

# ALLAN GRAY

## FUND DETAILS AT 28 FEBRUARY 2010

**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 15.84  
**Size:** R 3 153 m  
**Minimum lump sum per investor account:** R20 000  
**Minimum lump sum per fund:** R5 000  
**Minimum debit order per fund:** R 500  
**Additional lump sum per fund:** R 500  
**No. of share holdings:** 55

**Income distribution: 01/01/09 - 31/12/09 (cents per unit)** Total 34.06  
 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 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, 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 97.6%, outperforming the benchmark's return of 77.6%.

Following a weak January 2010, The FTSE/JSE All Share Index (ALSI) remained lacklustre for the month of February posting a return of 0.4%. We are not surprised by this and regular readers of this factsheet would be aware that we have been bearish on our expectations for returns from domestic equities as a whole as we feel current share prices, despite recent weakness, still trade well ahead of their underlying fundamentals. Over the past 12 months our more defensive share positioning and low net equity weighting has clearly hurt the alpha component of returns for this Fund as our shares have underperformed the market. Despite this, our bottom-up driven valuations continue to affirm this defensive view and we maintain that current share prices are discounting very optimistic expectations in terms of the earnings outlook for several companies, especially cyclical companies. We are considerably more cautious in terms of our expectations for the scale, pace and sustainability of recovery of both economic activity and company profits, and are therefore more cautious on the sustainability of current equity prices.

With an explicit mandate to minimise volatility, preserve capital (i.e. limit loss) and deliver uncorrelated returns versus equity markets, we feel the Optimal Fund is appropriately positioned to meet its objectives over the long term. Given our view that the risk of loss from the equity market as a whole is now higher than average, we are particularly confident about the relevance of this Fund as a 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 Plc            | 12.1           |
| SABMiller Plc               | 10.1           |
| Anglo American Plc          | 9.2            |
| Sasol                       | 6.6            |
| Anglogold Ashanti           | 5.6            |
| MTN Group Limited           | 4.7            |
| Compagnie Fin Richemont SA  | 3.8            |
| Impala Platinum             | 3.2            |
| Standard Bank Group Limited | 3.1            |
| Sanlam                      | 2.5            |

<sup>1</sup> The Top 10 share holdings at 31 December 2009. Updated quarterly.

## TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 DECEMBER 2009<sup>2</sup>

| Total expense ratio | Included in TER |                       |                  |                |
|---------------------|-----------------|-----------------------|------------------|----------------|
|                     | Trading costs   | Performance component | Fee at benchmark | Other expenses |
| 1.50%               | 0.29%           | 0.06%                 | 1.14%            | 0.01%          |

<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 December 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.

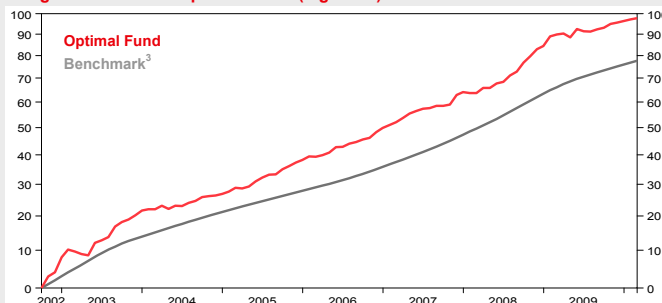
## ASSET ALLOCATION AS AT 28 FEBRUARY 2010

| Asset class           | % of portfolio |
|-----------------------|----------------|
| Net SA equities       | 3.2            |
| Hedged SA equities    | 80.0           |
| Listed property       | 0.3            |
| Foreign               | 0.3            |
| Money market and cash | 16.2           |
| 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)                          | 97.6 | 77.6                   |
| Latest 5 years (annualised)                             | 9.0  | 7.7                    |
| Latest 3 years (annualised)                             | 9.1  | 8.9                    |
| Latest 1 year                                           | 4.2  | 6.9                    |
| <b>Risk measures</b> (Since inception month end prices) |      |                        |
| Maximum drawdown <sup>4</sup>                           | -2.2 | n/a                    |
| Percentage positive months                              | 85.4 | 100.0                  |
| Annualised monthly volatility                           | 2.9  | 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 28 February 2010.

<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 bi-annually. Purchase and redemption requests must be received by the manager by 14:00 each business day and fund valuations take place at approximately 16:00 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 and trustee fees. 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 SA (ASISA). 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. 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.