

FUND DETAILS AT 31 DECEMBER 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 10.96
Size: R 312 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: 42
Fund duration: 3.85
Gross yield (before fees as at 30 June 2010): 7.90%

Income distribution: 01/01/10 - 31/12/10 (cents per unit) Total 84.31
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

Local bonds strengthened over the past few weeks, somewhat breaking with the recent trend of following the movements of international bond markets which have traded in a tight range recently.

The movements in the local bond market in November and December demonstrated the sensitivity of the South African bond market to foreign flows. South Africa is reliant on these foreign flows because of the low domestic savings rate and sizable government borrowing requirements. Accordingly, we believe a cautious investment stance is appropriate. 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 HOLDINGS¹

JSE code	Maturity date	% of portfolio	Yield to maturity ² 31 December 2010
R203	15/09/2017	28.0	7.910
WS04	30/05/2016	9.3	7.835
ES23	25/01/2023	5.3	8.725
R207	15/01/2020	4.2	8.120
R206	15/01/2014	3.5	6.730
ES15	30/08/2015	3.5	7.860
AB05	01/09/2012	2.3	7.500
R208	31/03/2021	2.0	8.140
MTN3	13/07/2015	2.0	8.650
TN20	17/09/2020	1.7	9.320

¹ Top 10 Fund holdings at 31 December 2010. Updated quarterly.

² Updated monthly.

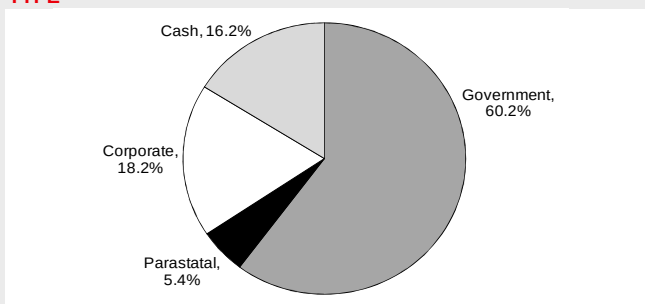
TOTAL EXPENSE RATIO FOR THE YEAR ENDED 30 SEPTEMBER 2010³

Total expense ratio	Included in TER			
	Total management fee ⁴ 0.64%		Trading costs	Other expenses
	Performance component	Fee at benchmark		
0.69%	0.35%	0.29%	0.00%	0.05%

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 September 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.

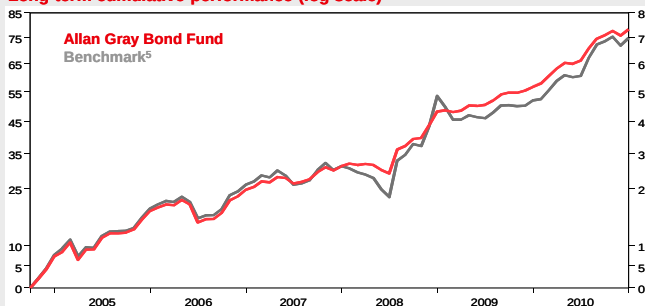
⁴ Including VAT. The total management fee rate for the quarter ending 31 December 2010 was 0.29%.

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 ⁵
Since inception (unannualised)	78.4	74.8
Latest 5 years (annualised)	8.5	7.9
Latest 3 years (annualised)	10.8	10.0
Latest 1 year	13.8	15.0
Risk measures (Since inception month end prices)		
Percentage positive months	76.0	69.3
Annualised monthly volatility	4.8	6.9

⁵ All Bond Index. Source: I-Net Bridge, performance as calculated by Allan Gray as at 31 December 2010.

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 and less any permissible deductions from the portfolio divided by the number of units in issue. Declarations of income accruals are made quarterly. 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 and trustee fees. 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. No commissions or incentives are paid. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. 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 incurred within the Fund so the TER is not a new cost. Compliance with Prudential Investment Guidelines for retirement funds: The Portfolio is managed to comply with 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). Allan Gray Unit Trust Management Limited is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Limited, an authorised financial services provider, is the appointed investment manager of Allan Gray Unit Trust Management Limited. Allan Gray Unit Trust Management Limited has been approved by the Regulatory Authority of Botswana to market its unit trusts in Botswana, however the Company is not supervised or licensed in Botswana. It is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board.