

# **FUND DETAILS AT 31 MAY 2009**

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 stock market 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 15.76

 Size:
 R 2 258 m

 Minimum lump sum per investor account:
 R 20 000

 Minimum lump sum per fund:
 R 5 000

 Additional lump sum per fund:
 R 500

 No. of share holdings:
 56

 Income distribution: 01/04/08 - 31/03/09 (cents per unit)
 Total 109.87

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.

Income distributions are higher than normal because the Fund was a shareholder of Remgro and Richemont when they unbundled in October 2008. For more information about this, please contact our Client Service Centre or refer to our website, details of which are below.

### 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 stock market 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 92.4%, outperforming the benchmark return of 69.6%. For the 12 months ended 31 May 2009, the Fund has delivered a pleasing 14.8%, outperforming the benchmark return of 10.6% and versus a return of -25.9% from the FTSE/JSE All Share Index (ALSI). Over the past 12 months, the Fund has thus considerably outperformed South African equities (as measured by the ALSI), by more than 40%. This clearly demonstrates the core objective of the Fund, which is to deliver absolute and uncorrelated returns irrespective of the level of equity markets.

South African interest rates, which peaked in the second half of 2008, started declining in December 2008. We have had five successive cuts in rates totalling a 450 basis point reduction in the SA official repo rate, which is now sitting at 7.5%. With the cash return implicit on future contracts being a main source of return for this Fund, investors should be aware that the lower level of absolute interest rates will naturally have an impact on the overall absolute level of return for the Optimal Fund going forward.

Together with global equity markets, we have seen our domestic stock market rally further during May 2009. Given considerably weaker economic growth prospects and earnings expectations for the year ahead, we remain less optimistic on the near-term outlook for a further substantial re-rating of South Africa equities, particularly given the advance we have seen in the market for the year to date. 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 a particularly compelling component of an investor's overall portfolio.

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# **OPTIMAL FUND**

### TOP 10 SHARE HOLDINGS<sup>1</sup>

Company	% of portfolio		
BHP Billiton	10.2		
SABMiller	6.9		
Sasol	5.9		
Anglogold Ashanti	5.9		
MTN Group	5.7		
Anglo American	4.5		
Compagnie Fin Richemont SA	3.2		
Harmony Gold Mining Co	2.2		
Standard Bank Group	2.1		
Sanlam	1.6		

<sup>&</sup>lt;sup>1</sup> The Top 10 Share Holdings at 31 March 2009. Updated quarterly.

#### TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 MARCH 20092

	Included in TER			
Total expense ratio	Trading costs	Performance component	Fee at benchmark	Other expenses
2.02%	0.30%	0.56%	1.14%	0.02%

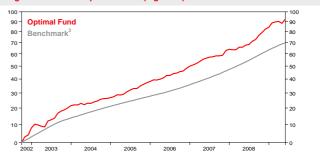
<sup>2</sup>A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses. The total operating expenses are expressed as a percentage of the average value of the portfolio, calculated for the year to the end of March 2009. Included in the TER is the proportion 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 AT 31 MAY 2009**

Asset class	% of portfolio		
Net SA equities	5.9		
Hedged SA equities	79.7		
Listed property	0.4		
Foreign	0.4		
Money market and cash	13.6		
Total	100		

## **PERFORMANCE**

Fund performance shown net of all fees and expenses as per the TER disclosure. **Long-term cumulative performance (log scale)** 



% Returns	Fund	Benchmark <sup>3</sup>
Since inception (unannualised)	92.4	69.6
Latest 5 years (annualised)	9.3	7.7
Latest 3 years (annualised)	10.5	9.1
Latest 1 year	14.8	10.6
Risk measures (Since inception month end prices)		
Maximum drawdown <sup>4</sup>	-2.2	n/a
Percentage positive months	86.3	100.0
Annualised monthly volatility	3.0	0.7

- <sup>3</sup> 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 May 2009.
- <sup>4</sup> Maximum percentage decline over any period.

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. 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. Declarations of income accruals are made binanually. Purchase and redemption requests must be received by the manager by 14:00 each business day. Forward pricing is therefore used. Performance figures are from Allan Gray Limited (GIPS compliant) and are for lump sum investments 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 the manager. Commission and incentives may be paid and if so, would be included in the overall costs. The fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The manager is a member of the Association for Savings & Investment Oscial 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 FTSE/JSE All Share Index is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE. All Copyright subsisting in the FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE. Distributed ("JSE") i