

ANNUAL REPORT
ALLAN GRAY AFRICA EX-SA
EQUITY FUND LIMITED

2024

ALLAN GRAY

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ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

as at 31 December 2014

The Allan Gray Africa ex-SA Equity Fund Limited (the 'Fund') invests mainly in African (excluding South Africa) equities. The Fund's benchmark is the Standard Bank Africa Total Return Index, including income, measured in US dollars. The Fund does

not seek to mirror the Standard Bank Africa Total Return Index but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns.

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 JANUARY 2012	1 YEAR	LATEST QUARTER
Allan Gray Africa ex-SA Equity Fund Limited	14.8	-7.7	-17.7
Standard Bank Africa Total Return Index	0.2	-16.4	-18.5

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.

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 EX-SA 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	STANDARD BANK AFRICA TOTAL RETURN INDEX (%)
	CONSUMER GOODS	65 964 117	28.0%	8.0%
902 011	Eastern Tobacco	27 622 790	11.7%	
17 421 994	Delta Corporation	17 770 434	7.6%	
12 652 308	Innsco Africa	7 591 385	3.2%	
1 505 166	National Breweries	2 822 186	1.2%	
915 964	Sechaba	2 706 066	1.1%	
	Positions less than 1%	7 451 256	3.2%	
	FINANCIALS	56 010 167	23.8%	35.4%
237 843 712	FBN Holdings	11 437 293	4.9%	
308 500 880	Access Bank	11 126 261	4.7%	
2 508 027	Credit Agricole Egypt	6 341 932	2.7%	
201 020 176	Diamond Bank	6 129 468	2.6%	
46 692 689	Zenith Bank	4 697 336	2.0%	
8 329 600	Bank of Kigali	3 626 821	1.5%	
22 027 853	Stanbic IBTC	3 250 011	1.4%	
	Positions less than 1%	9 401 045	4.0%	
	OIL & GAS	35 503 558	15.1%	12.1%
5 630 217	SEPLAT Petroleum Development Co	12 218 911	5.2%	
2 339 997	MPI	8 664 789	3.7%	
2 069 255	TransGlobe Energy	8 583 312	3.6%	
3 164 438	Afren	2 330 845	1.0%	
	Positions less than 1%	3 705 701	1.6%	
	TELECOMMUNICATIONS	27 510 675	11.7%	11.5%
32 545 847	Econet Wireless Zimbabwe	19 527 508	8.3%	
3 790 256	Press Corp	3 695 245	1.6%	
71 649	Sonatel	3 015 408	1.3%	
	Positions less than 1%	1 272 514	0.5%	
	BASIC MATERIALS	17 327 882	7.4%	27.6%
940 451	Zimplats	6 911 749	2.9%	
6 219 788	Centamin	5 707 294	2.4%	
4 825 500	Caledonia Mining	2 873 903	1.2%	
	Positions less than 1%	1 834 936	0.9%	
	UTILITIES	5 625 312	2.4%	0.5%
21 122 062	Umeme	3 849 383	1.6%	
	Positions less than 1%	1 775 929	0.8%	
	INDUSTRIALS	4 647 458	1.9%	3.3%
17 026 843	Atlas Development & Support Services	2 392 655	1.0%	
	Positions less than 1%	2 254 803	0.9%	
	CONSUMER SERVICES	3 977 788	1.7%	1.5%
	Positions less than 1%	3 977 788	1.7%	
	CASH AND ACCRUALS	18 805 339	8.0%	
	NET ASSETS	235 372 296	100.0%	

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

as at 31 December 2014

COUNTRY OF PRIMARY LISTING AS AT 31 DECEMBER 2014

COUNTRY	% OF EQUITIES	BENCHMARK ¹
Nigeria	24.4	14.6
Zimbabwe	23.0	1.2
Egypt	17.7	20.1
United Kingdom	6.2	17.6
France	5.3	0.7
Canada	4.9	13.1
Kenya	3.8	15.6
Australia	3.2	5.5
BRVM	3.1	1.0
Uganda	1.8	0.2
Malawi	1.7	0.0
Rwanda	1.7	0.1
Zambia	1.3	0.1
Botswana	1.2	0.5
Mauritius	0.6	2.0
Ghana	0.1	0.2
Morocco	0.0	6.1
Tunisia	0.0	1.2
United States	0.0	0.3
TOTAL²	100.0	100.0

1. Standard Bank Africa Total Return Index (Source: Standard Bank). Calculation based on the latest available data as supplied by third parties.

