

FUND DETAILS AT 28 FEBRUARY 2009

Sector: Domestic AA - Prudential - Variable Equity
Inception date: 1 October 1999
Fund managers: lan 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

 Price:
 R 43.21

 Size:
 R 22 679 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 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 or early. Shares are not trading at record low valuation levels, and it is certainly possible that they will return to their historic lows. If this bear market follows the pattern of the great 1929 - 1932 bear market in the US, then there could potentially be another 18 months of considerable pain to come for stock market investors. Investors who want a lower net equity exposure should consider the Allan Gray Stable Fund.

BALANCED FUND

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 FOR THE YEAR ENDED 31 DECEMBER 2008²

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

²A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses. The total operating expenses are 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.

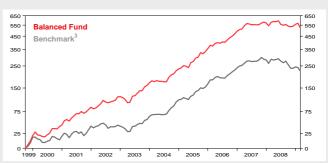
ASSET ALLOCATION

Asset class	% of portfolio
Net SA equities	53.1
Hedged SA equities	0.0
Listed property	0.0
Commodities (New Gold)	3.3
Bonds	2.0
Money market and cash	18.3
Foreign	23.3
Total	100

Total net SA and foreign equity exposure: 70.7%.

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)	521.7	222.5
Latest 5 years (annualised)	17.7	14.0
Latest 3 years (annualised)	9.6	4.4
Latest 1 year	-8.3	-16.7
Risk measures (Since inception month end prices)		
Maximum drawdown ⁴	-15.4	-19.6
Percentage positive months	69.0	65.5
Annualised monthly volatility	10.6	11.0

- 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: Morningstar, performance as calculated by Allan Gray as at 28 February 2009.
- 4 Maximum percentage decline over any period.

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Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of 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 accruals are made bit annually. Purchase and redemption requests must be received by the manager by 14:00 each business day and fund valuations take place at approximately 16:00 each business day. Forward pricing is therefore used. Performance figures are from Allan Gray Limited (GIPS compliant) and are for lump sum investments with income distributions reinvested. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank herges, trustee fees and RSC levies. The Fund may berrow up to 10% of the market value of the portfolio to bridge insufficient fliquidity. A schedule of lees and charges and maximum commissions is available on request from the manager. Commission and incentives may be paid and if so, would be included in the overall costs. The fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The manager is a member of ASISA. 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 include with the Fund so the TER is not a new cost. Compliance with Prudential Investment Guidelines: Retirement Funds: The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act, except for the total foreign exposure limit which is 20% (FSB Circular 3 of 2008) and which excludes the British American Tobacco shares received from