

BALANCED FUND

FUND DETAILS AT 30 SEPTEMBER 2008

Sector: Domestic AA - Prudential - Variable Equity
Inception date: 1 October 1999
Fund managers: Ian Liddle, Duncan Artus, Delphine Govender,
Andrew Lapping, Simon Raubenheimer
(Foreign assets are invested in Orbis funds.)

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 48.08
Size: R 23 170 m
Minimum lump sum: R 5 000
Minimum monthly: R 500
Subsequent lump sums: R 500
No. of share holdings: 58
Income distribution: 01/07/07 - 30/06/08 (cents per unit) Total 100.99

Distributes bi-annually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

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

We are living through history in the making. Fears of a global economic recession and deleveraging after the credit bubble are forcing stock prices to new lows daily. The S&P 500 Index was down 9% in September. At the time of writing, it is down more than 20% so far in October. We have not escaped these chill winds in South Africa, and the FTSE/JSE All Share Index has now more than halved from its peak in US dollar terms.

The Fund is showing negative returns over the last one year period, and we are mindful that this is always painful for investors in the Fund. However, we take some consolation from the fact that the negative returns are substantially smaller than the decline in the overall stock market. The Fund's hedging strategy, exposure to other asset classes and stock selection ameliorated the negative returns from the stock market.

The Fund has now received the necessary permissions to increase its foreign exposure to 20% of total assets. Unfortunately the rand has weakened substantially in the last quarter, but we will be looking to increase the Fund's offshore exposure at opportune times over the next quarter.

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TOP 10 SHARE HOLDINGS AT 30 SEPTEMBER 2008*

Company	% of portfolio
Remgro	6.8
SABMiller	6.5
MTN Group	5.8
Richemont	4.7
Anglogold Ashanti	3.7
Standard Bank Group	3.5
Sasol	3.4
Harmony Gold Mining Co	3.4
Sanlam	3.1
Sappi	2.9

* 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
1.82%	0.15%	0.45%	1.16%	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 June 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, STT, 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

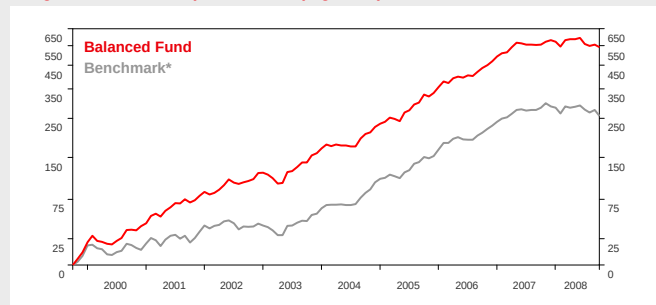
Asset class	% of fund
Net SA equities	58.2
Hedged SA equities	7.2
Listed property	0.3
Commodities (New Gold)	2.5
Bonds	1.9
Money market and cash	15.0
Foreign	14.9
Total	100.0

Total net SA and foreign equity exposure: 66.5%.

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)	539.8	256.2
Latest 5 years (annualised)	21.7	19.6
Latest 3 years (annualised)	14.4	12.4
Latest 1 year	-2.2	-6.9
Risk measures (Since inception month end prices)		
Maximum drawdown**	-12.5	-19.2
Percentage positive months	69.4	67.6
Annualised monthly volatility	10.4	10.7

* 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 30 September 2008.

** Maximum percentage decline over any period.

Portfolios of 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 accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Declaration of income accruals are made bi-annually. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Different classes of units apply to the Fund and are subject to different fees and charges. Fund valuations take place at approximately 16h00 each business day. Purchase and repurchase requests may be received by the manager by 14h00 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, STT, 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.