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

SECTOR ALLOCATION AS AT 31 DECEMBER 2014

SECTOR	% OF FUND	BENCHMARK ¹
Oil & gas	15.1	12.1
Basic materials	7.4	27.6
Industrials	1.9	3.3
Consumer goods	28.0	8.0
Healthcare	0.0	0.0
Consumer services	1.7	1.5
Telecommunications	11.7	11.5
Utilities	2.4	0.5
Financials	23.8	35.4
Technology	0.0	0.1
Fixed interest/Liquidity	8.0	0.0
TOTAL²	100.0	100.0

1. Standard Bank Africa Total Return Index (Source: Standard Bank). 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 EX-SA 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 - 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	216 566 957	137 121 744	37 080 111
Cash and cash equivalents	3	19 525 104	9 618 265	3 112 334
Trade and other receivables	4	74 747	45 589	33 715
TOTAL ASSETS		236 166 808	146 785 598	40 226 160
LIABILITIES				
Trade and other payables	5	794 512	110 610	375 255
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		794 512	110 610	375 255
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		235 372 296	146 674 988	39 850 905

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	(15 622 910)	21 644 578
Dividends	8 054 159	3 269 920
Interest	10	194
Realised gains on disposal of investments	9 588 438	2 954 437
Unrealised (losses) / gains on investments	(33 935 546)	14 938 444
Foreign exchange losses	(409 491)	(415 153)
Other income	1 079 520	896 736
OPERATING EXPENSES	(4 106 447)	(2 272 772)
Performance fees	(1 878 971)	(1 333 661)
Management fees	(737 617)	(300 809)
Audit fees	(18 025)	(17 500)
Custodian fees	(539 523)	(274 222)
Transaction fees	(61 347)	(62 004)
Administration fees	(59 709)	(28 770)
Withholding taxes	(732 844)	(227 792)
Other expenses	(78 411)	(28 014)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(19 729 357)	19 371 806

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

Allan Gray Africa ex-SA Equity Fund Limited

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
BALANCE AT 1 JANUARY 2013		39 850 905	289 249
Total comprehensive income for the year		19 371 806	
Net capital contributions		87 452 277	547 725
BALANCE AT 31 DECEMBER 2013		146 674 988	836 974
Total comprehensive loss for the year		(19 729 357)	
Net capital contributions		108 426 665	615 590
BALANCE AT 31 DECEMBER 2014	8	235 372 296	1 452 564

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	(2 294 083)	(1 148 244)
Working capital changes	6.2	654 744	(276 519)
Interest received		10	194
Dividends received, net of withholding tax		7 321 315	3 042 128
NET CASH GENERATED BY OPERATING ACTIVITIES		5 681 986	1 617 559
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(142 177 241)	(96 579 394)
Proceeds from sale of investments		38 384 920	14 430 642
NET CASH UTILISED IN INVESTING ACTIVITIES		(103 792 321)	(82 148 752)
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of redeemable shares		(346 960)	(9 306 138)
Proceeds from issue of redeemable shares		108 773 625	96 758 415
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		108 426 665	87 452 277
Net increase in cash and cash equivalents		10 316 330	6 921 084
Cash and cash equivalents at the beginning of the year		9 618 265	3 112 334
Effect of exchange rate changes on cash and cash equivalents		(409 491)	(415 153)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		19 525 104	9 618 265
SUPPLEMENTAL INFORMATION:			
Actual interest received		10	194
Actual dividends received, net of withholding tax		7 292 157	3 030 254

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 ex-SA Equity Fund Limited was incorporated on 31 October 2011 and is a limited liability company of unlimited duration. The Fund was launched to the public on 1 January 2012 and is a Bermuda exempted Mutual Fund Company. The Investment Manager of the Fund is Allan Gray International Proprietary Limited (the 'Investment Manager'). Allan Gray Proprietary Limited is the Investment Advisor to the Fund.

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

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 Standard Bank Africa Total Return Index.

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 1% 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.

1.3.2 MANAGEMENT FEE AND PERFORMANCE FEE

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The Performance Fee is 20% of the extent to which the Fund outperforms its Benchmark, after accruing for the Fixed Fee, subject to reaching a new High Watermark. The High Watermark is the maximum ratio the Fund's Net Asset Value per Share, including distributions, has achieved relative to the Benchmark since the Fund's inception.

