

# ALLAN GRAY

## FUND DETAILS AT 31 MARCH 2011

**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 outperform 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:** R193.10  
**Size:** R26 496 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:** 86  
**Income distribution: 01/04/10 - 31/03/11 (cents per unit)** Total 47.57  
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

The sector in which the Fund is most underweight is the basic materials sector. Iron ore is currently a significant profit contributor for the diversified miners. We see little upside to iron ore prices from current levels, and see no reason why the current super-profits earned by iron ore miners will not be competed away.

The Fund's second most underweight position is in the consumer services sector. This is partly owing to the Fund having a negligible position in the retailers. In the early 2000s, the retailers accounted for some of the Fund's biggest overweight positions. At that time business conditions for the retailers had been poor for some time, and the low P/E multiples at which the shares traded suggest that the market believed that these poor conditions would persist. This belief proved unfounded as the retailers entered a fantastic boom in which their profits multiplied by factors ranging from four to 10 times.

Today it appears that the market expects these favourable conditions to persist, as the retailers are generally trading on high P/E multiples. But we find it hard to envisage how things can get much better for the retailers, which makes it hard to see much upside potential from the current share prices. On the other hand we perceive downside risks, which the market is choosing to ignore. These risks include considerations such as whether the prevailing trend of above-inflation wage increases is sustainable in an economy with widespread unemployment and constrained growth potential, higher inflation and interest rates, aggressive unsecured credit extension, and unusually high returns on capital for the retailers.

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# ALLAN GRAY EQUITY FUND

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

| Company                               | % of portfolio |
|---------------------------------------|----------------|
| Sasol                                 | 11.7           |
| British American Tobacco <sup>2</sup> | 10.4           |
| SABMiller                             | 10.2           |
| Remgro                                | 7.2            |
| AngloGold Ashanti                     | 5.4            |
| Sanlam                                | 4.5            |
| Mondi                                 | 4.2            |
| MTN                                   | 4.1            |
| Standard Bank                         | 3.6            |
| Harmony Gold                          | 2.8            |

1. Top 10 share holdings at 31 March 2011. Updated quarterly.
2. In December 2010, National Treasury announced, along with the increase in foreign exposure allowance, that the holding of foreign inward listed shares, such as British American Tobacco, are to form part of an institutional investor's overall foreign allowance.

## TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 DECEMBER 2010<sup>3</sup>

| Total expense ratio | Included in TER                                 |                  |               |                |
|---------------------|-------------------------------------------------|------------------|---------------|----------------|
|                     | Investment management fee <sup>4</sup><br>2.65% |                  | Trading costs | Other expenses |
|                     | Performance component                           | Fee at benchmark |               |                |
| 2.76%               | 0.94%                                           | 1.71%            | 0.10%         | 0.01%          |

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 December 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 investment management fee rate for the three months ending 31 March 2011 was 0.56% (annualised).

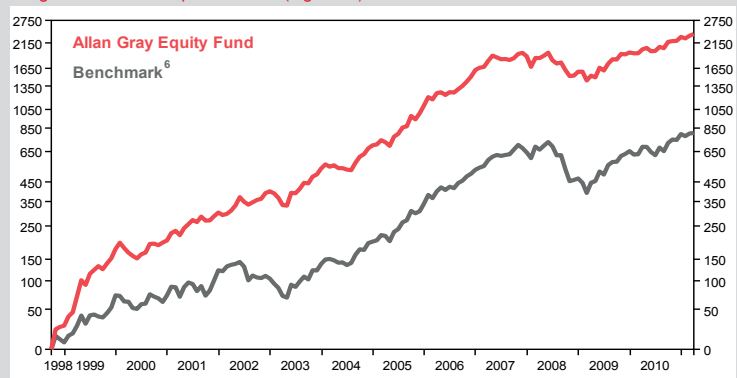
## SECTOR ALLOCATION AT 31 MARCH 2011<sup>5</sup>

| Sector                   | % of portfolio | ALSI |
|--------------------------|----------------|------|
| Oil & gas                | 11.9           | 5.6  |
| Basic materials          | 22.8           | 38.5 |
| Industrials              | 10.9           | 5.5  |
| Consumer goods           | 25.4           | 13.8 |
| Healthcare               | 2.0            | 1.8  |
| Consumer services        | 2.1            | 9.0  |
| Telecommunications       | 5.7            | 7.0  |
| Financials               | 13.4           | 18.7 |
| Technology               | 1.1            | 0.3  |
| Fixed interest/Liquidity | 2.4            | -    |
| Other                    | 2.3            | -    |

5. The 'Sector Allocation' table is updated quarterly.

## PERFORMANCE

Fund performance shown net of all fees and expenses.  
Long-term cumulative performance (log scale)



| % Returns                                               | Fund   | Benchmark <sup>6</sup> |
|---------------------------------------------------------|--------|------------------------|
| Since inception (unannualised)                          | 2368.8 | 807.3                  |
| Latest 10 years (annualised)                            | 22.7   | 18.2                   |
| Latest 5 years (annualised)                             | 12.8   | 12.6                   |
| Latest 3 years (annualised)                             | 8.5    | 5.8                    |
| Latest 1 year                                           | 16.8   | 15.2                   |
| <b>Risk measures (Since inception month end prices)</b> |        |                        |
| Maximum drawdown <sup>7</sup>                           | -31.3  | -45.4                  |
| Percentage positive months                              | 66.7   | 60.0                   |
| Annualised monthly volatility                           | 17.5   | 19.5                   |

6. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 March 2011.
7. Maximum percentage decline over any period.

\* Only available to South African residents.

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