

Fund managers: Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Simon Raubenheimer
Inception date: 1 October 1998
Class: A

Fund description

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: Domestic - Equity - General

Fund objective and benchmark

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund's benchmark is the FTSE/JSE All Share Index including income.

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to take on the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account: R20 000
 Additional lump sum: R500
 Minimum debit order*: R500

*Only available to South African residents.

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.

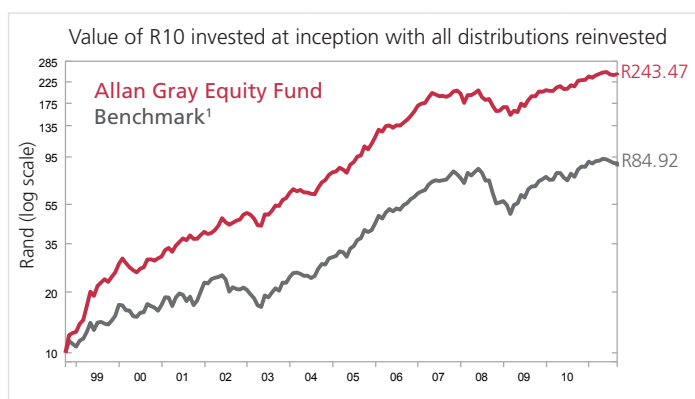
Fund information on 30 September 2011

Fund size: R25 705m
Fund price: R188.66
Number of share holdings: 92

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2010	30 Jun 2011
Cents per unit	47.5663	179.2718

Performance net of all fees and expenses



% Returns	Fund	Benchmark ¹	CPI inflation ²
<i>Unannualised:</i>			
Since inception	2334.7	749.2	101.9
<i>Annualised:</i>			
Since inception	27.8	17.9	5.6
Latest 10 years	20.7	17.2	5.9
Latest 5 years	10.8	8.8	6.7
Latest 3 years	12.4	10.6	5.1
Latest 2 years	13.0	12.0	4.4
Latest 1 year	6.7	3.6	5.3
Year-to-date (unannualised)	1.5	-5.4	4.7
Risk measures (since inception)			
Maximum drawdown ³	-31.3	-45.4	n/a
Percentage positive months ⁴	66.0	58.3	n/a
Annualised monthly volatility ⁵	17.3	19.3	n/a

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 30 September 2011.
2. This is based on the latest numbers published by I-Net Bridge.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 May 2008 to 27 October 2008 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

Total expense ratio (TER)

The TER for the year ending 30 June 2011 is 1.74% and included in this is performance fee of -0.08% and trading costs of 0.10%. The annual management fee rate for the three months ending 30 September 2011 was 2.34% (annualised). These figures are inclusive of VAT, where applicable. Fund returns are quoted after deduction of costs incurred within the Fund so the TER should not be deducted from Fund returns (refer to page 2 for further information).

Fund manager quarterly commentary as at 30 September 2011

The benchmark FTSE/JSE All Share Index (ALSI) declined by 6.9% in the third quarter, but this performance was flattered by the weakness in the rand. In US dollar terms, the index declined by 22.2% for the quarter. The resources sector declined more than the overall market. The dollar prices for base metals and the platinum group metals fell significantly, but they remain substantially above their long-term averages.

Despite a decade-long commodity bull market, Anglo American has underperformed the ALSI over the last 10 years. It is now trading not far away from its relative low over the last decade. The investment case for Anglo American is mixed. For example: we are concerned that the rapid growth in credit and the commodity-intensive building boom in China are unsustainable, but we are also concerned about the sustainability of the rand's strength. We believe that Anglo's base metal expansion projects in South America will yield attractive returns through the commodity cycle, but we are concerned that its investment in the Minas Rio iron ore mine and its associated infrastructure in Brazil will not deliver the returns the company expects.

A further example of the mixed investment case stems from the conglomerate nature of Anglos. One can think of buying one share in Anglo American for R275 (the quarter-end price) as the equivalent of investing R93 in Anglo American Platinum and R72 in Kumba Iron Ore (both separately listed on the JSE), and R110 in the remaining (or 'stub') assets of Anglo American. Anglo's investment in Kumba has proven to be a spectacular success, but at its current price we believe the risk is to the downside. This may seem surprising with Kumba trading on less than 10 times profits, but our concern is that Kumba's current profitability (72% EBITDA margins) is unsustainably high. Kumba currently generates higher operating profits per employee and contractor (US\$417 000 pa) than does Goldman Sachs.

While the platinum miners have all underperformed the market significantly, we regard Impala Platinum as a more attractive long-term investment than Anglo American Platinum at current prices. Although a large proportion of Impala's profits is currently being spent on sinking new shafts, this should entrench the company's advantage as a low-cost producer over the longer term. Impala is now a top 10 holding.

On the other hand, we regard R110 as an attractive price to pay for Anglo's remaining 'stub' assets, which include De Beers, its copper and nickel mines in South America, its coal mines in Australia, South Africa and Colombia and other non-core assets. We have thus skewed the Fund's position in Anglo American towards the 'stub' assets by investing a portion of the total position in Anglos 'stub' certificates, which are listed on the JSE and priced daily.

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Disclaimer

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Unit price

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. Forward pricing is used and Fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the manager by 14:00 each business day to receive that day's price.

Fees

A schedule of fees, 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 overall costs.

TER

*TERs are shown for class A units only

The Total Expense Ratio (TER) is the percentage of the fund's average assets under management that has been used to pay the fund's operating expenses over the past year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), trading costs (including brokerage, STT, STRATE and insider trading levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. All Allan Gray performance figures are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. TERs should then be used to evaluate whether the Fund performance offers value for money.

Performance

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. Performance figures are from Allan Gray Proprietary Limited (GLPS compliant) and are for lump sum investments with income distributions reinvested.

Top 10 share holdings on 30 September 2011 (updated quarterly)

Company	% of portfolio
British American Tobacco	11.9
Sasol	10.2
SABMiller	9.7
Remgro	7.2
Sanlam	4.7
Anglogold Ashanti	4.6
Standard Bank	4.3
Anglo American ⁶	3.2
Impala Platinum	3.2
Mondi	2.8
Total	61.9

6. Including Anglo American Stub Certificates.

Sector allocation on 30 September 2011 (updated quarterly)

Sector	% of portfolio	% of ALSI
Oil & gas	10.3	5.2
Basic materials	22.4	34.5
Industrials	11.3	5.8
Consumer goods	26.4	15.1
Health care	2.4	2.1
Consumer services	2.6	9.5
Telecommunications	4.0	7.5
Financials	16.8	20.0
Technology	1.2	0.3
Other	0.7	-
Money Market and Bank Deposits	2.0	-
Total	100.0	100.0

12.3% of the Fund is invested in foreign inward listed shares on the JSE as at 30 September 2011. These holdings form part of an institutional investor's overall foreign allowance.

Note: There may be slight discrepancies in the totals due to rounding.