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, or 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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.

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\$
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2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Foreign equities	216 566 957	137 121 744	37 080 111
	216 566 957	137 121 744	37 080 111

3. CASH AND CASH EQUIVALENTS

Cash with foreign banks	19 525 104	9 618 265	3 112 334
	19 525 104	9 618 265	3 112 334

4. TRADE AND OTHER RECEIVABLES

Dividends receivable	74 747	45 589	33 715
	74 747	45 589	33 715

5. TRADE AND OTHER PAYABLES

Management fees	96 745	37 395	15 228
Performance fees	-	-	18 760
Other expenses	110 055	73 215	53 283
Amounts due to brokers	587 712	-	287 984
	794 512	110 610	375 255

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	(19 729 357)	19 371 806
Adjustments:		
Realised gains on disposal of investments	(9 588 438)	(2 954 437)
Unrealised losses / (gains) on investments	33 935 546	(14 938 444)
Foreign exchange losses	409 491	415 153
Interest income	(10)	(194)
Dividend income, net of withholding tax	(7 321 315)	(3 042 128)
	(2 294 083)	(1 148 244)

6.2 WORKING CAPITAL CHANGES

Increase in trade and other receivables	(29 158)	(11 874)
Increase/(decrease) in trade and other payables	683 902	(264 645)
	654 744	(276 519)

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	-	216 566 957	-	216 566 957
Cash and cash equivalents	19 525 104	-	-	19 525 104
Trade and other receivables	74 747	-	-	74 747
TOTAL ASSETS	19 599 851	216 566 957	-	236 166 808
LIABILITIES				
Trade and other payables	-	-	794 512	794 512
TOTAL LIABILITIES	-	-	794 512	794 512

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	-	137 121 744	-	137 121 744
Cash and cash equivalents	9 618 265	-	-	9 618 265
Trade and other receivables	45 589	-	-	45 589
TOTAL ASSETS	9 663 854	137 121 744	-	146 785 598
LIABILITIES				
Trade and other payables	-	-	110 610	110 610
TOTAL LIABILITIES	-	-	110 610	110 610

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	-	37 080 111	-	37 080 111
Cash and cash equivalents	3 112 334	-	-	3 112 334
Trade and other receivables	33 715	-	-	33 715
TOTAL ASSETS	3 146 049	37 080 111	-	40 226 160
LIABILITIES				
Trade and other payables	-	-	375 255	375 255
TOTAL LIABILITIES	-	-	375 255	375 255

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 (excluding South 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	216 566 957	137 121 744	37 080 111
SUBJECT TO INTEREST RATE RISK			
Cash and cash equivalents	19 525 104	9 618 265	3 112 334

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
INVESTMENTS SUBJECT TO PRICE RISK			
EQUITIES			
Effect on net assets attributable to holder of redeemable shares			
Gross exposure	216 566 957	137 121 744	37 080 111
+5%	10 828 348	6 856 087	1 854 006
+10%	21 656 696	13 712 174	3 708 011
+20%	43 313 391	27 424 349	7 416 022

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
Consumer Goods	30.5	23.9	26.7
Financials	25.9	30.8	21.9
Oil and Gas	16.4	11.5	8.8
Telecommunications	12.7	15.2	18.0
Basic materials	8.0	11.6	6.8
Utilities	2.6	3.3	7.9
Industrials	2.1	0.4	2.2
Consumer Services	1.8	3.0	6.4
Healthcare	0.0	0.3	1.3
TOTAL	100.0	100.0	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. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014 US\$	2013 US\$	1 JANUARY 2013 US\$
INVESTMENTS SUBJECT TO INTEREST RATE RISK			
CASH AND CASH EQUIVALENTS	19 525 104	9 618 265	3 112 334
Effect on net assets attributable to holder of redeemable shares			
+/- 0.5%	97 626	48 091	15 562
+/- 1.0%	195 251	96 183	31 123

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.

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. 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.

