# ALLAN GRAY BALANCED FUND

**Fact sheet at 31 August 2005**

LONG TERM INVESTMENT MANAGEMENT

| | |
|---|---|
| Sector: | Domestic AA Prudential Medium Equity |
| Inception Date: | 1 October 1999 |
| Fund Manager: | Arjen Lugtenburg |
| Qualification: | M Com, CA(SA), CFA |

The Fund's investment strategy is to earn a higher rate of return than the market value-weighted average of the domestic medium equity prudential unit trust sector excluding the Allan Gray Balanced Fund without assuming any greater monetary risk. Risk will be higher than the Stable Fund but less than the Equity Fund.

## Fund Details

| | |
|---|---|
| **Price:** | 3181.57 cents |
| **Size:** | R 9 650 062 698 |
| **Minimum lump sum:** | R 5 000 |
| **Minimum monthly:** | R 500 |
| **Subsequent lump sums:** | R 500 |
| **No. of share holdings:** | 60 |

**01/07/04-30/06/05 dividend (cpu):** Total 65.29

Interest 20.74, Dividend 32.32,

S24J Accrual 11.85, Foreign Interest 0.38

**Annual Management Fee:** The monthly charge rate is directly related to the rolling two-year return of the Fund compared with that of its benchmark. The limits are 0.57-1.71% p.a. (incl. VAT).

## Commentary

For the 12 months ended 31 August the Fund returned a very handsome 35.6%, slightly ahead of that of the average prudential fund of 35.2%. Investors are once again cautioned that we believe these returns to be abnormally high and unlikely to be sustained over the longer term. These high returns were driven by strong equity markets globally and particularly in South Africa. Our market continues to rally on the back of strong earnings growth and low interest rates. Profitability of domestic businesses has now increased to levels that we believe to be unsustainable over the longer term. Therefore, even though it could be argued that our market's current PE multiple of ±15 times is appropriate given current low interest rates, a normalisation of profitability levels will reveal a far higher market rating. This is confirmed by the fact that we increasingly struggle to find attractively valued domestic shares for inclusion into the Fund's share portfolio. Exposure to shares, especially domestic orientated shares, has therefore been reducing.

## Top 10 Share Holdings at 30 June 2005*

| JSE Code | Company | % of portfolio |
|---|---|---|
| SOL | Sasol | 10.07 |
| SBK | Stanbank | 4.45 |
| MTN | MTN - Group | 4.45 |
| ASA | Absa | 4.02 |
| AMS | Angloplat | 3.24 |
| HAR | Harmony | 2.77 |
| NPN | Naspers-N | 2.64 |
| FSR | Firstrand | 2.45 |
| GRY | Grayprop | 2.36 |
| TBS | Tigbrands | 2.32 |

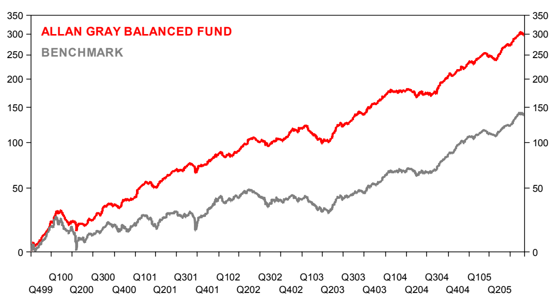
* The 'Top 10 Share Holdings' table is updated quarterly.

## Asset Allocation

| Asset Class | % of Fund |
|---|---|
| Shares | 62.88 |
| Property | 3.30 |
| Bonds | 10.99 |
| Money Market & Cash | 8.14 |
| Foreign | 14.69 |
| Total | 100.00 |

## Performance (net of fees, including income, assumes reinvestment of dividends, on a NAV to NAV basis)

Long-term cumulative performance (log-scale)




| % Returns | Balanced Fund | Avg Prudential Fund |
|---|---|---|
| Since Inception (unannualised) | 298.7 | 140.0 |
| Latest 5 years (annualised) | 24.2 | 14.9 |
| Latest 3 years (annualised) | 25.4 | 20.0 |
| Latest 1 year | 35.6 | 35.2 |
| **Risk Measures** | | |
| *(Since incep. month end prices)* | | |
| Maximum drawdown* | -12.5 | -19.2 |
| Annualised monthly volatility | 10.7 | 11.3 |

* Maximum percentage decline over any period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