

FUND DETAILS AT 31 OCTOBER 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 47.59
Size: R 22 721 m
Minimum lump sum: R 5 000
Minimum monthly: R 500
Subsequent lump sums: R 500
No. of share holdings: 57
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

October was characterised by extreme volatility in asset prices as investors tried to adjust to the concept of a world in recession. The rand ended October at R9.78 per US dollar, but traded in a range between R8.19 and R11.85 per US dollar during the month! Fortunately the Fund was able to increase its offshore exposure early in the month before the substantial weakening of the rand.

The Fund took advantage of the weakness in the equity market to close out its hedge against stock market declines. This has had the effect of increasing the net equity exposure of the Fund.

Remgro and Richemont have been substantial contributors to the Fund's recent outperformance. The two companies have recently been restructured so that the Fund now holds a direct rather than an indirect interest in British American Tobacco plc (BAT). BAT is now one of the Top 3 positions in the Fund.

Although BAT has obtained a secondary listing on the JSE, it is classified by the Reserve Bank as an 'inwardly-listed' foreign security. BAT is thus included with foreign assets in the asset allocation table on this page. The Reserve Bank has granted a two-year exemption period for the Fund to reduce its foreign holdings back down to the 20% maximum limit.

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BALANCED FUND

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
1.73%	0.11%	0.42%	1.15%	0.05%

*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 September 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.

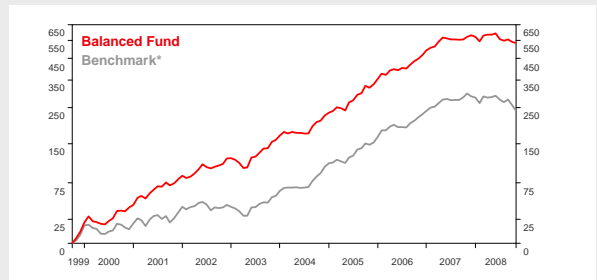
ASSET ALLOCATION

Asset class	% of fund
Net SA equities	55.2
Hedged SA equities	0.0
Listed property	0.0
Commodities (New Gold)	2.5
Bonds	1.9
Money market and cash	13.7
Foreign	26.7
Total	100.0

Total net SA and foreign equity exposure: 73.9%.

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)	533.3	237.5
Latest 5 years (annualised)	20.0	17.1
Latest 3 years (annualised)	14.7	10.8
Latest 1 year	-5.4	-15.0
Risk measures (Since inception month end prices)		
Maximum drawdown**	-15.4	-19.3
Percentage positive months	68.8	67.0
Annualised monthly volatility	10.4	10.9

* 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 October 2008.

** Maximum percentage decline over any period.