

## **FUND DETAILS AT 31 OCTOBER 2010**

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

R 180.23 Size: R 24 494 m R20 000 Minimum lump sum per investor account: 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: മറ

Income distribution: 01/10/09 - 30/09/10 (cents per unit)

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 out- and underperformance of the benchmark over a rolling two-year period and a maximum fee of 3% (excl.VAT) applies

## **COMMENTARY**

We increased the Fund's position in Sasol over the third quarter. It is currently trading on 12.7 times its last reported earnings, which we believe to be below normal, and on a dividend yield of 3.1%. These simple value metrics compare favourably with the FTSE/JSE All Share Index, which is trading on 17.7 times earnings and a 2.2% dividend vield.

Further factors which we believe strengthen the investment case for Sasol relative to other shares on the JSE include:

- There is considerably more scope for Chinese oil consumption to grow relative to its own economy and relative to global consumption, than there is for growth in Chinese consumption of steel-making materials and base metals (and also less downside risk to Chinese oil consumption);
- Future growth in the supply of oil is more constrained than it is for iron ore,
- which is a key profit contributor for most diversified mining companies; Sasol has started to take a sharper look at its costs and efficiencies;
- Sasol has a considerably longer reserve life than many of its oil and gas peers:
- A weaker rand increases Sasol's profits (all other things being equal)
- Low natural gas prices make Sasol's GTL (gas to liquids) technology a relatively more attractive alternative to LNG (liquefied natural gas) for countries aiming to monetise their stranded gas reserves.

As always there are risks in equity investments. Sasol is planning to spend approximately R40 billion on capital expenditure over the next couple of years. This equates to circa R62 per share compared to the current share price of circa R336 per share. There is always a risk of large capital projects disappointing.

But we believe that investors are adequately rewarded for taking on this risk at the current price and Sasol is now one of the top three shares in the Fund.

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# **ALLAN GRAY EQUITY FUND**

## TOP 10 SHARE HOLDINGS<sup>1</sup>

Company	% of portfolio
British American Tobacco	10.7
Sasol	10.3
SABMiller	10.2
Remgro	7.7
AngloGold Ashanti	6.3
Sanlam	5.0
Mondi	4.8
MTN	4.4
Dimension Data	2.9
Harmony Gold	2.7

<sup>&</sup>lt;sup>1</sup>Top 10 share holdings at 30 September 2010. Updated quarterly.

TOTAL EXILENCE NATIO FOR THE TEAR ENDED 50 OEL TEMBER 2010						
Total expense ratio	Included in TER					
	Trading costs	Performance component	Fee at benchmark	Other expenses		
3.30%	0.11%	1.47%	1.71%	0.01%		

<sup>c</sup> 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.

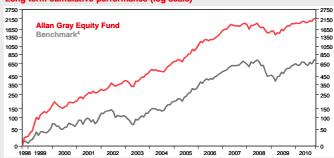
# SECTOR ALLOCATION AT 30 SEPTEMBER 2010<sup>3</sup>

Sector	% of portfolio	ALSI
Oil & gas	10.5	4.9
Basic materials	22.1	35.8
Industrials	10.5	6.3
Consumer goods	26.0	13.6
Healthcare	1.8	2.1
Consumer services	2.6	9.6
Telecommunications	5.9	6.8
Financials	11.4	20.1
Technology	4.1	0.8
Fixed interest/Liquidity	4.3	-
Other	0.9	-

<sup>&</sup>lt;sup>3</sup> 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 4
Since inception (unannualised)	2198.4	748.7
Latest 10 years (annualised)	23.1	17.6
Latest 5 years (annualised)	17.3	16.2
Latest 3 years (annualised)	4.4	1.9
Latest 1 year	14.0	18.3
Risk measures (Since inception month end prices)		
Maximum drawdown <sup>5</sup>	-31.3	-45.4
Percentage positive months	66.2	60.0
Annualised monthly volatility	17.8	19.8

FTSE/JSE All Share Index including income. Source: I-Net Bridge, performance as calculated by Allan Gray as at 31 October 2010.
 Maximum percentage decline over any period.

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. Declaration of income accruals are made biannually. Purchase and redemption requests must be received by the manager by 14:00 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 trusteness. 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. Commission and incentives may be paid and if so, would be included in the Fund should be compared with the investor's objective and then the performance of 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. The FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE [pintly. All Intert pints are reserved. 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 is a member of the Association for Savings & Inv