

# ALLAN GRAY BALANCED FUND

# Fact sheet at 31 October 2007

**Sector:** Domestic AA - Prudential - Medium Equity  
**Inception Date:** 1 October 1999  
**Fund Managers:** Stephen Mildenhall, Arjen Lugtenburg, Duncan Artus, Ian Liddle, Delphine Govender, Orbis Investment Management Limited

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.

## Fund Details

**Price:** 5 132.33 cents  
**Size:** R 25 194 203 734  
**Minimum lump sum:** R 5 000  
**Minimum monthly:** R 500  
**Subsequent lump sums:** R 500  
**No. of share holdings:** 52  
**Income distribution:** Bi-annually  
**01/07/06-30/06/07 dividend (cpu):** Total 90.24  
 Interest 42.49, Dividend 47.71, Foreign Interest and Dividend 0.04

### Total Expense Ratio\*

Total Expense Ratio	Included in TER			
	Trading Costs	Performance Component	Fee at Benchmark	Other Expenses
2.17%	0.17%	0.63%	1.33%	0.04%

\*A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses (incl. VAT). It is expressed as a percentage of the average value of the portfolio, calculated for the year to the end of June 2007. Included in the TER is the proportion of costs that are incurred in the performance component and trading costs. These are disclosed separately as percentages of the net asset value.

### Annual management fee:

The annual management fee rate is dependent on the return of the Fund relative to its benchmark, the market value-weighted average of the domestic medium equity prudential unit trust sector excluding the Allan Gray Balanced Fund, over a rolling two-year period. The fee hurdle (above which a fee greater than the minimum fee of 0.5% is charged) is performance equal to the benchmark minus 5%. For performance equal to the benchmark a fee of 1.0% (excl. VAT) per annum is payable. The manager's sharing rate is 10% of the under- and outperformance of the benchmark over a rolling two-year period and a maximum fee of 1.5% (excl. VAT) applies. The annual management fee is calculated on the daily value of the Fund excluding any underlying assets invested in Orbis funds.

## Commentary

We believe that investors are still too complacent about the sustainability of company profits in the less favourable economic conditions that will surely come, in spite of the wake-up call sounded by recent stockmarket volatility. Our caution is reflected in our stock selection. The top three shares: MTN, Remgro (whose major asset is a stake in British American Tobacco) and SABMiller share some similar characteristics: relatively stable (non-cyclical) demand for their products, strong competitive advantages, global diversification and surprisingly strong growth prospects. While we are excited about the business prospects for MTN, SAB and BAT; it must be said that the shares are not outstanding bargains as they all trade at more than 15 times forward earnings. But then it is rare to find outstanding bargains when a stockmarket is up four times, and we encourage our clients to temper their return expectations.

### Top 10 Share Holdings at 30 September 2007\*

JSE Code	Company	% of portfolio
REM	Remgro	6.1
SAB	SABMiller	6.0
MTN	MTN Group	4.6
SLM	Sanlam	4.6
RCH	Richemont	3.6
SOL	Sasol	3.4
ASA	ABSA	2.8
SAP	Sappi	2.6
SBK	Stanbank	2.5
HAR	Harmony	2.3

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

### Asset Allocation

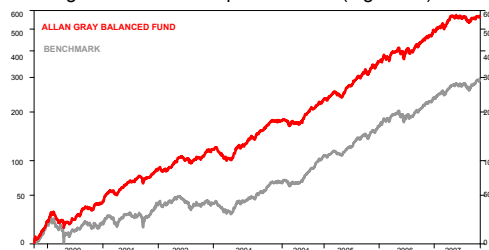
Asset Class	% of Fund
Gross SA Equities*	64.7
Derivatives	-10.3
Net SA Equities*	54.4
Hedged SA Equities	10.3
Property	1.3
Commodities (Newgold ETF)	1.0
Bonds	4.6
Money Market and Cash	14.0
Foreign	14.4
Total	100.0

\*Listed property excluded.

Total net SA and foreign equity exposure: 62%

**Performance** (net of all fees and expenses as per the TER disclosure, including income, assumes reinvestment of dividends, on a NAV to NAV basis)

### Long-term cumulative performance (log-scale)



### % Returns

	Balanced Fund	Benchmark*
Since Inception (unannualised)	569.5	296.8
Latest 5 years (annualised)	26.4	23.4
Latest 3 years (annualised)	29.3	27.7
Latest 1 year	22.1	24.2
<b>Risk Measures</b>		
<i>(Since incep. month end prices)</i>		
Maximum drawdown**	-12.5	-19.2
Annualised monthly volatility	10.1	10.4

\* Average Prudential Fund.

\*\* Maximum percentage decline over any period.

Source: Micropal, performance as calculated by Allan Gray on 31 October 2007.

### Allan Gray Unit Trust Management Limited (Registration Number 1998/007756/06)

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Collective Investment Schemes in Securities (unit trusts) are generally medium to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accrued and less any permissible deductions from the portfolio divided by the number of units in issue. Declaration of income accruals are made bi-annually. Different classes of units apply to the Fund and are subject to different fees and charges. Fund valuations take place at approximately 1600 each business day. Purchase and repurchase requests may be received by the manager by 1400 each business day. Performance figures from Allan Gray Limited (GIPS compliant) are for lump sum investments using net asset value prices with income distributions reinvested. Permissible deductions may include management fees, brokerage, GST, auditor's fees, bank charges, trustee fees and RSC levies. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees and charges and maximum commissions is available on request from Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so, would be included in the overall costs. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. This Fund may be capped at any time in order to be managed in accordance with the mandate. Member of the ACI. Total Expense Ratio (TER): When investing, costs are only a part of an investment decision. 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. All Allan Gray performance figures and values are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A high TER will not necessarily imply a poor return nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. The Portfolio is managed to comply with the limits of Annexure A to Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately except where due to market value fluctuations or capital withdrawals in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (Item 9 of Annexure A to Regulation 28).