		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	10 615 879	530 794	1 061 588	2 123 176
Australian dollar	AUD	7 070 547	353 527	707 055	1 414 109
Euro	EUR	11 630 454	581 523	1 163 045	2 326 091
British pound	GBP	21 077 118	1 053 856	2 107 712	4 215 424
Egyptian pound	EGP	40 814 128	2 040 706	4 081 413	8 162 826
Kenyan shilling	KES	8 355 239	417 762	835 524	1 671 048
Nigeria naira	NGN	44 369 504	2 218 475	4 436 950	8 873 901
Botswana pula	BWP	2 711 302	135 565	271 130	542 260
Ugandan shilling	UGX	4 463 520	223 176	446 352	892 704
Mauritian rupee	MUR	1 377 212	68 861	137 721	275 442
Malawian kwacha	MWK	3 792 031	189 602	379 203	758 406
Zambian kwacha	ZMW	2 782 329	139 116	278 233	556 466
Rwandan franc	RWF	3 899 525	194 976	389 952	779 905
Ghanaian cedi	GHS	59 981	2 999	5 998	11 996
West African franc	XOF	6 762 749	338 137	676 275	1 352 550
			8 489 076	16 978 152	33 956 304

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			CURRENCY IMPACT US\$		
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	9 151 843	457 592	915 183	1 830 370
Australian dollar	AUD	1 343 939	67 197	134 394	268 788
Euro	EUR	8 736 064	436 803	873 606	1 747 213
British pound	GBP	9 138 012	456 901	913 801	1 827 602
Egyptian pound	EGP	23 640 351	1 182 018	2 364 035	4 728 070
Kenyan shilling	KES	9 274 478	463 724	927 448	1 854 896
Nigerian naira	NGN	29 783 299	1 489 165	2 978 330	5 956 660
Botswana pula	BWP	1 437 149	71 857	143 715	287 430
Ugandan shilling	UGX	2 605 380	130 269	260 538	521 076
Mauritian rupee	MUR	1 581 944	79 097	158 194	316 389
Malawian kwacha	MWK	2 532 115	126 606	253 212	506 423
Rwandan franc	RWF	3 005 072	150 254	300 507	601 014
West African franc	XOF	5 261 103	263 055	526 110	1 052 221
			5 374 538	10 749 075	21 498 150

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	24 298	1 215	2 430	4 860
Euro	EUR	3 639 344	181 965	363 935	727 871
British pound	GBP	1 658 194	82 910	165 819	331 639
Egyptian pound	EGP	6 272 642	313 632	627 264	1 254 528
Kenyan shilling	KES	5 329 840	266 492	532 984	1 065 968
Nigerian naira	NGN	8 213 866	410 693	821 387	1 642 773
Botswana pula	BWP	255 123	12 756	25 512	51 025
Ugandan shilling	UGX	777 044	38 852	77 704	155 409
Mauritian rupee	MUR	263 049	13 152	26 305	52 610
Ghanian cedi	GHS	33 540	1 677	3 354	6 708
Rwandan franc	RWF	1 430 869	71 543	143 087	286 174
West African franc	XOF	1 142 164	57 108	114 216	228 433
			1 451 999	2 903 997	5 807 994

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 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.

	2014	2013	1 JANUARY 2013
CREDIT RATING	% OF FUND	% OF FUND	% OF FUND
A	7.6	5.9	7.1
BBB	0.5	0.6	0.0
	8.1	6.5	7.1

Note that the balance (91.9% of the Fund's net assets) (31 December 2013: 93.5% of the Fund's net assets) (1 January 2013: 92.9% 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 per share. The Fund is therefore potentially exposed to weekly redemptions by the holders of redeemable shares.

The Fund may not borrow other than to meet redemptions. Such borrowing is limited to 10% of the Fund's net asset value and must be repaid as soon as practically possible. The Investment Manager's compliance department monitors compliance with the applicable requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Where total members' redemptions on any dealing day are more than US\$5 000 000 of the total net asset value of the Fund or 2.5% of the total number of issued shares (whichever is less), the Investment Manager may, at its discretion, redeem only 2.5% of the total number of issued shares of the Fund or US\$5 000 000 of the total net asset value of the Fund (whichever is less), on a pro rata basis among the members, per dealing day. If any redemption 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. Members whose redemptions have been carried forward to the following dealing day shall have preference over subsequent redemption requests received from members. 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 and net assets attributable to holders of redeemable shares are settled within 30 days.

