095 555
TOTAL	262 490 994	165 095 555

3. Cash and cash equivalents

	2017 US$	2016 US$
Cash held at banks	8 448 838	4 126 480
TOTAL	8 448 838	4 126 480

4. Trade and other receivables

	2017 US$	2016 US$
Interest receivable	44 262	-
Dividends receivable	411 582	65 474
Amounts due from brokers	42 310	-
TOTAL	498 154	65 474

5. Trade and other payables

	2017 US$	2016 US$
Management fees	-	206 370
Other payables	137 927	169 751
Amounts due to brokers	814 655	-
TOTAL	952 582	376 121

6. Notes to the statements of cash flows

6.1 Net cash outflow from operations before working capital changes

	2017 US$	2016 US$
Total comprehensive income / (loss) for the year	105 860 073	(5 022 382)
Adjustments:		
Realised (gains) / losses on disposal of investments	(688 343)	(1 719 636)
Unrealised (gains) / losses on investments	(98 395 255)	5 838 345
Foreign exchange (gains) / losses	(143 515)	903 737
Interest income	(44 259)	(255)
Dividend income, net of withholding tax	(8 447 489)	(7 210 041)
Finance cost - distribution to holders of redeemable shares	-	5 487 913
TOTAL	(1 858 788)	(1 722 319)

	2017 US$	2016 US$

6.2 Working capital changes

	2017 US$	2016 US$
(Increase) / decrease in trade and other receivables	(42 310)	1 528
Increase / (decrease) in trade and other payables	576 461	(17 838)
TOTAL	534 151	(16 310)

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.

Categorisation of financial instruments at 31 December 2017

	Loans and receivables measured at amortised cost 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	-	262 490 994	-	262 490 994
Cash and cash equivalents	8 448 838	-	-	8 448 838
Trade and other receivables	498 154	-	-	498 154
TOTAL ASSETS	8 946 992	262 490 994	-	271 437 986
LIABILITIES				
Trade and other payables	-	-	952 582	952 582
Distribution payable	-	-	-	-
TOTAL LIABILITIES	-	-	952 582	952 582

Categorisation of financial instruments at 31 December 2016

	Loans and receivables measured at amortised cost 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	-	165 095 555	-	165 095 555
Cash and cash equivalents	4 126 480	-	-	4 126 480
Trade and other receivables	65 474	-	-	65 474
TOTAL ASSETS	4 191 954	165 095 555	-	169 287 509
LIABILITIES				
Trade and other payables	-	-	376 121	376 121
Distribution payable	-	-	5 487 913	5 487 913
TOTAL LIABILITIES	-	-	5 864 034	5 864 034

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. The Fund's investing activities expose holders of Fund shares to various types of risks that are associated with the financial instruments and markets in which the Fund invests.

Market risk

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 following table shows the Funds exposure to price and interest rate risks, split into the different types of financial instruments held by the Fund at year end. The analysis only relates to instruments subject to those specific risks.

Exposure	2017 US$	2016 US$
SUBJECT TO PRICE RISK		
Equities	261 304 357	165 095 555
SUBJECT TO INTEREST RATE RISK		
Cash and cash equivalents	8 448 838	4 126 480
Gilts and semi-gilts	1 186 637	-

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, and 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 Fund's portfolio is constructed based on proprietary investment research. This research is intended to enable the Fund to be invested in equities which offer superior fundamental value. Whether an equity offers superior fundamental value is determined by comparing the share price with an assessment of the equity's intrinsic value. Price risk is not managed in the Fund. Shares are typically bought 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 it is believed there is a margin of safety. The lower the price of a share when compared to its assessed intrinsic value, the more attractive the equity's fundamental value is considered to be.

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 the possible impact on net assets attributable to holders of redeemable shares to price risk, until such time as the investments are sold. The following 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.

	2017 US$	2016 US$
INVESTMENTS SUBJECT TO PRICE RISK		
EQUITIES		
Effect on net assets attributable to holders of redeemable shares		
Gross exposure	261 304 357	165 095 555
+-5%	13 065 218	8 254 778
+-10%	26 130 436	16 509 556
+-20%	52 260 871	33 019 111

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	2017 %	2016 %
Financials	33.1	28.7
Consumer goods	23.1	24.4
Basic materials	14.5	14.5
Telecommunications	12.3	10.8
Oil and gas	8.6	9.8
Consumer services	3.4	5.5
Utilities	3.1	4.3
Healthcare	1.0	0.0
Industrials	0.9	2.0
TOTAL	100.00	100.0

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 and gilts and semi-gilts. The Investment Manager manages the Fund's exposure to interest rates in accordance with the Fund's investment objectives and policies.

The following table 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.

