

20
16

TABLE OF CONTENTS

1	ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY	9	STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO
4	SCHEDULE OF NET ASSETS		HOLDERS OF REDEEMABLE SHARES
5	APPROVAL OF THE ANNUAL FINANCIAL	10	STATEMENT OF CASH FLOWS
	STATEMENTS	11	NOTES TO THE ANNUAL FINANCIAL STATEMENTS
6	INDEPENDENT AUDITORS' REPORT	29	IMPORTANT NOTES FOR INVESTORS
7	STATEMENT OF FINANCIAL POSITION	32	CHARACTERISTICS AND DIRECTORY
8	STATEMENT OF COMPREHENSIVE INCOME		

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

as at 31 December 2016

PORTFOLIO MANAGER

Andrew Lapping, Nick Ndiritu

FUND DESCRIPTION AND SUMMARY OF INVESTMENT POLICY

The Allan Gray Africa ex-SA 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 (excluding South Africa). 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 (excluding South Africa) over the long term without taking on greater risk of loss. The Fund's benchmark is the Standard Bank Africa Total Return Index. The Fund does not seek to mirror the benchmark but instead may deviate meaningfully from this performance benchmark in pursuit of superior returns. To the extent that its investments differ from those in the benchmark, the Fund faces the risk of underperforming the benchmark.

SUITABLE FOR THOSE INVESTORS WHO

- Seek exposure to African (excluding South 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

Most African equity markets had a difficult 2016, generating negative dollar returns. The worst performers were Egypt and Nigeria, which fell 47%

and 41% respectively, while the standout performer was Morocco, returning 26%. Kenya, the other large, liquid market, fell 9%.

After trying to plug the dyke for over a year, the Egyptian authorities finally let the pound float in early November. The magnitude of the move surprised most; including us (we were using a rate of EGP13.20/US\$ to value the portfolio just before the devaluation). The Egyptian pound lost 52% of its value in eight weeks, moving from EGP8.88/US\$ to EGP18.52/US\$. The local equity market rallied 37% over the same period, for a net US\$ loss of 35% for equity investors.

Close observers of the Fund's price series would have seen little price movement from the above volatility as by November we had already devalued the Egyptian pound rate used to value the Fund assets, so the subsequent stock market and currency moves more-or-less offset one another.

We think the Egyptian pound is undervalued and may well recover somewhat, especially if the government adopts some sensible policies and cuts back on money printing. We are not net buyers of Egyptian equities, as there is less value after the rally. Our preferred exposure is still Eastern Tobacco. The Egyptian opportunity currently appears to be in local currency, fixed interest and cheap holidays.

The Fund is a buyer of Nigerian banks, as these businesses look undervalued despite substantial risks. The Nigerian bank investments detracted 8.9% from returns over the past year. Nigerian consumer businesses are beginning to move into our valuation range, but we are not yet substantial buyers.

It would have been nice if rather than investing in Nigerian banks the Fund had the equivalent sum invested in Moroccan equities – unfortunately this

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

as at 31 December 2016

was not the case. We had zero exposure to Morocco over the year and, despite lots of looking, we have not found any businesses that we think are substantially undervalued.

The Fund's exposure to Kenyan equities is fairly modest despite the financial companies trading on depressed valuations. The Kenyan shilling is cause for concern. The shilling traded in a remarkably tight range around KES101/US\$ over the past 18 months, despite a rapidly increasing fiscal deficit (now 10% of GDP) and a current account deficit of 6% of GDP. Private sector credit expansion has slowed recently, but a pegged currency and large twin deficits do not usually end well.

Unfortunately, the reason for the sharp rally in Zimbabwean equities over the past six months was not an improving economic situation, but rather a deteriorating one. The government has introduced so called "bond notes" in an attempt to solve the chronic dollar shortage, which could be the harbinger of another bout of money printing. It is very difficult to get dollars out of Zimbabwe, so investors with cash balances are looking to buy real assets, driving up equity valuations. In pricing the Fund, we have devalued the Zimbabwean securities by 20% to reflect this anomaly.

The Fund is still not charging a fee as we work on improving the fee structure. Falling African equity prices and valuations over the past 30 months have laid the groundwork for better returns ahead. The Fund owns a collection of undervalued equities that should reward long-term investors with pleasing real returns in the years to come.

