

### FUND DETAILS AT 31 JANUARY 2009

**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 funds in both the Prudential Medium Equity sector and the Prudential Variable Equity 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 46.39  
**Size:** R 24 360 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

A great debate is raging among some of the world's smartest investors and market observers. Some believe that the extremely aggressive monetary and fiscal stimuli being employed by the developed nations will not be enough to prevent the inevitable forces of deflation (such as those that overwhelmed Japan in the 1990s). Others argue that government-appointed central bankers hold the keys to the money-printing presses and will thus always have the capability to sufficiently devalue their currency in order to ward off deflation. Both sides of the argument can be persuasive.

One of the ways we approach the dilemma is to ask whether we would rather own one of the shares in the Fund or have cash on deposit with a bank for the next four years. In all cases our view is that the share will deliver a superior real (i.e. inflation-adjusted) return to what could be expected from holding cash over a long period. Therefore the net equity exposure of the Fund is now relatively high and fairly close to its maximum 75%.

However, we recognise that we may well be wrong. Shares are not trading at record low valuation levels, and it is certainly possible that they will return to these historic lows. Investors who want a lower net equity exposure should consider the Allan Gray Stable Fund.

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### TOP 10 SHARE HOLDINGS AT 31 DECEMBER 2008<sup>1</sup>

| 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            |

<sup>1</sup> The 'Top 10 Share Holdings' table is updated quarterly.

### TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 DECEMBER 2008<sup>2</sup>

| Total expense ratio | Included in TER |                       |                  |                |
|---------------------|-----------------|-----------------------|------------------|----------------|
|                     | Trading costs   | Performance component | Fee at benchmark | Other expenses |
| 1.82%               | 0.10%           | 0.50%                 | 1.15%            | 0.07%          |

<sup>2</sup>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 December 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

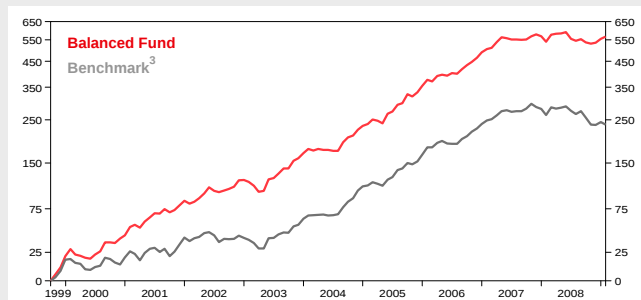
| Asset class            | % of portfolio |
|------------------------|----------------|
| Net SA equities        | 54.6           |
| Hedged SA equities     | 0.0            |
| Listed property        | 0.0            |
| Commodities (New Gold) | 3.0            |
| Bonds                  | 1.9            |
| Money market and cash  | 16.3           |
| Foreign                | 24.2           |
| Total                  | 100            |

Total net SA and foreign equity exposure: 72.8%.

### PERFORMANCE

Fund performance shown net of all fees and expenses as per the TER disclosure.

Long-term cumulative performance (log scale)



| % Returns                                               | Fund  | Benchmark <sup>3</sup> |
|---------------------------------------------------------|-------|------------------------|
| Since inception (unannualised)                          | 567.4 | 240.8                  |
| Latest 5 years (annualised)                             | 19.1  | 15.4                   |
| Latest 3 years (annualised)                             | 11.8  | 6.4                    |
| Latest 1 year                                           | 3.9   | -6.2                   |
| <b>Risk measures (Since inception month end prices)</b> |       |                        |
| Maximum drawdown <sup>4</sup>                           | -15.4 | -19.6                  |
| Percentage positive months                              | 69.6  | 66.0                   |
| Annualised monthly volatility                           | 10.2  | 10.8                   |

<sup>3</sup> 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.

<sup>4</sup> Maximum percentage decline over any period.