

# EQUITY FUND

## FUND DETAILS AT 30 SEPTEMBER 2008

**Sector:** Domestic - Equity - General  
**Inception date:** 1 October 1998  
**Fund managers:** Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Simon Raubenheimer

**Fund objective:**  
 The Fund aims to earn a higher total rate of return than that of the average of the South African equity market as represented by the FTSE/JSE All Share Index, including income, without assuming greater risk.

### Suitable for those investors who:

- Seek long-term wealth creation.
- Are comfortable with market fluctuation i.e. short-term volatility.
- Typically have an investment horizon of five years plus.
- Seek an equity 'building block' for a diversified multi-asset class portfolio.

**Price:** R 149.05  
**Size:** R 14 931 m  
**Minimum lump sum:** R 10 000  
**Minimum monthly:** R 500  
**Subsequent lump sums:** R 500  
**No. of share holdings:** 53  
**Income distribution: 01/07/07 - 30/06/08 (cents per unit)** Total 40.44  
 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 FTSE/JSE All Share Index including income (adjusted for Fund expenses and cash flows), over a rolling two-year period. The fee hurdle (above which a fee greater than the minimum fee of 0% is charged) is performance equal to the benchmark minus 15%. For performance equal to the benchmark a fee of 1.5% (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 3% (excl.VAT) applies.

## COMMENTARY

We are living through history in the making. Fears of a global economic recession and deleveraging after the credit bubble are forcing stock prices to new lows daily. The S&P 500 Index was down 9% in September. At the time of writing, it is down more than 20% so far in October. We have not escaped these chill winds in South Africa, and the FTSE/JSE All Share Index has now more than halved from its peak in US dollar terms.

There are some silver linings to all the gloom and doom. A global recession should weed out inefficient businesses and excessive consumption, and will hopefully provide firm foundations for more sustainable development. Recessions are a necessary and healthy season in the economic cycle. Fortunately the Fund has been invested in the JSE-listed securities that we believe provide the best possible protection from such events. This positioning was handsomely rewarded in the September quarter, which was one of the Fund's best ever quarters in terms of relative outperformance.

Avid readers of this commentary will notice that we now have 10 years of performance numbers to report for the Equity Fund. It has been a fantastic 10-year period in which the original investors in the Fund have grown an initial investment of R1,000 into R17,149, despite the recent negative returns! By comparison, if they had invested the same R1,000 into the benchmark FTSE/JSE All Share Index, it would have grown to R6,283.

When the Fund was launched in October 1998, the FTSE/JSE All Share Index had fallen by roughly 40% from its peak and we were in the grip of an emerging markets crisis. We have no idea what will happen to stock prices in the short term, but the recent market declines are hopefully setting the base from which the Fund can deliver another 10 years of satisfactory returns to investors.

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

## TOP 10 SHARE HOLDINGS AT 30 SEPTEMBER 2008\*

Company	% of portfolio
SABMiller	10.3
Remgro	9.5
MTN Group	9.4
Richemont	8.2
Anglogold Ashanti	5.6
Sasol	5.2
Sanlam	5.1
Harmony Gold Mining Co	5.0
Standard Bank Group	4.9
Absa Group	4.1

\* The 'Top 10 Share Holdings' table is updated quarterly.

## TOTAL EXPENSE RATIO\*

Total expense ratio	Included in TER			
	Trading costs	Performance component	Fee at benchmark	Other expenses
2.40%	0.15%	0.53%	1.71%	0.01%

\*A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses. It is expressed as a percentage of the average value of the portfolio, calculated for the year to the end of June 2008. 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.

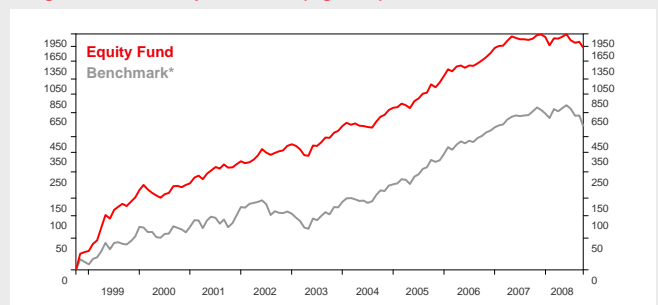
## SECTOR ALLOCATION AT 30 SEPTEMBER 2008\*

Sector	% of fund	ALSI
Oil & gas	5.2	6.9
Basic materials	22.5	38.0
Industrials	11.7	8.7
Consumer goods	21.1	13.1
Healthcare	2.0	1.1
Consumer services	6.9	5.9
Telecommunications	9.4	7.3
Financials	17.5	18.6
Technology	2.2	0.5
Fixed interest/Liquidity	1.0	-
Other	0.5	-

\*The 'Sector Allocation' table is updated quarterly.

## PERFORMANCE

Fund performance shown net of all fees and expenses as per the TER disclosure.  
**Long-term cumulative performance (log scale)**



% Returns	Fund	Benchmark*
Since inception (unannualised)	1 614.9	528.3
Latest 10 years (annualised)	32.9	20.2
Latest 5 years (annualised)	25.9	25.2
Latest 3 years (annualised)	16.9	15.3
Latest 1 year	-11.3	-18.0
<b>Risk measures (Since inception month end prices)</b>		
Maximum drawdown**	-21.0	-34.4
Percentage positive months	67.5	59.2
Annualised monthly volatility	18.3	19.6

\* FTSE/JSE All Share Index including income. Source: I-Net Bridge performance as calculated by Allan Gray as at 30 September 2008.

\*\* Maximum percentage decline over any period.

The FTSE/JSE All Share Index is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE Africa Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved. Portfolios of Collective Investment Schemes in Securities (unit trusts) are generally medium to long-term investments. The value of participatory interests (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 accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Declaration of income accruals are made bi-annually. Different classes of units apply to the Fund and are subject to different fees and charges. Fund valuations take place at approximately 16h00 each business day. Purchase and repurchase requests may be received by the manager by 14h00 each business day. Performance figures from Allan Gray Limited (GIPS compliant) are for lump sum investments using net asset value prices 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 Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so, would be included in the overall costs. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. This Fund may be capped at any time to be managed in accordance with the mandate. Member of the ACI. 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. Retirement Funds: The Portfolio is managed to comply with the limits of Annexure A to Regulation 28 of the Pension Funds Act, except for the overall/total equity distribution limit, due to it being an equity portfolio. Exposures in excess of the limits will be corrected immediately except where due to market value fluctuations or capital withdrawals whereby it 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).