

Allan Gray Africa Equity (Rand) Fund Limited

ALLAN GRAY

Fund fact sheet details at 31 October 2011

Fund status: Currently restricted to existing investors only
Inception date: 1 July 1998

Fund objective and benchmark

The Fund remains predominantly invested in South African equities. It seeks to earn higher returns in South African rands than the South African stock market, without greater risk of loss. The Fund's benchmark is the FTSE/JSE Africa All Share Index, including income ('JSE Index') and its currency benchmark is 100% South African rand.

Annual investment management fee

The annual management fee rate is dependent on the return of the Fund relative to its benchmark over a rolling three-year period. The manager's sharing rate is 25% of the out- and underperformance of the benchmark over the rolling three-year period and a minimum fee of 0.5% and a maximum fee of 2.5% (excl. VAT) applies.

Fund information

Fund size: R1 761 m
Fund price: 1 210.9
R/\$: 7.94
Minimum lump sum per investor account: US\$50 000
Load: None
Dealing day: Weekly (Thursday)

Fund manager commentary

Anglo American (Anglo) is the second largest share in the FTSE/JSE All Share Index (ALSI). We have recently bought a 3.5% of fund position in Anglo. Amazingly, despite the more than decade long commodity bull market, since 1999 the Anglo share price has only once been lower relative to the ALSI. The overriding reason for this underperformance is capital allocation. Up to 2008, management were very positive on commodity cycles and aggressively bought back shares and made a number of poor, ill-timed acquisitions, gearing up the company.

Regular readers of this fact sheet will know that we have had a cautious view on commodity prices for some time, mainly because of what we think is unsustainable construction activity in China. It may therefore seem strange that we have invested in a commodity company. The reason for the investment is the valuation. Post the recent underperformance we believe Anglo offers value to long-term investors. We value the company on mid-cycle commodity prices, which we estimate to be well below current levels. On this basis the company is trading at fair value.

Anglo has two significant listed subsidiaries, Kumba Iron Ore (Kumba) and Anglo Platinum. We are particularly cautious about the market value of Kumba, 66% held, and to a lesser extent Anglo Platinum, 79% held. At current market values Kumba and Anglo Platinum account for 56% of the Anglo share price but only 34% of our normal earnings estimate. This means the unlisted portion is very attractively priced being only 44% of the value but 66% of our earnings estimates. Most of the Anglo exposure in the Fund is to the unlisted portion of Anglo rather than the company as a whole, through a listed stub certificate that strips out the Kumba and Anglo Platinum exposure.

Top 10 holdings at 30 September 2011¹

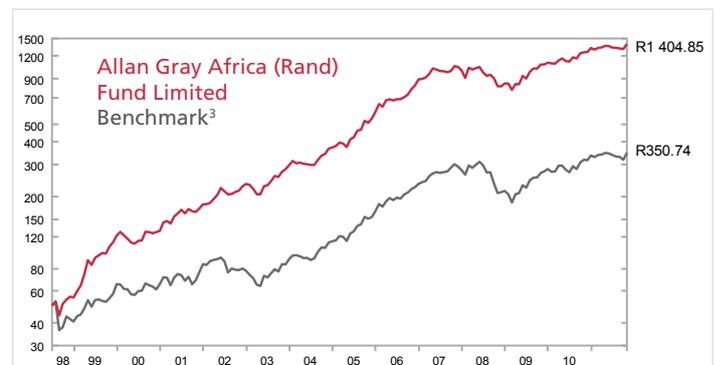
Company	% of fund
Sasol	8.7
SABMiller	6.9
Remgro	6.6
Standard Bank	4.7
Coronation Fund Managers	4.5
Reinet Investments SA	4.0
Anglo American ²	3.4
Impala Platinum	3.4
Illovo	3.1
Pan African Resources	3.1
Total	48.4

Sector allocation at 30 September 2011¹

Sector	% of fund	JSE Index
Oil & gas	9.6	5.2
Basic materials	17.2	34.5
Industrials	19.6	5.8
Consumer goods	13.1	15.1
Healthcare	2.1	2.1
Consumer services	1.6	9.5
Telecommunications	9.4	7.5
Financials	23.5	20.0
Technology	0.0	0.3
Fixed interest/Liquidity	4.1	0.0
Total	100.0	100.0

Performance

Value of R50 invested at inception (dividends reinvested)



% Returns	Fund	Benchmark ³
Since inception (unannualised)	2709.7	601.5
Since inception (annualised)	28.4	15.7
Latest 10 years (annualised)	23.9	17.7
Latest 5 years (annualised)	12.3	9.7
Latest 3 years (annualised)	19.7	18.7
Latest 1 year	11.3	9.4
Year to date (unannualised)	5.3	3.5
Month to date (unannualised)	6.8	9.4
Risk measures (Since inception)		
Maximum drawdown ⁴	26.0	42.0
Percentage positive months	61.9	58.8
Annualised monthly volatility	18.1	21.0
Beta vs JSE index	0.7	1.0
Annualised monthly tracking error	11.9	-

- The 'Top 10 holdings' and 'Sector allocation' tables are updated quarterly and includes foreign and JSE inward listed shares.
- Including Anglo American stub certificates.
- FTSE/JSE Africa All Share Index including income. Source: FTSE International Limited, performance calculated by Allan Gray as at 31 October 2011.
- Maximum percentage decline over any period.



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Shares in the Fund are available by Prospectus only. Certain capitalised terms are defined in the Prospectus. While we have endeavoured to ensure the accuracy of the information herein, such information is not guaranteed as to accuracy or completeness. Returns are net of fees, include income and assume reinvestment of dividends. Past performance is not a reliable indicator of future results. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. When making an investment in the Fund, an investor's capital is at risk. The investment objective of the Fund should be compared with the investor's objective and then the performance of the investment and whether it represents value for money should be evaluated as part of the financial planning process. Returns may decrease or increase as a result of currency fluctuations. FTSE/JSE Africa All Share Index data source is FTSE International Limited. 'FTSE' is a trademark of the London Stock Exchange Limited and is used by FTSE International Limited under licence. Allan Gray International (Pty) Limited, an authorised financial services provider, is the appointed investment manager of the Fund. Allan Gray Proprietary Limited, an authorised financial services provider in South Africa, is the appointed investment adviser.