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

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The table below shows the fair values of these 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	216 566 957	137 121 744	37 080 111

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

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 five share classes (Class A, Class B, Class C, Class D and Class E), which participate pro rata in the Fund's

net assets and dividends, and are redeemable and non-voting. 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 and Class E 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 ex-SA Equity Fund Limited	US\$0.0001	99 990 000	US\$0.01	100

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FUND SHARE TRANSACTIONS	CLASS A	CLASS E	TOTAL
Balance at 1 January 2013	118 087	171 162	289 249
Subscriptions	183 517	424 329	607 846
Redemptions	(60 121)	-	(60 121)
BALANCE AT 31 DECEMBER 2013	241 483	595 491	836 974
Subscriptions	469 614	148 034	617 648
Redemptions	(2 058)	-	(2 058)
BALANCE AT 31 DECEMBER 2014	709 039	743 525	1 452 564

NET ASSET VALUE PER SHARE	CLASS A US\$	CLASS E US\$
On 1 January 2013	136.46	138.68
On 31 December 2013	163.74	179.91
On 31 December 2014	151.14	172.44

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 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	21 416 786	227 792	21 644 578
Dividends and other income	3 939 058	(3 939 058)	-
Dividends	-	3 269 920	3 269 920
Interest	-	194	194
Realised gains on disposal of investments	2 539 284	415 153	2 954 437
Unrealised gains on investments	14 938 444	-	14 938 444
Foreign exchange losses	-	(415 153)	(415 153)
Other income	-	896 736	896 736
OPERATING EXPENSES	(2 044 980)	(227 792)	(2 272 772)
Investment management fees	(1 634 470)	1 634 470	-
Performance fees	-	(1 333 661)	(1 333 661)
Management fees	-	(300 809)	(300 809)
Custodian's fees and other expenses	(410 510)	410 510	-
Audit fees	-	(17 500)	(17 500)
Custodian fees	-	(274 222)	(274 222)
Transaction fees	-	(62 004)	(62 004)
Administration fees	-	(28 770)	(28 770)
Withholding taxes	-	(227 792)	(227 792)
Other expenses	-	(28 014)	(28 014)
INCREASE IN NET ASSETS RESULTING FROM NET INCOME	19 371 806	-	19 371 806

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 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. For the year ended 31 December 2014 and 31 December 2013, no Orbis funds or Orbis directors held any shares directly in the Fund.

Directors of the Fund held approximately 4 thousand shares, indirectly in the Fund at 31 December 2014 (2013 - 1 thousand) (1 January 2013 - 1 thousand shares).

Key management personnel of the Investment Manager and Investment Advisor held approximately 2 thousand shares indirectly in the Fund at 31 December 2014 (2013 - 5 thousand shares) (1 January 2013 - 1 thousand shares).

During the year ended 31 December 2014, the management and performance fees incurred by the Fund were US\$737 617 and US\$1 878 971 respectively (2013 - US\$300 809 and US\$1 333 661). At 31 December 2014, the management and performance fee payable by the Fund were US\$96 745 and US\$0 respectively (2013 - US\$37 395 and US\$0) (1 January 2013 - US\$ 15 228 and US\$ 18 760).

At 31 December 2014, Allan Gray funds held approximately 579 777 Class E shares in the Fund (2013 - 497 636 shares) (1 January 2013 - 169 431 shares).

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

EUROPEAN UNION SAVINGS DIRECTIVE

The board of directors of the Fund believes that the Fund is effectively exempt from the application of the scope of the European Union Savings Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments.

UNITED KINGDOM DISTRIBUTOR STATUS / REPORTING FUND STATUS

The Fund did not apply for reporting fund status for the 13 month period ended 31 December 2012 as there were no Fund shares held by United Kingdom investors during that period. The Fund's application for reporting fund status for the period ended 31 December 2013 was successful. The Fund will apply for reporting fund status for the period ended 31 December 2014 and subsequent years. The board of directors intend to manage the Fund in such a way that it shall be certified as a reporting fund. There can be no assurance that the Fund's intended applications for reporting fund status will be successful.

NOTICE TO PERSONS IN THE EUROPEAN ECONOMIC AREA (EEA)

The Fund is an Alternative Investment Fund that will not be marketed in the EEA for purposes of the Alternative Investment Fund Managers Directive (AIFMD). As a result, the manager of the Fund will not comply with the requirements of the AIFMD and investors will not have any of the protection of the AIFMD, including but without limitation, certain initial disclosure requirements, period reporting on illiquid assets and leverage, and certain annual reporting requirements.

NOTICES

RISK WARNINGS

There is no assurance that the investment approach of the Fund will be successful or that the Fund will achieve its investment objective. It should be appreciated that the value of shares 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

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

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NOTES

A series of horizontal dotted lines for writing notes.