Commentary contributed by Andrew Lapping

PERFORMANCE IN US\$ NET OF ALL FEES AND EXPENSES

% Returns	Fund	Benchmark ¹
Cumulative:		
Since inception	-4.6	-29.0
Annualised:		
Since inception	-0.9	-6.6
Latest 5 years	-0.9	-6.6
Latest 3 years	-16.5	-16.2
Latest 2 years	-20.5	-16.0
Latest 1 year	-6.4	3.5
Risk measures (since inception, based on month-end prices)		
Maximum drawdown ²	-51.7	-51.8
Percentage positive months ³	53.3	50.0
Annualised monthly volatility ⁴	18.1	19.6
Highest annual return ⁵	41.0	24.6
Lowest annual return ⁵	-38.6	-43.4

Relative to benchmark return required to reach high watermark: 22.0%.

- Standard Bank Africa Total Return Index (source: Standard Bank), performance as calculated by Allan Gray as at 31 December 2016. Calculation based on the latest available data as supplied by third parties.
- Maximum percentage decline over any period. The maximum drawdown occurred from August 2014 to July 2016 and maximum benchmark drawdown occurred from July 2014 to January 2016. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- This is the highest or lowest rolling 12-month return the Fund has experienced since inception. The Fund's highest annual return occurred during the 12 months ended 31 May 2013 and the benchmark's occurred during the 12 months ended 30 June 2014. The Fund's lowest annual return occurred during the 12 months ended 31 August 2015 and the benchmark's occurred during the 12 months ended 31 August 2015. All rolling 12-month figures for the Fund and the benchmark are available from the Allan Gray Service Team on request.

ALLAN GRAY AFRICA EX-SA EQUITY FUND LIMITED STRATEGY

as at 31 December 2016

INCOME DISTRIBUTION 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 2016
Dollars per unit	4.4719

TOTAL EXPENSE RATIO ('TER') AND TRANSACTION COSTS

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 3-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 3-year period ending 31 December 2016	%
Total expense ratio	2.94
Fixed fee	0.90
Performance fees	1.35
Custody fees	0.30
Other costs excluding transaction costs	0.07
VAT	0.32
Transaction costs (including VAT)	0.49
Total investment charge	3.43

SECTOR ALLOCATION AS AT 31 DECEMBER 2016

Sector	% of Equities	Benchmark ¹
Financials	31.9	36.8
Consumer goods	24.3	9.1
Telecommunications	15.6	11.5
Oil & gas	14.4	13.0
Basic materials	7.6	27.5
Utilities	3.5	0.2
Consumer services	2.5	0.3
Industrials	0.2	1.6
Total⁶	100.0	100.0

COUNTRY OF PRIMARY LISTING AS AT 31 DECEMBER 2016

Country	% of Equities	Benchmark ¹
Nigeria	27.8	16.5
Zimbabwe	23.5	1.0
Egypt	12.5	11.6
United Kingdom	7.5	13.8
Kenya	7.0	14.2
BRVM	3.9	2.2
Australia	3.5	0.3
Uganda	3.4	0.2
France	3.2	3.1
Rwanda	2.4	-
Malawi	1.6	-
Netherlands	1.2	-
Zambia	1.2	-
Canada	0.8	23.3
Tanzania	0.6	0.8
Ghana	-	-
Morocco	-	6.8
Tunisia	-	3.0
Mauritius	-	2.7
Botswana	-	0.3
United States	-	0.3
Total⁶	100.0	100.0

