

FUND DETAILS AT 30 SEPTEMBER 2010

Sector: Domestic - Fixed Interest - Bond
Inception date: 1 October 2004
Fund managers: Sandy McGregor, Andrew Lapping

Fund objective:

The objective of the Fund is to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund will seek to preserve at least the nominal value of investors' capital.

Suitable for those investors who:

- Are looking for returns in excess of that provided by money market or cash investments
- Seek a bond 'building block' for a diversified multi-asset class portfolio
- Are prepared to accept some risk of capital depreciation in exchange for the prospect of earning increased returns
- Want to draw a regular income stream without consuming capital

Price: R 11.02
Size: R 272 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 bond holdings: 40
Fund duration: 3.74
Gross yield (before fees as at 30 June 2010): 7.89%

Income distribution: 01/10/09 - 30/09/10 (cents per unit) Total 83.81
Distributes quarterly.

Annual management fee:

The annual management fee rate is dependent on the return of the Fund relative to its benchmark, the BEASSA Total Return All Bond Index (adjusted for fund expenses and cash flows) over a rolling one-year period. The fee hurdle (above which a fee greater than the minimum fee of 0.25% is charged) is performance equal to the benchmark. The manager's sharing rate is 25% of the outperformance of the benchmark over a rolling one-year period with a maximum fee of 0.75% (excl. VAT) per annum.

COMMENTARY

Globally the private sector is saving more and deleveraging, providing an increasing pool of money which is being invested into assets, especially bonds. Some of this is flowing into South Africa. During the first nine months of 2010 foreigners have invested a net R62 billion in South African bonds. These flows have more than compensated for the shortfall in domestic savings, and have strengthened the rand, which in turn has had a beneficial effect on inflation. As a consequence SA bond yields have declined significantly.

We remain cautious about these trends because they cannot continue indefinitely and any reversal in investment flows could seriously weaken the rand and cause a big sell-off in the bond markets. Accordingly, the Fund's duration remains significantly below that of its All Bond Index benchmark.

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ALLAN GRAY BOND FUND

TOP 10 FUND HOLDINGS ¹

JSE code	Maturity date	% of portfolio	Yield to Maturity ² 30 September 2010
R203	15/09/2017	28.3	7.675
WS04	30/05/2016	7.1	7.875
ES23	25/01/2023	6.1	8.540
R206	15/01/2014	4.0	7.010
AB05	01/09/2012	2.6	8.020
R208	31/03/2021	2.4	7.930
MTN3	13/07/2015	2.2	8.835
ES15	30/08/2015	2.2	7.815
TN20	17/09/2020	2.0	9.140
ND11	17/09/2015	1.9	9.265

¹ Top 10 Fund holdings at 30 September 2010. Updated quarterly.

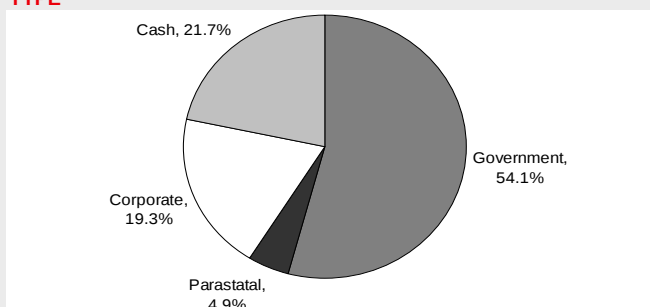
² Updated monthly.

TOTAL EXPENSE RATIO FOR THE YEAR ENDED 30 JUNE 2010 ³

Total expense ratio	Included in TER			
	Trading costs	Performance component	Fee at benchmark	Other expenses
0.80%	0.00%	0.45%	0.29%	0.06%

³ 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 2010. 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.

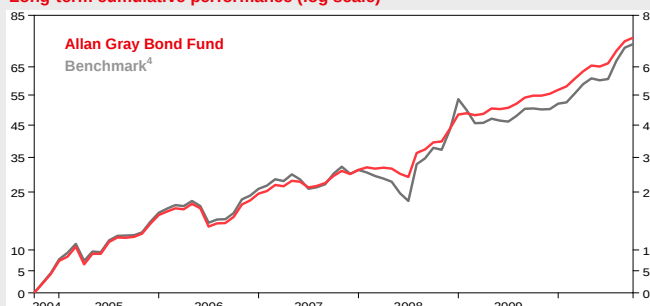
TYPE



PERFORMANCE

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

Long-term cumulative performance (log scale)



% Returns	Fund	Benchmark ⁴
Since inception (unannualised)	76.0	73.5
Latest 5 years (annualised)	9.2	8.8
Latest 3 years (annualised)	10.7	10.1
Latest 1 year	13.7	15.3
Risk measures (Since inception month end prices)		
Percentage positive months	76.4	69.4
Annualised monthly volatility	4.8	7.0

⁴ All Bond Index. Source: I-Net Bridge, performance as calculated by Allan Gray as at 30 September 2010.