

**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.

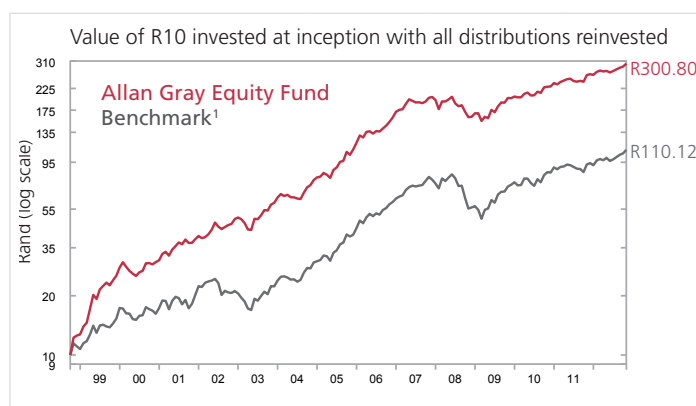
## Fund information on 31 October 2012

**Fund size:** R31 700m  
**Fund price:** R230.36  
**Number of share holdings:** 95

## 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. | <b>31 Dec 2011</b> | <b>30 Jun 2012</b> |
| Cents per unit                                                                                                                                        | 62.9228            | 183.8525           |

## Performance net of all fees and expenses



| % Returns                                  | Fund   | Benchmark <sup>1</sup> | CPI inflation <sup>2</sup> |
|--------------------------------------------|--------|------------------------|----------------------------|
| <i>Unannualised:</i>                       |        |                        |                            |
| Since inception                            | 2908.0 | 1001.2                 | 113.8                      |
| <i>Annualised:</i>                         |        |                        |                            |
| Since inception                            | 27.3   | 18.6                   | 5.6                        |
| Latest 10 years                            | 20.6   | 18.2                   | 5.4                        |
| Latest 5 years                             | 8.3    | 6.5                    | 6.4                        |
| Latest 3 years                             | 14.3   | 15.3                   | 4.8                        |
| Latest 2 years                             | 14.4   | 13.9                   | 5.6                        |
| Latest 1 year                              | 14.2   | 18.6                   | 5.5                        |
| Year-to-date (unannualised)                | 13.9   | 19.7                   | 4.5                        |
| <b>Risk measures (since inception)</b>     |        |                        |                            |
| Maximum drawdown <sup>3</sup>              | -31.3  | -45.4                  | n/a                        |
| Percentage positive months <sup>4</sup>    | 66.9   | 59.8                   | n/a                        |
| Annualised monthly volatility <sup>5</sup> | 16.8   | 18.8                   | n/a                        |

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 October 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 30 September 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 September 2012 is 2.64% and included in this is a performance fee of 0.87% and trading costs of 0.05%. The annual management fee rate for the three months ending 31 October 2012 was 2.20% (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 2012

Our thoughts are with all who lost loved ones in the tragedy which unfolded in Marikana over the last quarter. Our thoughts are also with any hard-working South Africans who may have been intimidated by threats of violence into staying away from work.

The Fund has an exposure of just under 11% to the JSE-listed gold and platinum miners (including exposures to AngloGold, Goldfields, Harmony, Impala, Lonmin and indirectly, Angloplats). Productivity at South Africa's gold and platinum mines has been declining for most of the last decade. The many causes include: escalating 'section 54' safety stoppages, more stringent safety standards which result in slower mining and leaving behind high-grade ores in shaft pillars, declining grades, mining activity moving further from the shaft, an ageing workforce and strike disruptions. In addition to requiring more inputs for each unit of output, input costs (notably labour and electricity) have been compounding at rates far in excess of the general inflation rate.

These pressures push high-cost shafts into losses, and ultimately into closure with the consequent loss of jobs and economic activity which surrounds a mine. Any intensification of these pressures accelerates the demise of high-cost shafts and undermines the incentive to build new shafts.

The gold and platinum mines remain a vital contributor to South Africa's dollar export receipts which are required to fund our imports. However, their importance is being obscured for now by the very strong inflows into our bond market from foreigners. RSA bonds are rapidly becoming one of South Africa's biggest exports.

It would be a mistake to assume, because some shafts should be closed and are worthless, that all remaining shafts are worthless. As each unprofitable shaft is closed, the remaining operating shafts become even more important and valuable as earners of foreign currency. This is especially true in the platinum industry as South Africa produces the bulk of the world's platinum. But it is true for the gold mines too - when Goldfields' South Deep mine is the last remaining gold mine in South Africa, it will probably be a very valuable asset. Of course, there is a risk that shareholders may not derive their rightful share of this future value because of higher taxes and resource rents or nationalisation.

It is impossible to know how much further the momentum of rising costs, declining productivity, shaft closures and job losses can continue until the rand depreciates towards a level which restores some equilibrium. In this light, the Fund's exposure to the gold and platinum miners is significant but not yet at a maximum possible exposure, and the Fund's exposure is spread across a number of mining companies. Furthermore, it should be noted that a large and increasing proportion of the value in the gold mining companies is to be found in their assets outside of South Africa.

## Top 10 share holdings on 30 September 2012 (updated quarterly)

| Company                     | % of portfolio |
|-----------------------------|----------------|
| Sasol                       | 10.2           |
| British American Tobacco    | 9.2            |
| SABMiller                   | 7.9            |
| Remgro                      | 7.3            |
| Standard Bank               | 4.5            |
| Anglo American <sup>6</sup> | 4.5            |
| Sanlam                      | 4.3            |
| Mondi                       | 3.3            |
| AngloGold Ashanti           | 3.3            |
| Reinet Investments          | 3.2            |
| <b>Total</b>                | <b>57.6</b>    |

6. Including Anglo American Stub Certificates.

## Sector allocation on 30 September 2012 (updated quarterly)

| Sector                         | % of portfolio | % of ALSI    |
|--------------------------------|----------------|--------------|
| Oil & gas                      | 10.2           | 4.7          |
| Basic materials                | 22.7           | 28.3         |
| Industrials                    | 11.7           | 6.3          |
| Consumer goods                 | 21.8           | 18.7         |
| Health care                    | 3.0            | 2.7          |
| Consumer services              | 2.5            | 11.2         |
| Telecommunications             | 1.0            | 7.0          |
| Financials                     | 20.8           | 20.9         |
| Technology                     | 1.3            | 0.4          |
| Other                          | 0.7            | 0.0          |
| Money Market and Bank Deposits | 4.2            | 0.0          |
| <b>Total</b>                   | <b>100.0</b>   | <b>100.0</b> |

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](mailto:info@allangray.co.za) [www.allangray.co.za](http://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.