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

SCHEDULE OF NET ASSETS

as at 31 December 2016

NUMBER HELD	INSTRUMENT (RANKED BY SECTOR)	MARKET VALUE US\$	% OF FUND	STANDARD BANK AFRICA TOTAL RETURN INDEX (%)
	FINANCIALS	70 134 063	31.7%	36.7%
804 239 101	Access Bank	15 493 546	7.0%	
270 935 553	Zenith Bank	13 115 522	5.9%	
28 356 802	Kenya Commercial Bank	7 956 066	3.6%	
563 016 310	First Bank of Nigeria Holdings	6 190 038	2.8%	
67 427 670	Guaranty Trust Bank	5 465 912	2.5%	
19 157 200	Bank of Kigali	5 358 329	2.4%	
1 784 503	Credit Agricole Egypt	3 570 975	1.6%	
58 660 796	Stanbic IBTC	2 887 798	1.3%	
28 662 300	Barclays Bank of Kenya	2 545 398	1.1%	
769 132 834	Diamond Bank	2 221 322	1.0%	
	Positions less than 1%	5 329 157	2.5%	
	CONSUMER GOODS	53 407 473	24.1%	9.1%
27 036 995	Delta Corporation	19 142 192	8.6%	
1 183 985	Eastern Tobacco	18 147 035	8.2%	
17 286 705	Innscor Africa	6 638 095	3.0%	
10 747	Soc Ivoirienne Des Tabacs	2 563 204	1.2%	
1 951 442	National Breweries PLC	2 556 045	1.2%	
7 914	Societe de Limonaderies et Brasseries	2 231 994	1.0%	
	Positions less than 1%	2 128 908	0.9%	
	TELECOMMUNICATIONS	34 328 616	15.5%	11.5%
79 030 782	Econet Wireless Zimbabwe	18 967 388	8.6%	
96 257	Sonatel	3 826 282	1.7%	
9 747 968	Global Telecom	5 545 344	2.5%	
16 802 000	Safaricom	3 140 024	1.4%	
3 790 256	Press Corporation	2 849 578	1.3%	
	OIL & GAS	31 663 883	14.3%	13.0%
15 493 710	Seplat Petroleum Development Co	14 161 194	6.4%	
1 188 255	Maurel et Prom	5 274 684	2.4%	
1 305 228	Tullow Oil	5 029 771	2.3%	
12 141 503	Lekoil	3 927 677	1.8%	
	Positions less than 1%	3 270 557	1.4%	
	BASIC MATERIALS	16 757 660	7.6%	27.5%
1 771 573	Zimplats	7 670 204	3.5%	
5 534 500	Caledonia Mining	5 669 469	2.6%	
149 632	OCI N.V.	2 609 656	1.2%	
	Positions less than 1%	808 330	0.3%	
	UTILITIES	7 734 038	3.5%	0.2%
57 055 990	Umeme	7 734 038	3.5%	
	CONSUMER SERVICES	5 497 451	2.5%	0.3%
24 664 196	Simbisa Brands	3 157 017	1.4%	
	Positions less than 1%	2 340 434	1.1%	
	INDUSTRIALS	566 624	0.3%	1.6%
	Positions less than 1%	566 624	0.3%	
	CASH AND ACCRUALS	1 401 609	0.6%	0.3%
	NET ASSETS	221 491 417	100.0%	

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

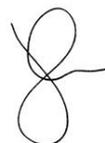
The directors of the Fund are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements, which comprise the financial position as at 31 December 2016 and its financial performance and cash flows for the year ended 31 December 2016, 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
Director

15 March 2017



Craig Bodenstab
Director

15 March 2017

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 statement of financial position as at 31 December 2016 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 2016, 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 2016 and its financial performance and its cash flows for the year ended 31 December 2016 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

15 March 2017
Toronto, Canada

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	NOTE	2016 US\$	2015 US\$
ASSETS			
Financial assets at fair value through profit or loss	2	220 089 808	189 936 611
Cash and cash equivalents	3	10 400 915	9 415 796
TOTAL ASSETS		230 490 723	199 352 407
LIABILITIES			
Trade and other payables	4	113 344	129 066
Distribution payable	7	8 885 962	6 776 900
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		8 999 306	6 905 966
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		221 491 417	192 446 441

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 2016

	NOTE	2016 US\$	2015 US\$
NET INVESTMENT LOSSES		(9 128 424)	(78 958 313)
Dividends		10 641 670	11 448 457
Interest		81	65 468
Realised losses on disposal of investments		(2 876 502)	(6 472 867)
Unrealised losses on investments		(16 752 991)	(84 115 516)
Foreign exchange losses		(696 810)	(481 635)
Other income		556 128	597 780
OPERATING EXPENSES		(2 311 854)	(5 337 717)
Performance fees		-	(1 595 641)
Management fees		(540 412)	(1 208 765)
Audit fees		(20 300)	(26 000)
Custodian fees		(614 675)	(638 740)
Transaction fees		(43 912)	(49 087)
Administration fees		(69 066)	(67 695)
Withholding taxes		(998 264)	(1 692 654)
Other expenses		(25 225)	(59 135)
TOTAL COMPREHENSIVE LOSS BEFORE FINANCE COSTS		(11 440 278)	(84 296 030)
Finance cost - distribution to holders of redeemable shares	7	(8 885 962)	(6 776 900)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(20 326 240)	(91 072 930)