	2017 US$	2016 US$
INVESTMENTS SUBJECT TO INTEREST RATE RISK		
CASH AND CASH EQUIVALENTS	8 448 838	4 126 480
Effect on net assets attributable to holders of redeemable shares		
+- 0.5%	42 244	20 632
+- 1.0%	84 488	41 265
GILTS AND SEMI-GILTS	1 186 637	-
Effect on net assets attributable to holders of redeemable shares		
+- 0.5%	5 933	-
+- 1.0%	11 866	-

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 is therefore exposed to the effects of exchange rate fluctuations.

The following tables indicate the currencies to which the Fund had exposure at 31 December 2017 and 31 December 2016 on its financial assets and liabilities.

A positive number indicates an increase in net assets attributable to holders of redeemable shares where the US dollar weakens against the relevant currency. For a strengthening 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.

			Currency impact US$		
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2017					
CURRENCY		**FINANCIAL ASSET US$**	**-/+5%**	**-/+10%**	**-/+20%**
Canadian dollar	CAD	131 101	6 555	13 110	26 220
Australian dollar	AUD	5 911 401	295 570	591 140	1 182 280
South African rand	ZAR	66 443 612	3 322 181	6 644 361	13 288 722
Euro	EUR	75 918	3 796	7 592	15 184
British pound	GBP	20 191 152	1 009 558	2 019 115	4 038 230
Egyptian pound	EGP	44 328 590	2 216 429	4 432 859	8 865 718
Kenyan shilling	KES	9 616 505	480 825	961 650	1 923 301
Ugandan shilling	UGX	5 898 606	294 930	589 861	1 179 721
Nigerian naira	NGN	55 993 155	2 799 658	5 599 316	11 198 631
			10 429 502	20 859 004	41 718 007

			Currency impact US$		
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2016					
CURRENCY		**FINANCIAL ASSET US$**	**-/+5%**	**-/+10%**	**-/+20%**
Canadian dollar	CAD	888 388	44 419	88 839	177 678
Australian dollar	AUD	5 048 278	252 414	504 828	1 009 656
South African rand	ZAR	47 418 553	2 370 928	4 741 855	9 483 711
Euro	EUR	4 943 670	247 184	494 367	988 734
British pound	GBP	9 633 912	481 696	963 391	1 926 782
Egyptian pound	EGP	30 918 824	1 545 941	3 091 882	6 183 764
Kenyan shilling	KES	7 430 406	371 520	743 041	1 486 081
Ugandan shilling	UGX	4 821 168	241 058	482 117	964 234
Nigerian naira	NGN	22 991 292	1 149 565	2 299 129	4 598 258
			6 704 725	13 409 449	26 818 898

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 Citibank Europe plc (the 'Administrator') and the Investment Manager monitor compliance with applicable regulations and the investment mandate on a daily basis.

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

	2017	2016
CREDIT RATING	**% OF FUND**	**% OF FUND**
A+	3.1%	0.1%
A	0.0%	2.5%
	3.1%	2.6%

Note that the balance (96.9% of the Fund's net assets) (31 December 2016: 97.4% of the Fund's net assets) comprises financial assets at fair value through profit or loss, trade and other receivables, distribution payable 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 within 90 days. The Investment Manager's compliance department monitors compliance with the applicable requirements.

Where total members' redemptions on any dealing day are more than US$5 000 000 or 2.5% of the total net asset value of the Fund (whichever is less), the Investment Manager may, at its discretion, redeem only 2.5% of the total net asset value of the Fund or US$5 000 000 (whichever is less), on a pro rata basis among the members, per dealing day. If any redemptions requests are not satisfied in full, the balance thereof will be carried forward to the following dealing day, subject to the same 2.5% restriction. The Investment Manager retains the right to distribute all or part of the redemption proceeds in specie (in kind).

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. Net assets attributable to holders of redeemable shares and distribution payable are settled within 30 days.

7.2 Fair value

The directors of the 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 Statement of financial position as these balances are due within 30 days. IFRS 7 and IFRS 13 require fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy, as follows:

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

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 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 recognised public securities exchanges can be valued on the valuation date based on other reliable sources, such as quotations by recognised 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.

The following tables show the fair values of instruments at 31 December 2017 and 31 December 2016.

Level 1	2017 US$	2016 US$
FINANCIAL ASSETS		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equities	208 424 774	132 652 412

Level 3	2017 US$	2016 US$
FINANCIAL ASSETS		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equities	52 879 583	32 443 143
Gilts and semi-gilts	1 186 637	-

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

During the year ended 31 December 2016, deteriorating macroeconomic conditions in Zimbabwe led to a severe shortage of US dollars. The Zimbabwe government introduced bond notes in an attempt to solve the chronic US dollar shortage in the country. As it is very difficult to get US dollars out of Zimbabwe, investors with cash balances were looking to buy real assets, therefore driving up equity valuations.

