ALLAN GRAY

BALANCED FUND

FUND DETAILS AT 28 FEBRUARY 2010

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

Price:	R 51.20
Size:	R 33 566 m
Minimum lump sum per investor account:	R20 000
Minimum lump sum per fund:	R5 000
Minimum debit order per fund:	R 500
Additional lump sum per fund:	R 500
No. of share holdings:	63
Income distribution: 01/01/09 - 31/12/09 (cents per unit)	Total 98.67

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

What a difference a year can make! Just one year ago, the FTSE/JSE All Share Index (ALSI) was trading just above 18 000 points and you needed about R10.50 to buy US$1. Today the ALSI is trading around 28 000 points and you need only about R7.50 to buy US$1.

This means that an investor who was brave and smart enough to buy the South African market one year ago despite the overwhelmingly negative sentiment at the time would have doubled his/her money in US dollar terms in a year. It is a great irony (but also self-evident) that most investors would have found it incredibly difficult to buy shares then, but find it much 'easier' to buy shares today when the prevailing consensus is that the worst of the credit crisis and recession is behind us and that massive global monetary and fiscal stimulus have saved the day.

The memories of the investing public seem to be short. After fleeing any investment perceived as 'risky' in 2008, they have been chasing 'risk' again in 2009. For example, foreign investors have been net buyers of R22.5 billion of shares on the JSE over the last six months, during which time the ALSI has traded at an average level of US$3 515. Over the same six month period a year ago (September 2008 to February 2009) they were net sellers of R40.2 billion of shares on the JSE, during which time the ALSI traded at an average level of US$2 240.

It seems that the global 'risk trade' is currently driving up the South African stock market and the value of the rand, but as we learned in late 2008, the door is narrow should all the foreigners choose to leave at the same time.

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TOP 10 SHARE HOLDINGS [1]

Company	% of portfolio
SABMiller	7.3
Sasol	4.3
Anglogold Ashanti	4.0
British American Tobacco Plc	3.9
Remgro Limited	3.5
Sanlam	3.0
MTN Group Limited	2.3
Sappi	2.1
Compagnie Fin Richmont SA	1.9
Harmony Gold Mining Co Ltd	1.6

[1] The Top 10 share holdings at 31 December 2009. Updated quarterly.

TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 DECEMBER 2009 [2]

Total expense ratio	Included in TER			
	Trading costs	Performance component	Fee at benchmark	Other expenses
1.86%	0.08%	0.60%	1.16%	0.02%

[2] 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 December 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 28 FEBRUARY 2010

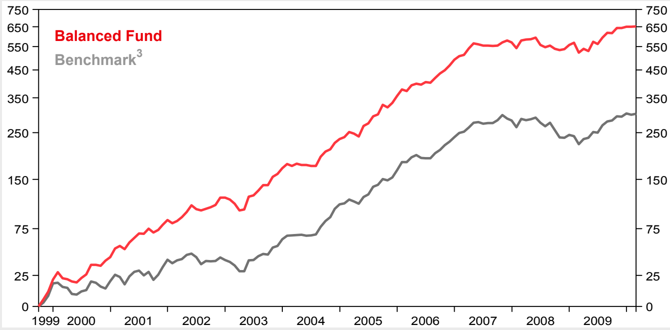
Asset class	% of portfolio
Net SA equities	44.1
Hedged SA equities	1.2
Listed property	0.1
Commodities (New Gold)	3.7
Bonds	6.9
Money market and cash	23.9
Foreign	20.1
Total	100

Total net SA and foreign equity exposure: 55.75%

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)	651.9	300.9
Latest 10 years (annualised)	19.9	13.3
Latest 5 years (annualised)	16.5	13.2
Latest 3 years (annualised)	7.1	4.4
Latest 1 year	20.9	24.6
Risk measures (Since inception month end prices)		
Maximum drawdown [4]	-15.4	-20.5
Percentage positive months	68.8	66.4
Annualised monthly volatility	10.4	10.7

[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 2010.**

[4] Maximum percentage decline over any period.