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 2016

	NOTE	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES US\$	NUMBER OF SHARES
BALANCE AT 31 DECEMBER 2014		235 372 296	1 452 564
Total comprehensive loss for the year		(91 072 930)	
Net capital contributions		48 147 075	331 464
BALANCE AT 31 DECEMBER 2015		192 446 441	1 784 028
Total comprehensive loss for the year		(20 326 240)	
Net capital contributions		49 371 216	418 846
BALANCE AT 31 DECEMBER 2016	7	221 491 417	2 202 874

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 2016

	NOTE	2016 US\$	2015 US\$
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash outflow from operations before working capital changes	5.1	(757 462)	(3 013 120)
Working capital changes	5.2	(15 722)	(590 699)
Interest received		81	65 468
Dividends received, net of withholding tax		9 643 406	9 755 803
NET CASH GENERATED BY OPERATING ACTIVITIES		8 870 303	6 217 452
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments		(97 727 107)	(117 598 563)
Proceeds from sale of investments		47 944 419	53 621 990
NET CASH UTILISED IN INVESTING ACTIVITIES		(49 782 688)	(63 976 573)
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of redeemable shares		(38 506 513)	(16 062 082)
Proceeds from issue of redeemable shares		81 100 827	64 209 157
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		42 594 314	48 147 075
Net increase / (decrease) in cash and cash equivalents		1 681 929	(9 612 046)
Cash and cash equivalents at the beginning of the year		9 415 796	19 525 104
Effect of exchange rate changes on cash and cash equivalents		(696 810)	(497 262)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		10 400 915	9 415 796
SUPPLEMENTAL INFORMATION:			
Actual interest received		81	65 468
Actual dividends received, net of withholding tax		9 643 406	9 830 550

The above Statement 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 (the 'Fund') 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 financial statements of the Fund were authorised for issue by the board of directors on 15 March 2017.

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 2016.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

STANDARDS		EFFECTIVE DATE: YEARS BEGINNING ON/AFTER	IMPACT
IAS 1	Presentation of Financial Statements (Disclosure initiative)	1 January 2016	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	IMPACT
IAS 7	Statement of Cash Flows (Disclosure initiative)	1 January 2017	No material impact
IFRS 7	Financial Instruments: Disclosures (Amendment)	1 January 2018	No material impact
IFRS 9	Financial Instruments	1 January 2018	No material impact
IFRS 15	Revenue from Contracts with Customers	1 January 2018	No material impact

A number of other changes, that are effective for accounting periods ended after 31 December 2016, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 1% when subscribing for Fund shares. Investors may be charged 1% 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 consists of a fixed fee and a performance fee component. The fixed fee is charged at a rate of 1% per year. The performance fee is 20% of the extent to which the Fund outperforms the benchmark, after the fixed fee is deducted and subject to the Fund exceeding the '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.

The Investment Manager's Board has resolved to waive the fixed fee component of 1% per year with effect from 16 September 2016. This will be effective until the high watermark has been achieved or an alternative fee structure has been implemented.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 6.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 or 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 6.2.

1.3.12 EVENTS SUBSEQUENT TO YEAR-END

There were no significant events subsequent to year-end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2016 US\$	2015 US\$
--	--------------	--------------

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Foreign equities	220 089 808	189 936 611
TOTAL	220 089 808	189 936 611

3. CASH AND CASH EQUIVALENTS

Cash with foreign banks	10 400 915	9 415 796
TOTAL	10 400 915	9 415 796

4. TRADE AND OTHER PAYABLES

Management fees	-	77 611
Other expenses	113 344	51 455
TOTAL	113 344	129 066

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2016 US\$	2015 US\$
--	--------------	--------------