Since December 2016, the Zimbabwean currency situation has deteriorated further. As the government prints ever-greater sums of money, people have lost faith in the value of Zimbabwean bank deposits and are looking to buy real goods including cars, property and listed equities, therefore driving up equities even further. Although Zimbabwe has seen a change in the country's leadership, with Robert Mugabe stepping down and Emmerson Mnangagwa taking over as the country's leader, equity prices continue to be volatile. As a result the fair value was adjusted, which resulted in a transfer from level 1 to level 3.

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

	2017 US$	2016 US$
Opening balance	32 443 143	-
Transfer into level 3	11 458 931	41 076 817
Disposal of shares	(4 462 162)	-
Net gains / (losses) recognised in profit or loss	14 626 308	(8 633 674)
CLOSING BALANCE	54 066 220	32 443 143

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

	2017 US$	2016 US$
Unrealised gains / (losses) recognised in profit or loss	11 586 954	(8 633 674)
Realised gains / (losses) recognised in profit or loss	3 039 354	-
CLOSING BALANCE	14 626 308	(8 633 674)

During the year ended 31 December 2017, the Investment Manager has applied a steadily increasing discount to the value of the Fund's Zimbabwean financial assets to reflect an implied devaluation in the currency. This was a practical solution when the dislocation between listed equity prices and value was progressing relatively slowly, but recent price movements have made this approach impractical. The Investment Manager has therefore adopted and used a fair value methodology utilising unobservable inputs to impair the value of the Zimbabwean financial assets at 31 December 2017.

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

Effect on profit or loss:		
INCREASE / (DECREASE) OF DISCOUNT RATE:		
2017	**GAIN**	**LOSS**
+-5%	6 993 725	(6 993 725)
+-10%	13 987 449	(13 987 449)
2016	**GAIN**	**LOSS**
+-5%	2 027 696	(2 027 696)
+-10%	4 055 393	(4 055 393)

8. Share capital

Notwithstanding that the net assets attributable to holders of redeemable shares are classified as financial liabilities, the directors of the Fund consider 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 2017 and 31 December 2016 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 the Investment Manager. During the year, due to the change in the Investment Manager, the Founder shares were transferred from Allan Gray International Proprietary Limited to Allan Gray Bermuda Limited. The Founder shares are classified as a trade and other payable in the Statement of financial position. As at 31 December 2017 and 31 December 2016, only Class A shares had been issued.

	Allan Gray Africa Equity Fund Limited
Fund shares par value (per share)	US$0.13
Authorised fund shares	100 million
Founder shares par value (per share)	US$0.13
Authorised and issued founder shares	12 000

Fund share transactions	2017	2016
Balance at beginning of year	1 343 069	1 310 270
Subscriptions	353 071	46 425
Redemptions	(336 131)	(13 626)
BALANCE AS AT END OF YEAR	1 360 009	1 343 069

There are no options in existence for any capital.

No income distributions were declared by the Fund for the year ended 31 December 2017.

The following income distribution was declared on 31 December 2016 by the Fund:

	2016 US$
Total distribution	5 487 913
Distribution per share	4.0861

9. Commitments

The Fund has a daily uncommitted intraday US$5 million clearing facility, US$2 million settlement facility and a US$5 million pre-settlement exposure facility in place to facilitate the settlement of trade instructions. The Fund has no overdraft facilities in place. These facilities expire annually on 31 May and automatically roll over.

10. 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 Bermuda Limited, the Investment Manager of the Fund, by virtue of a common ultimate shareholder. At 31 December 2017, Orbis funds and Orbis Investment Management Limited held 938 648 shares of the Fund (2016: 1 220 992 shares).

Directors of the Fund held no shares in the Fund at 31 December 2017 (2016: nil shares).

During the financial year ended 31 December 2017 the management fee incurred by the Fund was US$752 763 (2016: US$1 293 647). At 31 December 2017, there was no management fee payable for 2017 (2016: US$206 370).

IMPORTANT NOTES FOR INVESTORS

Fund information

The Fund is incorporated and registered under the laws of Bermuda and is supervised by the Bermuda Monetary Authority. The Fund is also listed on the Bermuda Stock Exchange. The primary custodian of the Fund is Citibank N.A. The custodian can be contacted at 390 Greenwich Street, New York, New York, USA. The Investment Manager of the Fund is Allan Gray Bermuda Limited.

The Fund may be closed to new investments at any time to be managed according to its mandate. If you have any questions regarding the status of the Fund, please contact the Registrar. Shares in the Fund are traded at ruling prices and the Fund can engage in borrowing and scrip lending. This report does not constitute a financial promotion, a recommendation, an offer to sell or a solicitation to buy shares in the Fund. Investments in the Fund are made according to the terms and conditions and subject to the restrictions set out in the prospectus. The offering of shares in the Fund may be restricted in certain jurisdictions. Please contact the Allan Gray service team to confirm if there are any restrictions that apply to you.

