

FUND DETAILS AT 31 DECEMBER 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 49.39
Size: R 23 951 m
Minimum lump sum: R 5 000
Minimum monthly: R 500
Subsequent lump sums: R 500
No. of share holdings: 57

Income distribution: 01/01/08 - 31/12/08 (cents per unit) Total 412.55

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. Income distributions are higher than normal because the Fund was a shareholder of Remgro and Richemont when they unbundled in October 2008. For more information about this, please contact our Client Service Centre or refer to our website, details of which are below.

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

The Fund suffered negative returns of 1.8% in 2008. While this is disappointing, it is hopefully of some consolation that the Fund outperformed its benchmark by 8% in the year.

The Fund's outperformance can mainly be attributed to its defensive positioning over the last year. An important element of this defensive positioning was the Fund's investment in companies with relatively stable demand patterns and strong franchises. However, the Fund's relatively defensive asset allocation and use of stock index futures to hedge against the risk of declining stock markets further contributed to the Fund's outperformance.

While the Fund continues to be defensively positioned in terms of its stock selection, the stock index futures have been closed out and the net equity exposure of the Fund has increased.

One of the risks that faces investors is that the world's central bankers and politicians may not call a halt to their very aggressive fiscal and monetary policies in time to prevent the genesis of a new era of higher inflation. Equities, being real assets, tend to provide superior protection from inflation than do bonds or the money markets.

Tel 0860 000 654 or +27 (0)21 415 2301
 Fax 0860 000 655 or +27 (0)21 415 2492
 info@allangray.co.za www.allangray.co.za

TOP 10 SHARE HOLDINGS AT 31 DECEMBER 2008¹

Company	% of portfolio
SABMiller	6.5
British American Tobacco	5.4
MTN Group	5.2
Anglogold Ashanti	4.8
Harmony Gold Mining Co	3.9
Remgro	3.2
Sanlam	3.1
Sappi	3.0
Sasol	2.7
Campagnie Fin Richemont SA	2.4

¹ The 'Top 10 Share Holdings' table is updated quarterly.

TOTAL EXPENSE RATIO AS AT 30 SEPTEMBER 2008²

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%

² 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.

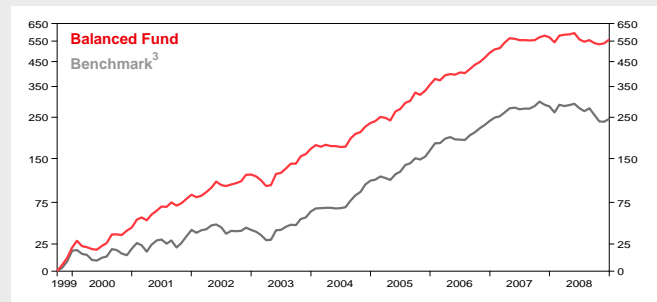
ASSET ALLOCATION

Asset class	% of portfolio
Net SA equities	55.2
Hedged SA equities	0.0
Listed property	0.0
Commodities (New Gold)	2.7
Bonds	1.9
Money market and cash	16.9
Foreign	23.3
Total	100

Total net SA and foreign equity exposure: 72.6%.

PERFORMANCE

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



% Returns	Fund	Benchmark ³
Since inception (unannualised)	557.2	244.3
Latest 5 years (annualised)	19.4	16.2
Latest 3 years (annualised)	13.0	8.9
Latest 1 year	-1.8	-9.8
Risk measures (Since inception month end prices)		
Maximum drawdown ⁴	-15.4	-19.6
Percentage positive months	69.4	66.7
Annualised monthly volatility	10.3	10.8

³ 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 December 2008.

⁴ Maximum percentage decline over any period.