

Fund managers: Ian Liddle, Duncan Artus, 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.

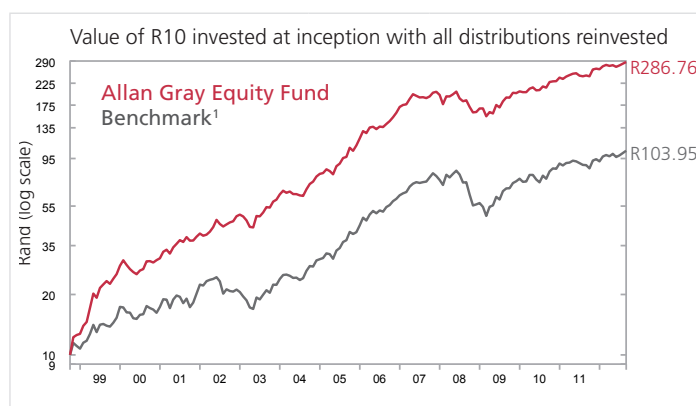
Fund information on 31 August 2012

Fund size: R30 265m
Fund price: R219.61
Number of share holdings: 93

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 2011	30 Jun 2012
Cents per unit	62.9228	183.8525

Performance net of all fees and expenses



% Returns	Fund	Benchmark ¹	CPI inflation ²
<i>Unannualised:</i>			
Since inception	2767.6	939.5	111.4
<i>Annualised:</i>			
Since inception	27.3	18.3	5.6
Latest 10 years	20.4	17.2	5.4
Latest 5 years	8.6	7.3	6.4
Latest 3 years	14.5	15.5	4.6
Latest 2 years	15.8	17.4	5.1
Latest 1 year	16.6	18.0	4.9
Year-to-date (unannualised)	8.6	13.0	3.3
Risk measures (since inception)			
Maximum drawdown ³	-31.3	-45.4	n/a
Percentage positive months ⁴	66.5	59.3	n/a
Annualised monthly volatility ⁵	16.9	18.9	n/a

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 August 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 July 2012.
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 2012 is 2.75% and included in this is a performance fee of 0.94% and trading costs of 0.09%. The annual management fee rate for the three months ending 31 August 2012 was 2.23% (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 June 2012

A passive investor in the FTSE/JSE All Share Index is currently paying 12.4 times the aggregated trailing 12-month profits of all the companies comprising the index. This is fractionally above the average multiple since 1960 of 11.9 times profits. However, the current multiple of 12.4 does not tell the full story. It is the weighted average of high multiples on consumer-facing shares, middling multiples on financial and telecommunications shares and low multiples on mining shares.

Many foreign investors are enamoured with the growth prospects for South African retailers. But if one is paying more than 25 times profits for a company, such as is currently the case with Shoprite or Massmart, then the question one should be asking is not whether the company will grow, but whether it will be able to grow fast enough and for long enough to justify the value the market is placing on it. Globally, investors have become increasingly willing to pay higher prices for quality companies such as SABMiller or British American Tobacco, and these companies now trade on relatively high multiples too.

Financials and the mobile network companies are generally being priced between 10 and 15 times their profits over the last year. While these multiples at first blush appear attractive relative to those on the consumer-facing stocks, one needs to remember that banks require capital to grow and that their returns on equity will probably be lower over the next decade than they were over the last 10 years. Banks are also considerably geared, which means that small changes in the performance of their assets can have magnified effects on the residual equity value attributable to shareholders. We expect the profitability of the mobile networks to continue to be challenged by competitive and regulatory pressures.

Many of the mining and resource stocks are trading on less than 10 times their reported profits. These are enticing multiples, but we believe that these reported profits will be hard to sustain as commodity prices and the mining companies' profit margins fall to more normal levels. Furthermore, their reported profits generally overstate their free cash flow if one takes account of capital expenditure required to stay in business.

We believe that the market is directionally correct in pricing mining shares on lower multiples relative to financials, which are in turn on lower multiples relative to consumer-facing shares. The hard bit is assessing whether the market is now doing this to the appropriate degree. The Fund owns specifically selected shares which fall into the high, middling and low multiple groups. The Fund continued adding to its positions in the mining companies at a measured pace as they continued to underperform over the last quarter. However, high-quality defensive names such as British American Tobacco, SABMiller, Remgro, Sanlam and Reinet continue to feature prominently in the Fund's top 10 shares.

Top 10 share holdings on 30 June 2012 (updated quarterly)

Company	% of portfolio
Sasol	9.8
British American Tobacco	9.7
SABMiller	8.4
Remgro	7.4
Standard Bank	5.0
Anglo American ⁶	4.7
Sanlam	4.7
Anglogold Ashanti	3.4
Reinet Investments	3.3
Impala Platinum	3.1
Total	59.4

6. Including Anglo American Stub Certificates.

Sector allocation on 30 June 2012 (updated quarterly)

Sector	% of portfolio	% of ALSI
Oil & gas	9.8	4.6
Basic materials	23.5	29.7
Industrials	11.8	6.3
Consumer goods	22.7	18.2
Health care	3.0	2.5
Consumer services	2.4	10.7
Telecommunications	1.6	6.6
Financials	21.1	21.0
Technology	1.3	0.3
Other	0.7	0.0
Money Market and Bank Deposits	2.2	0.0
Total	100.0	100.0

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

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

Disclaimer

The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. 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. Allan Gray Unit Trust Management (RF) Proprietary Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The Company has been approved by the Regulatory Authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana.

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 and are for lump sum investments with income distributions reinvested.