5. NOTES TO THE STATEMENTS OF CASH FLOWS

5.1 NET CASH OUTFLOW FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

Total comprehensive loss for the year	(20 326 240)	(91 072 930)
Adjustments:		
Realised losses on disposal of investments	2 876 502	6 491 403
Unrealised losses on investments	16 752 991	84 115 516
Foreign exchange losses	696 810	497 262
Interest income	(81)	(65 468)
Dividend income, net of withholding tax	(9 643 406)	(9 755 803)
Finance cost - distribution to holders of redeemable shares	8 885 962	6 776 900
TOTAL	(757 462)	(3 013 120)

5.2 WORKING CAPITAL CHANGES

Decrease in trade and other receivables	-	74 747
Decrease in trade and other payables	(15 722)	(665 446)
TOTAL	(15 722)	(590 699)

6. 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 2016

	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	-	220 089 808	-	220 089 808
Cash and cash equivalents	10 400 915	-	-	10 400 915
TOTAL ASSETS	10 400 915	220 089 808	-	230 490 723
LIABILITIES				
Trade and other payables	-	-	113 344	113 344
Distribution payable	-	-	8 885 962	8 885 962
TOTAL LIABILITIES	-	-	8 999 306	8 999 306

CATEGORISATION OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2015

	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	-	189 936 611	-	189 936 611
Cash and cash equivalents	9 415 796	-	-	9 415 796
Trade and other receivables	-	-	-	-
TOTAL ASSETS	9 415 796	189 936 611	-	199 352 407
LIABILITIES				
Trade and other payables	-	-	129 066	129 066
Distribution payable	-	-	6 776 900	6 776 900
TOTAL LIABILITIES	-	-	6 905 966	6 905 966

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6.1 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 following table shows the Fund's exposure to price and interest rate risks, split into the different types of financial instruments held by the Fund at 31 December 2016. The analysis only relates to instruments subject to those specific risks.

EXPOSURE	2016 US\$	2015 US\$
SUBJECT TO PRICE RISK		
Equities	220 089 808	189 936 611
SUBJECT TO INTEREST RATE RISK		
Cash and cash equivalents	10 400 915	9 415 796

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 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.

	2016 US\$	2015 US\$
INVESTMENTS SUBJECT TO PRICE RISK		
EQUITIES		
Effect on net assets attributable to holder of redeemable shares		
Gross exposure	220 089 808	189 936 611
+5%	11 004 490	9 496 831
+10%	22 008 981	18 993 661
+20%	44 017 962	37 987 322

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	2016	2015
Financials	31.9	31.8
Consumer goods	24.3	25.7
Telecommunications	15.6	16.7
Oil & gas	14.4	14.0
Basic materials	7.6	4.2
Utilities	3.5	3.9
Consumer services	2.5	2.9
Industrials	0.2	0.8
TOTAL	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.

	2016 US\$	2015 US\$
INVESTMENTS SUBJECT TO INTEREST RATE RISK		
CASH AND CASH EQUIVALENTS		
Effect on net assets attributable to holder of redeemable shares		
+ 0.5%	52 005	47 079
+ 1.0%	104 009	94 158

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 therefore is exposed to the effects of exchange rate fluctuations.

The following tables indicate the currencies to which

the Fund had exposure at 31 December 2016 and 31 December 2015 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 2016					
CURRENCY		FINANCIAL ASSET US\$	-/+5%	-/+10%	-/+20%
Canadian dollar	CAD	1 726 949	86 347	172 695	345 390
Australian dollar	AUD	7 677 032	383 852	767 703	1 535 406
Euro	EUR	9 597 321	479 866	959 732	1 919 464
British pound	GBP	27 586 218	1 379 311	2 758 622	5 517 244
Egyptian pound	EGP	27 977 088	1 398 854	2 797 709	5 595 418
Kenyan shilling	KES	15 389 240	769 462	1 538 924	3 077 848
Nigerian naira	NGN	48 078 393	2 403 920	4 807 839	9 615 679
Botswana pula	BWP	4 661	233	466	932
Tanzanian shilling	TZS	1 360 754	68 038	136 075	272 151
Ugandan shilling	UGX	7 528 912	376 446	752 891	1 505 782
Malawian kwacha	MWK	3 426 239	171 312	342 624	685 248
Zambian kwacha	ZMW	2 599 999	130 000	260 000	520 000
Rwandan franc	RWF	5 358 329	267 916	535 833	1 071 666
Ghanaian cedi	GHS	32 909	1 645	3 291	6 582
West African franc	XOF	8 621 479	431 074	862 148	1 724 296
			8 348 276	16 696 552	33 393 106

