ALLAN GRAY

ALLAN GRAY BOND FUND

FUND DETAILS AT 30 JUNE 2011

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

Fund objective:
The Fund aims to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund seeks 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:	R10.91
Size:	R316 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:	43
Fund duration:	4.27
Gross yield (before fees as at 31 May 2011):	8.19%
Income distribution: 01/07/10 - 30/06/11 (cents per unit)	Total 84.61

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

Foreign buying and selling is a significant determinant of prices in the South African bond market. The spread between the benchmark US bond yields and South Africa has in recent years contracted as offshore investors perception of the relative risk of investing in South Africa has improved. For the past three years the South African 10 year government bond has consistently traded at about 5.25 per cent higher than the equivalent US bond. Deflationary pressures have depressed the yield on US and German bonds and SA bonds have followed suit. This benign environment has been underpinned by an appreciating rand and declining inflation.

There is no inevitability that this relationship between South Africa and the rest of the world will be sustained. In particular there are risks that inflation will now surprise on the upside, reflecting extremely rapid growth in domestic wages. The transmission mechanism of excessive wage growth into prices will ultimately take place through the exchange rate. A significant depreciation of the rand will be following by a big rise in domestic prices which would force the SARB to raise interest rates.

To some extent the bond market is pricing in these risks through a very steep yield curve. The managers of your Fund have taken advantage of this to maintain a relatively high yield. However they also have for the past three years reduced risk by maintaining duration significantly below that of the ALBI benchmark.

The Fund's assets reflect a conservative attitude to credit risk, at the end of June 2011. About 72 per cent of the portfolio was in government or government guaranteed issues.

TOP 10 SHARE HOLDINGS[1]

JSE code	Maturity date	% of portfolio	Yield to maturity[2] 30 June 2011
R203	2017/09/15	29.2	8.080
R207	2020/01/15	9.7	8.365
WS04	2016/05/30	9.0	7.870
ES23	2023/01/25	5.1	8.960
ES15	2015/08/30	5.0	7.950
R206	2014/01/15	3.5	6.895
R186	2026/12/21	3.0	8.550
R208	2021/03/31	2.5	8.390
AB05	2012/09/01	2.2	7.490
MTN3	2015/07/13	1.9	8.810

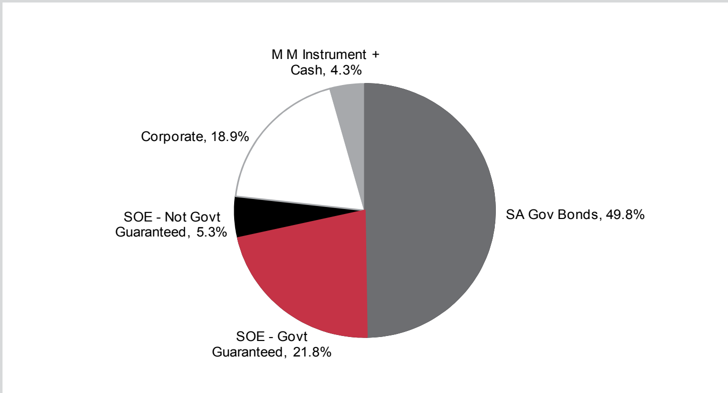
1. The Top 10 share holdings at 30 June 2011. Updated quarterly.
2. Updated monthly.

TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 MARCH 2011[3]

Total expense ratio	Included in TER			
	Investment management fee[4] 0.40%		Trading costs	Other expenses
	Performance component	Fee at benchmark		
0.44%	0.11%	0.29%	0.00%	0.04%

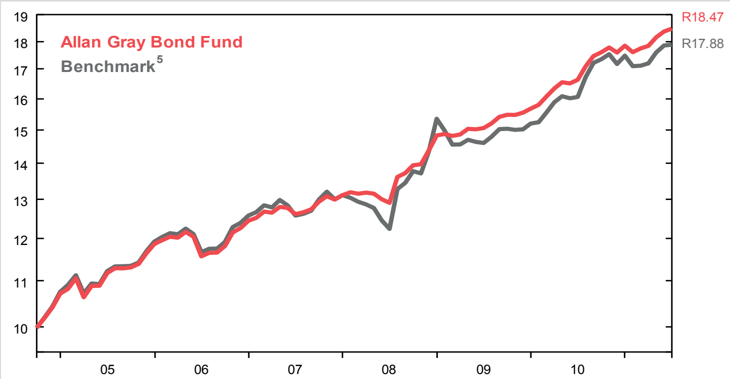
3. A Total Expense Ratio (TER) is a measure of a unit trust's assets that are relinquished as operating expenses. The total operating expenses are expressed as a percentage of the average value of the unit trust, calculated for the year to the end of March 2011. Included in the TER is the proportion of costs that are incurred by the performance component, fee at benchmark, trading costs (including brokerage, STT, STRATE and insider trading levy), VAT 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. The investment management fee rate for the three months ending 30 June 2011 was 0.38% (annualised).

TYPE



PERFORMANCE

Fund performance shown net of all fees and expenses.
Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[5]
Since inception (unannualised)	84.7	78.8
Latest 5 years (annualised)	9.8	8.9
Latest 3 years (annualised)	12.7	13.4
Latest 1 year	11.1	11.3
Risk measures (Since inception month end prices)		
Percentage positive months	76.5	70.4
Annualised monthly volatility	4.7	6.8

5. All Bond Index (Source: I-Net Bridge), performance as calculated by Allan Gray as at 30 June 2011.

Tel 0860 000 654 or +27 (0)21 415 2301
Fax 0860 000 655 or +27 (0)21 415 2492
info@allangray.co.za www.allangray.co.za

* Only available to South African residents.