

# OPTIMAL FUND

## FUND DETAILS AT 31 AUGUST 2008

**Sector:** Domestic AA - Targeted Absolute 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 15.07  
**Size:** R 930 m  
**Minimum lump sum:** R 25 000  
**Minimum monthly:** R 2 500  
**Subsequent lump sums:** R 2 500  
**No. of share holdings:** 50  
**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/underperformance of the equity portfolio versus the index (i.e. the alpha). Since inception the Fund has returned 72.8%, outperforming the benchmark return of 57.5%. For the past 12 months, the Fund has delivered 9.1% compared to the benchmark return of 10.2% and versus a return of -0.8% from the All Share Index (ALSI). While the Fund has slightly underperformed its cash benchmark over the past 12 months, it has considerably outperformed South African equities (as measured by the ALSI), by almost 10%. This clearly demonstrates the primary aim of the Fund, which is to deliver absolute returns irrespective of the level of equity markets.

Looking at the market as a whole, despite recent weakness, we continue to maintain the stance that volatility will remain a key feature. As a result, there is considerable risk of further capital loss from the overall market 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, continues to make 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.

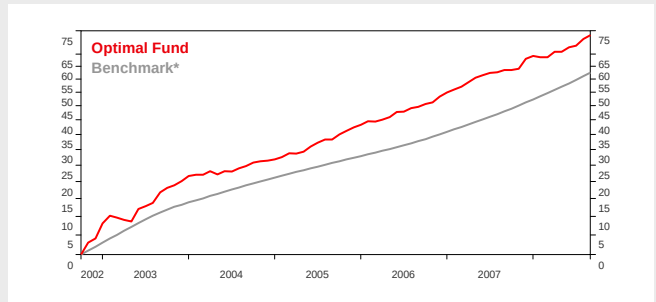
## ASSET ALLOCATION

| Asset class           | % of fund |
|-----------------------|-----------|
| Net SA equities       | 5.3       |
| Hedged SA equities    | 77.1      |
| Listed property       | 1.2       |
| Money market and cash | 16.4      |
| 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)                          | 72.8 | 57.5       |
| Latest 5 years (annualised)                             | 8.1  | 7.2        |
| Latest 3 years (annualised)                             | 9.1  | 7.8        |
| Latest 1 year                                           | 9.1  | 10.2       |
| <b>Risk measures (Since inception month end prices)</b> |      |            |
| Maximum drawdown**                                      | -2.2 | n/a        |
| Percentage positive months                              | 85.9 | 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 August 2008.

\*\* Maximum percentage decline over any period.

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