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		CURRENCY IMPACT US\$			
EFFECT ON NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES AS AT 31 DECEMBER 2015					
CURRENCY		FINANCIAL ASSET US\$	-/+5%	-/+10%	-/+20%
Canadian dollar	CAD	1 893 762	94 688	189 376	378 752
Australian dollar	AUD	4 631 963	231 598	463 196	926 393
Euro	EUR	8 382 372	419 119	838 237	1 676 474
British pound	GBP	15 426 517	771 326	1 542 652	3 085 303
Egyptian pound	EGP	32 154 009	1 607 700	3 215 401	6 430 802
Kenyan shilling	KES	10 504 194	525 210	1 050 419	2 100 839
Nigeria naira	NGN	45 844 945	2 292 247	4 584 495	9 168 989
Botswana pula	BWP	4 488	224	449	898
Ugandan shilling	UGX	7 446 590	372 329	744 659	1 489 318
Malawian kwacha	MWK	3 182 325	159 116	318 232	636 465
Zambian kwacha	ZMW	2 306 250	115 312	230 625	461 250
Rwandan franc	RWF	8 525 714	426 286	852 571	1 705 143
Ghanaian cedi	GHS	31 182	1 559	3 118	6 236
West African franc	XOF	9 641 517	482 076	964 152	1 928 303
			7 498 790	14 997 582	29 995 165

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 Fitch credit ratings, and where unavailable, Moody's ratings have been used. Ratings are presented in ascending order of credit risk.

	2016	2015
CREDIT RATING	% OF FUND	% OF FUND
A+	0.1	4.5
A	4.6	-
BBB-	-	0.4
	4.7	4.9

Note that the balance (95.3% of the Fund's net assets) (31 December 2015: 95.1% 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 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.

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 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. 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).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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.

6.2 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:

- 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. The tables below show the fair values of these instruments at 31 December 2016 and 31 December 2015.

LEVEL 1	2016 US\$	2015 US\$
FINANCIAL ASSETS		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equities	168 448 957	189 936 611

LEVEL 3	2016 US\$	2015 US\$
FINANCIAL ASSETS		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equities	51 640 851	-

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 are looking to buy real assets, therefore driving up equity valuations. As a result the fair value was adjusted, which resulted in a transfer from level 1 to level 3.

The following table shows a reconciliation 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:

	US\$
Opening balance	-
Transfer into level 3	65 299 100
Disposal of shares	-
Net gains / (losses) recognised in profit or loss	(13 658 249)
CLOSING BALANCE	51 640 851

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

	US\$
Unrealised gains / (losses) recognised in profit or loss	(13 658 249)
Realised losses recognised in profit or loss	-
CLOSING BALANCE	(13 658 249)

The Investment Manager used an unobservable discount rate of 20% to impair the fair value of the Zimbabwe listed shares at 31 December 2016.

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:

	GAIN	LOSS
+5%	3 227 553	(3 227 553)
+10%	6 455 106	(6 455 106)

7. 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 2016 and 31 December 2015 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 2016 and 31 December 2015, only Class A and Class E shares had been issued.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	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

FUND SHARE TRANSACTIONS	CLASS A	CLASS E	TOTAL
BALANCE AT 31 DECEMBER 2014	709 039	743 525	1 452 564
Subscriptions	216 679	250 817	467 496
Redemptions	(133 183)	(2 849)	(136 032)
BALANCE AT 31 DECEMBER 2015	792 535	991 493	1 784 028
Subscriptions	64 255	742 321	806 576
Redemptions	(350 893)	(36 837)	(387 730)
BALANCE AT 31 DECEMBER 2016	505 897	1 696 977	2 202 874

NET ASSET VALUE PER SHARE	CLASS A US\$	CLASS E US\$
On 31 December 2015	99.80	114.32
On 31 December 2016	88.97	104.00

There are no options in existence for any capital.

