

## **FUND DETAILS AT 30 SEPTEMBER 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 49.19

 Size:
 R 29 163 m

 Minimum lump sum per investor account:
 R 20 000

 Minimum lump sum per fund:
 R 5 000

 Minimum debit order per fund:
 R 500

 Additional lump sum per fund:
 R 500

 No. of share holdings:
 57

 Income distribution: 01/10/08 - 30/09/09 (cents per unit)
 Total 424.12

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 continued to reduce its net equity exposure by selling shares into the recent stock market strength. The Fund's net equity exposure is down to 63.2% and its net exposure to SA equities is down to 50.6%.

The FTSE/JSE All Share Index has doubled in US dollar terms from its low in October last year, and the South African equity market and many other emerging equity markets are close to their record highs relative to developed markets.

The strength in the rand continues to surprise us, but we are making use of the opportunity to top-up the Fund's foreign exposure to its maximum 20% limit.

The Fund has recently increased its position in the Newgold debenture to 4% of the Fund. What happens to the gold price in the short term is anyone's guess, but we believe that the Fund's gold holding provides it with some further protection from a potential weakening of the rand.

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# **BALANCED FUND**

#### TOP 10 SHARE HOLDINGS<sup>1</sup>

Company	% of portfolio
SABMiller	7.2
Anglogold Ashanti	4.3
British American Tobacco	4.2
Sasol	4.0
Remgro	3.8
MTN Group	3.2
Sanlam	3.0
Compagnie Fin Richemont SA	2.2
Harmony Gold Mining Co	1.9
Sappi	1.9

<sup>&</sup>lt;sup>1</sup> The Top 10 Share Holdings at 30 September 2009, Updated quarterly,

### TOTAL EXPENSE RATIO FOR THE YEAR ENDED 30 JUNE 20092

	Included in TER			
Total expense ratio	Trading costs	Performance component	Fee at benchmark	Other expenses
1.73%	0.06%	0.49%	1.15%	0.03%

<sup>2</sup>A 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 June 2009. 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.

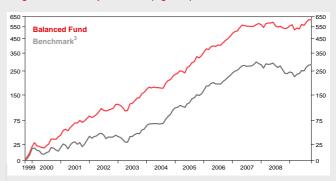
### ASSET ALLOCATION AS AT 30 SEPTEMBER 2009

Asset class	% of portfolio			
Net SA equities	50.6			
Hedged SA equities	0.5			
Listed property	0.0			
Commodities (New Gold)	4.0			
Bonds	4.7			
Money market and cash	19.9			
Foreign	20.3			
Total	100			

Total net SA and foreign equity exposure: 63.2%

# **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)	616.0	281.8
Latest 10 years (annualised)	21.8	14.3
Latest 5 years (annualised)	18.6	15.6
Latest 3 years (annualised)	10.1	7.3
Latest 1 year	11.9	7.2
Risk measures (Since inception month end prices)		
Maximum drawdown <sup>4</sup>	-15.4	-20.5
Percentage positive months	68.3	66.7
Annualised monthly volatility	10.6	10.9

<sup>&</sup>lt;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: Morningstar, performance as calculated by Allan Gray as at 30 September 2009.

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 biannually. 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 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 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 the Association for Savings & Investment AS (ASISA). Total Expense Ratio (TER):
When investing, costs are only a part of an investment decision. The investment decision. The investment decision. The investment decision 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. Compliance with Predential Investment Guidelines for
Retirement Funds: The Fund is managed to comply with Regulation 28 of the Pension Funds Act, except for the total foreign exposure limit which is 2

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