European Union Savings Directive and Directive on Administrative Cooperation

The European Union Savings Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments was repealed in November 2015, as a consequence of the adoption in December 2015 of the EU Directive on Administrative Cooperation 2014/107/EU. The Directive on Administrative Cooperation expands the scope of income and information subject to automatic exchange between EU Member States to include not only interest income, but also dividends and other types of capital income, as well as the annual balance of the accounts producing such income. The board of directors of the Fund believes that the Fund is exempt from the application of the EU Directive on Administrative Cooperation.

United Kingdom Reporting Fund Status

The Fund's application for reporting fund status has been successful. The directors intend to manage the Fund in such a way that it should continue to be certified as a reporting fund.

Notice to investors in the European Economic Area ('EEA')

The Fund is not currently marketed in the EEA. As a result, the Investment Manager does not comply with the requirements of the Alternative Investment Fund Managers Directive ('AIFMD'), and persons located in any EEA member state ('European Investors') are only permitted to subscribe for shares in the Fund in the discretion of the Investment Manager and subject to compliance with applicable law. European Investors who are permitted to invest in the Fund will not benefit from any of the protections of the AIFMD to which a European Investor making an investment in a non-European fund would otherwise have, including but without limitation, certain initial disclosure requirements, periodic reporting on illiquid assets and leverage, and certain annual reporting requirements.

Performance

Collective Investment Schemes in Securities (unit trusts or mutual funds) are generally medium- to long-term investments. Where annualised performance is mentioned, this refers to the average return per year over the period. The value of shares may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may cause the value of underlying international investments to go up or down. Neither the Investment Manager, the Fund nor the Representative provides any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

IMPORTANT NOTES FOR INVESTORS

Benchmark data

The Fund's benchmark data is provided by MSCI who require that we include the following legal notes. 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.

Share price

Share prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund divided by the number of shares in issue. Forward pricing is used. The weekly price of the Fund is normally calculated each Friday. Purchase requests must be received by the Registrar of the Fund (being Citibank Europe plc, Luxembourg Branch) by 17:00 Bermuda time on that dealing day to receive that week's price. Redemption requests must be received by the Registrar of the Fund by 12:00 Bermuda time, on the particular dealing day on which shares are to be redeemed to receive that week's price. Share prices are available on www.allangray.com.

Fees and charges

Permissible deductions from the Fund may include management fees, brokerage, Securities Transfer Tax ('STT'), auditor's fees, bank charges and custody fees. A schedule of fees, charges and maximum commissions is available on request from the Allan Gray Service Team.

Total expense ratio ('TER') and Transaction costs

The total expense ratio ('TER') is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one and three year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged) and other expenses like audit fees. Transaction costs (including brokerage, Securities Transfer Tax [STT] and investor protection levies where applicable) are shown separately. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from published returns. As collective investment scheme expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and Transaction costs is shown as the Total investment charge.

IMPORTANT NOTES FOR INVESTORS

African markets

African markets are generally less mature and developed than those in advanced countries and have varying laws and regulations. There are significant risks involved in investing in shares listed in the Fund's universe of African 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. In many cases, such risks are significantly higher than those in developed markets. Furthermore, African markets often have a more limited number of potential buyers and issuers and may be dependent on revenue from particular commodities or international aid. Additionally, African markets may have less government supervision and regulation, differences in auditing and financial reporting standards, and less developed legal systems. African Markets also often have less developed securities settlements processes which may delay or prevent settlement of securities transactions. African markets also typically have smaller economies or less developed capital markets than more developed markets.

Contractual risk

The Fund can use derivatives to manage its exposure to stock markets, currencies and/or interest rates and this exposes the Fund to contractual risk. Contractual risk includes the risk that a counterparty will not settle a transaction according to its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, causing the Fund to suffer a loss. Such contract counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties.

Derivatives

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. Price movements of forward contracts and other derivative contracts in which the assets of the Fund may be invested are highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Forward contracts are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Trading in forward contracts is substantially unregulated and there is no limitation on daily price movements.

Additional information

You can obtain additional information about the Fund, including copies of the fact sheet, prospectus and application forms, free of charge, by contacting the Allan Gray service team, at +353 1 622 4716 or by email at AGclientservice@citi.com.

CHARACTERISTICS AND DIRECTORY

Domicile and structure
Bermuda open-ended investment company

Regulation
The Fund is incorporated and registered under the laws of Bermuda and is supervised by the Bermuda Monetary Authority. The Fund is also listed on the Bermuda Stock Exchange.

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Company secretary
Orbis Administration Limited

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