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

	CLASS A US\$	CLASS E US\$	TOTAL US\$
Total distribution	2 262 321	6 623 641	8 885 962
Distribution per share	4.4719	3.9032	

The following income distribution was declared on 31 December 2015 by the Fund:

	CLASS A US\$	CLASS E US\$	TOTAL US\$
Total distribution	1 652 324	5 124 576	6 776 900
Distribution per share	2.0848	5.1685	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. 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.

9. RELATED PARTY TRANSACTIONS

The Orbis Group of funds ('Orbis funds') are managed by Orbis Investment Management Limited. A related party relationship exists between Orbis Investment Management Limited and Allan Gray International Proprietary Limited, the Investment Manager of the Fund, by virtue of a common ultimate shareholder. For the year ended 31 December 2016 and 31 December 2015, no Orbis funds held any shares directly in the Fund.

Directors of the Fund held approximately 4 000 shares, indirectly in the Fund at 31 December 2016 (2015 - 5 000 shares).

Directors of the Investment Manager held 15 000 shares indirectly in the Fund at 31 December 2016 (2015 - 14 000 shares).

During the year ended 31 December 2016, the management and performance fees incurred by the Fund were US\$540 412 and US\$0 respectively (2015 - US\$1 208 765 and US\$1 595 641). At 31 December 2016, the management and performance fee payable by the Fund were US\$0 and US\$0 respectively (2015 - US\$77 611 and US\$0).

At 31 December 2016, Allan Gray funds held approximately 993 186 shares in the Fund (2015 - 621 603 shares). Allan Gray Life Limited, subsidiary of the Investment Advisor, held approximately 252 488 shares in the Fund (2015 - 217 582 shares).

IMPORTANT NOTES FOR INVESTORS

FUND INFORMATION

The Investment Manager has appointed Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Representative') as its representative for the purpose of approval in terms of the Collective Investment Schemes Control Act 45 of 2002. The Representative is incorporated under the laws of South Africa and is supervised by the Financial Services Board ('FSB'). The Fund is currently open to new investors however 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 for the year ended 31 December 2015 was successful. The Fund will apply for reporting fund status for the year ended 31 December 2016 and subsequent years. The board of directors intend to manage the Fund in such a way that it should continue to be certified as a reporting fund. There can be no assurance that the Fund's intended applications for reporting fund status will be successful.

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.

IMPORTANT NOTES FOR INVESTORS

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.

BENCHMARK DATA

The Fund's benchmark data is provided by Standard Bank Plc who require that we include the following legal note. 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.

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.co.za.

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 Representative.

TOTAL EXPENSE RATIO ('TER') AND TRANSACTION COSTS

The 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 three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit fees. Transaction trading costs (including brokerage, STT and investor protection levies and VAT thereon 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

IMPORTANT NOTES FOR INVESTORS

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.

FOREIGN EXPOSURE

There are significant risks involved in investing in shares listed in the Fund's universe of emerging and developing countries 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 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. 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, which the Fund may utilise, permit a high degree of leverage. As a result, a relatively small price movement in a futures or forward contract may result in immediate and substantial losses to the investor.

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, and regulated by, the Bermuda Stock Exchange.

REGISTERED OFFICE

Orbis House
25 Front Street
Hamilton HM11
Bermuda

COMPANY SECRETARY

Orbis Administration Limited

DIRECTORS

Craig T Bodenstab
John C R Collis
Tapologo Motshubi

INVESTMENT MANAGER

Allan Gray International Proprietary Limited
1 Silo Square
V & A Waterfront
Cape Town 8001
South Africa

The Investment Manager is an authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act 37 of 2002.

INVESTMENT ADVISOR

Allan Gray Proprietary Limited
1 Silo Square
V & A Waterfront
Cape Town 8001
South Africa

PRIMARY CUSTODIAN

Citibank N.A., New York Offices
390 Greenwich Street
New York, New York 10013
USA

AUDITORS

Ernst & Young LLP
Ernst & Young Tower
222 Bay Street
Toronto, Ontario
Canada M5K 1J7

ADMINISTRATOR & REGISTRAR

Citibank Europe plc
Luxembourg Branch
31 - Z.A. Bourmicht
L-8070 Bertrange
Luxembourg
Tel +353 1 622 4716
Fax +353 1 622 8543
Email AGclientservice@citi.com

ALLAN GRAY