

OPTIMAL FUND

FUND DETAILS AT 31 JULY 2008

Sector: Domestic AA - Targed Absoluted Return
Inception date: 1 October 2002
Fund manager: Delphine Govender
Fund objective:
 The Fund aims to exceed the return of the Daily Call Rate of FirstRand Bank Limited.

Suitable for those investors who:

- Seek absolute (i.e. positive) returns regardless of stockmarket trends.
- Are risk-averse and require a high degree of capital stability.
- Are retired or nearing retirement.
- Seek the diversification benefits of uncorrelated returns relative to shares or bonds.
- Wish to diversify a portfolio of shares or bonds.
- Wish to add a product with an alternative investment strategy to their overall portfolio.

Price: R 14.92
Size: R 929 m
Minimum lump sum: R 25 000
Minimum monthly: R 2 500
Subsequent lump sums: R 2 500
No. of share holdings: 49
Income distribution: 01/07/07 - 30/06/08 (cents per unit) Total 29.62
 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 benchmark is the return on call deposits with FirstRand Bank Limited (for amounts in excess of R5m). The fee hurdle (above which a fee greater than the minimum fee of 1% is charged) is performance equal to the benchmark. The manager's sharing rate is 20% of the outperformance of the benchmark. The fee is uncapped, however a high watermark principle applies which means that should the Fund underperform it would first be required to recover the underperformance before any further performance fees are payable.

COMMENTARY

The Fund invests in a portfolio of equities and substantially reduces stockmarket risk and exposure by selling equity derivatives against the equity portfolio. As a result, the Fund's return should not be correlated with equity markets, but it is dependent rather on the level of short-term interest rates and the ability of the Fund's equity portfolio to outperform the underlying benchmark equity index. In essence, therefore, the Fund's return comprises two components: (1) the cash return implicit in the pricing of the sold futures contracts +/- (2) the out/(under)performance of the equity portfolio versus the index (i.e. the alpha). Since inception the Fund has returned 71.1%, outperforming the benchmark return of 56.1%. For the past 12 months, the Fund has delivered 8.6% compared to the benchmark return of 10.0%. The reason for this recent relative underperformance versus the benchmark has been a function of recent negative alpha, principally owing to the Fund's underweight positions in Anglo American and BHP Billiton, despite these two holdings being the largest holdings in absolute terms in respect of the Fund's equity portfolio. We believe the current earnings for these two companies have components which are exceptionally high as a result of current all-time high prices for certain commodities (copper, thermal coal and iron ore) in both companies' baskets. If, in our opinion, more sustainable commodity prices are used we believe the underlying value of these companies is below the current high share prices. Accordingly, we believe these underweight positions in Anglo American and BHP Billiton will be a source of positive relative performance in the future.

Looking at the market as a whole, we maintain the position that volatility is a key characteristic. Following an exceptional run in equities since early 2003, we have been cautioning our clients for some time to temper their return expectations from the market. One of the principal reasons for this caution is that we believe the overall level of company earnings and profitability is unsustainably high. Despite the recent weakness in the equity market, we continue to think that there is considerable risk of capital loss from the market as a whole for 2008. In this environment, we believe that the Optimal Fund's very low net equity exposure and corresponding potential to deliver long-term absolute returns, uncorrelated with overall equity markets, makes it particularly compelling.

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TOP 10 SHARE HOLDINGS AT 30 JUNE 2008*

Company	% of portfolio
Anglo American	14.5
BHP Billiton	12.0
SABMiller	7.6
MTN Group	6.8
Richemont	6.6
Sasol	6.3
Anglogold Ashanti	4.5
Remgro	3.8
Impala Platinum	2.8
Standard Bank Group	2.3

* The 'Top 10 Share Holdings' table is updated quarterly.

TOTAL EXPENSE RATIO*

Total expense ratio	Included in TER			
	Trading costs	Performance component	Fee at benchmark	Other expenses
1.45%	0.22%	0.07%	1.14%	0.02%

*A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses. It is expressed as a percentage of the average value of the portfolio, calculated for the year to the end of June 2008. 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.

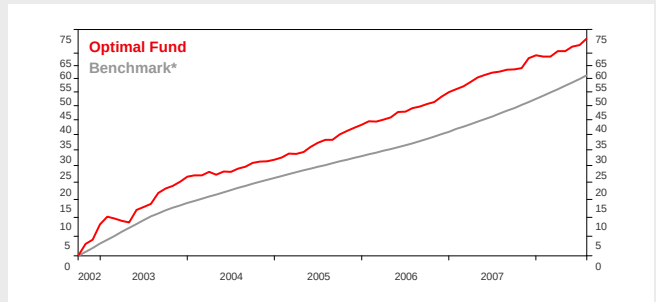
ASSET ALLOCATION

Asset class	% of fund
Net SA equities	3.8
Hedged SA equities	78.9
Listed property	1.2
Money market and cash	16.1
Total	100.0

PERFORMANCE

Fund performance shown net of all fees and expenses as per the TER disclosure.

Long-term cumulative performance (log scale)



% Returns	Fund	Benchmark*
Since inception (unannualised)	71.1	56.1
Latest 5 years (annualised)	8.5	7.2
Latest 3 years (annualised)	8.7	7.7
Latest 1 year	8.6	10.0
Risk measures (Since inception month end prices)		
Maximum drawdown**	-2.2	n/a
Percentage positive months	85.7	100.0
Annualised monthly volatility	2.9	0.7

* The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5m).
 Source: FirstRand Bank, performance as calculated by Allan Gray as at 31 July 2008.

** Maximum percentage decline over any period.

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (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 accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Declaration of income accruals are made bi-annually. Different classes of units apply to the Fund and are subject to different fees and charges. Fund valuations take place at approximately 16h00 each business day. Purchase and repurchase requests may be received by the manager by 14h00 each business day. Performance figures from Allan Gray Limited (GIPS compliant) are for lump sum investments using net asset value prices with income distributions reinvested. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges, trustee fees and RSC levies. 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 Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so, would be included in the overall costs. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. This Fund may be capped at any time in order to be managed in accordance with the mandate. Member of the ACI. Total Expense Ratio (TER): When investing, costs are only a part of an investment decision. 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.