

BALANCED FUND

FUND DETAILS AT 31 MAY 2008

Sector: Domestic AA - Prudential - Variable Equity
Inception date: 1 October 1999
Fund managers: Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Orbis Investment Management Limited

Fund objective:

The Fund's investment strategy is to earn a higher rate of return than the market value-weighted average of its sector, excluding the Allan Gray Balanced Fund, without assuming greater risk.

Suitable for those investors who:

- Seek long-term wealth creation.
- Have an appetite for risk similar to the average person investing in pension funds.
- Typically have an investment horizon of three years plus.
- Wish to delegate the asset allocation decision to Allan Gray.

Compliance with Prudential Investment Guidelines:

Retirement Funds: 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).

Price: R 52.47
Size: R 25 609 m
Minimum lump sum: R 5 000
Minimum monthly: R 500
Subsequent lump sums: R 500
No. of share holdings: 55
Income distribution: 01/01/07 - 31/12/07 (cents per unit) Total 100.45
Annual management fee:

The annual management fee rate is dependent on the return of the Fund relative to its benchmark, the daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories 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 assets invested in the Orbis Funds. Assets invested in the Orbis Funds incur a management fee. These along with other expenses are included in the Total Expense Ratio.

COMMENTARY

Two of the Fund's biggest holdings MTN and SABMiller have recently been the subject of some 'takeover' speculation. MTN was first linked with Bharti Airtel, an Indian telecommunications company, but is now involved in discussions with Reliance Communications, another Indian Telco. Meanwhile, it was rumoured that should Inbev's bid for Anheuser-Busch prove unfruitful, its attention may turn to SABMiller. Rumours such as these can be powerful drivers of share prices in the short term (either up or down) and they make for good headline stories. We are often asked to comment on this kind of M&A speculation. We rarely have much more to say other than that we hold the shares we do because we believe that the market is underestimating the underlying intrinsic value of their businesses. It is comforting to hear that businessmen operating in the same industry see value in these shares too.

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TOP 10 SHARE HOLDINGS AT 31 MARCH 2008*

Company	% of portfolio
Remgro	6.7
SABMiller	6.6
MTN Group	5.7
Richemont	5.0
Sasol	4.0
Anglogold Ashanti	3.8
Harmony Gold Mining Co	3.7
Sanlam	3.3
Sappi	3.1
ABSA	2.4

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

TOTAL EXPENSE RATIO*

Total expense ratio	Included in TER			
	Trading costs	Performance component	Fee at benchmark	Other expenses
1.87%	0.18%	0.46%	1.17%	0.06%

*A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses. It is expressed as a percentage of the average value of the portfolio, calculated for the year to the end of March 2008. Included in the TER is the proportion of costs that are incurred by the performance component, fee at benchmark, trading costs (including brokerage, VAT, UST, STRATE and insider trading levy) and other expenses. These are disclosed separately as percentages of the net asset value. A higher TER ratio does 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 TERs. The information provided is applicable to class A units.

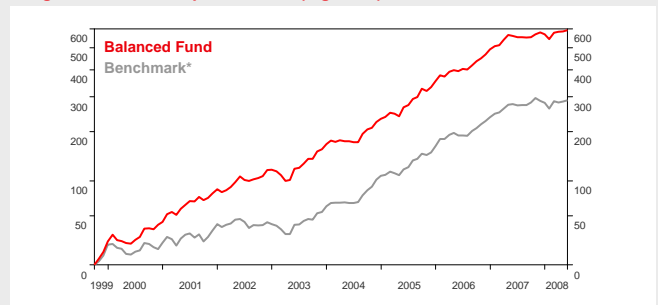
ASSET ALLOCATION

Asset class	% of fund
Net SA equities	58.5
Hedged SA equities	11.2
Listed property	1.2
Commodities (Newgold ETF)	2.1
Bonds	2.8
Money market and cash	9.6
Foreign	14.6
Total	100.0

Total net SA and foreign equity exposure: 66.8%.

PERFORMANCE

Fund performance shown net of all fees and expenses as per the TER disclosure.
 Long-term cumulative performance (log scale)



% Returns	Fund	Benchmark*
Since inception (unannualised)	592.5	289.3
Latest 5 years (annualised)	25.7	22.8
Latest 3 years (annualised)	23.6	21.0
Latest 1 year	4.8	3.2
Risk measures (Since inception month end prices)		
Maximum drawdown**	-12.5	-19.2
Percentage positive months	71.2	69.2
Annualised monthly volatility	10.1	10.5

* The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund. Source: Micropal, performance as calculated by Allan Gray as at 31 May 2008.

** Maximum percentage decline over any period.