

## FUND DETAILS AT 30 SEPTEMBER 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.

### 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 15.59  
**Size:** R 2 561 m  
**Minimum lump sum per investor account:** R 20 000  
**Minimum lump sum per fund:** R 5 000  
**Minimum debit order per fund:** R 500  
**Additional lump sum per fund:** R 500  
**No. of share holdings:** 57  
**Income distribution: 01/10/08 - 30/09/09 (cents per unit)** Total 119.08

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 of 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 93%, outperforming the benchmark return of 73.3%. For the 12 months ended 30 September, the Fund has delivered 9.2%, versus the benchmark return of 9.0% and versus a return of 7.7% from the FTSE/JSE All Share Index (ALSI). We have seen a sharp rally in the ALSI from the lows of February/March this year, and as a result the Optimal Fund with its very low net equity exposure would naturally tend to lag in the context of rapidly rising equity prices. As a result, while the Fund has continued to outperform versus the ALSI over the past 12 months, the extent of the outperformance has narrowed considerably.

South African interest rates, which peaked in the second half of 2008, started declining in December 2008. 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 a downside impact on the overall absolute level of return for the Optimal Fund going forward.

We are of the opinion that current equity prices are presently discounting very optimistic expectations in terms of the earnings outlook for several companies. We are more cautious in terms of our expectations for the scale and pace of recovery of both economic activity and company profits, and decidedly more circumspect on the sustainability of current prices.

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               | 11.6           |
| SABMiller                  | 10.0           |
| Anglo American             | 7.7            |
| Sasol                      | 6.9            |
| MTN Group                  | 6.0            |
| Anglogold Ashanti          | 6.0            |
| Compagnie Fin Richemont SA | 4.2            |
| Standard Bank Group        | 3.2            |
| Sanlam                     | 2.6            |
| Remgro Limited             | 2.2            |

<sup>1</sup> The Top 10 Share Holdings at 30 September 2009. Updated quarterly.

## TOTAL EXPENSE RATIO FOR THE YEAR ENDED 30 JUNE 2009<sup>2</sup>

| Total expense ratio | Included in TER |                       |                  |                |
|---------------------|-----------------|-----------------------|------------------|----------------|
|                     | Trading costs   | Performance component | Fee at benchmark | Other expenses |
| 2.04%               | 0.45%           | 0.43%                 | 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 June 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.

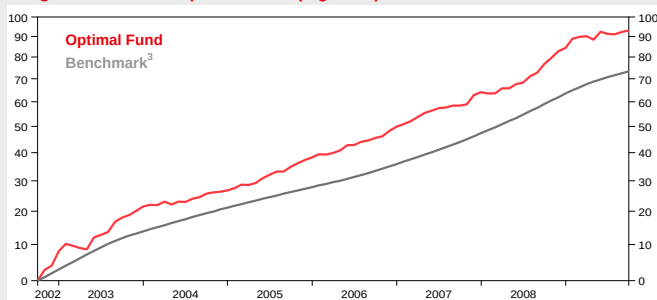
## ASSET ALLOCATION AT 30 SEPTEMBER 2009

| Asset class           | % of portfolio |
|-----------------------|----------------|
| Net SA equities       | 3.1            |
| Hedged SA equities    | 81.5           |
| Listed property       | 0.4            |
| Foreign               | 0.3            |
| Money market and cash | 14.7           |
| 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)                          | 93.0 | 73.3                   |
| Latest 5 years (annualised)                             | 8.9  | 7.7                    |
| Latest 3 years (annualised)                             | 9.9  | 9.1                    |
| Latest 1 year                                           | 9.2  | 9.0                    |
| <b>Risk measures (Since inception month end prices)</b> |      |                        |
| Maximum drawdown <sup>4</sup>                           | -2.2 | n/a                    |
| Percentage positive months                              | 84.5 | 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 30 September 2009.

<sup>4</sup> Maximum percentage decline over any period.