

Allan Gray Optimal Fund

ALLAN GRAY

Fund manager: Delphine Govender
Inception date: 1 October 2002
Class: A

Fund description

The Fund invests mainly in selected shares and it uses exchange-traded derivative contracts on stock market indices to substantially reduce its net equity exposure to within a range of 0-20%. As a result, the Fund's return depends on the level of short-term interest rates (implicit in the pricing of the sold futures contracts) and the performance of the Fund's selected shares relative to the stock market index. The Fund's return is therefore unlikely to be correlated with equity market returns. In addition, a portion of the Fund is typically invested in cash and margin deposits.

ASISA unit trust category: Domestic Asset Allocation - Targeted Absolute Return

Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund's benchmark is the return on call deposits (for amounts in excess of R5m) with FirstRand Bank Limited.

How we aim to achieve the Fund's objective

The Fund invests in selected shares and seeks to substantially reduce stock market risk by selling exchange-traded equity index derivatives. The selected share portfolio is derived from our thorough research process, but the selection of equities in this Fund may differ from that in the other Allan Gray funds by more closely resembling the composition of the indices on which the derivatives contracts are based. The deviation of the Fund's selected share portfolio from the benchmark indices is restricted and closely monitored. This limits, but does not eliminate, the risk of loss should the selected equities underperform.

Suitable for those investors who

- Seek steady absolute (i.e. positive) returns regardless of stock market trends
- Require a high degree of capital stability
- Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account: R20 000
Additional lump sum: R500
Minimum debit order*: R500

*Only available to South African residents.

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.

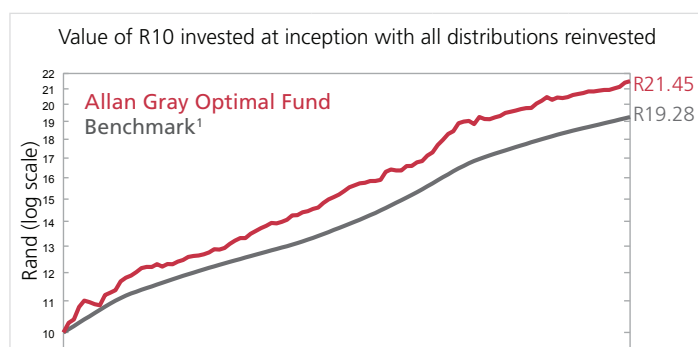
Fund information on 31 October 2011

Fund size: R2 224m
Fund price: R16.83
Number of share holdings: 55

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2010	30 Jun 2011
Cents per unit	14.3938	11.0908

Performance net of all fees and expenses



% Returns	Fund	Benchmark ¹	CPI inflation ²
<i>Unannualised:</i>			
Since inception	114.5	92.8	60.1
<i>Annualised:</i>			
Since inception	8.8	7.5	5.4
Latest 5 years	8.0	7.5	6.8
Latest 3 years	6.1	6.3	5.0
Latest 2 years	4.9	5.2	4.5
Latest 1 year	5.0	4.7	5.7
Year-to-date (unannualised)	4.0	3.8	5.1
Risk measures (since inception)			
Maximum drawdown ³	-2.2	n/a	n/a
Percentage positive months ⁴	85.3	100	n/a
Annualised monthly volatility ⁵	2.8	0.7	n/a

1. 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 October 2011.

2. This is based on the latest numbers published by I-Net Bridge.

3. Maximum percentage decline over any period. The maximum drawdown occurred from 25 February 2003 to 27 March 2003. Drawdown is calculated on the total return of the Fund (i.e. including income).

4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.

5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

Total expense ratio (TER)

The TER for the year ending 30 September 2011 is 1.26% and included in this is performance fee of 0% and trading costs of 0.11%. The annual management fee rate for the three months ending 31 October 2011 was 1.14% (annualised). These figures are inclusive of VAT, where applicable. Fund returns are quoted after deduction of costs incurred within the Fund so the TER should not be deducted from Fund returns (refer to page 2 for further information).

Fund manager quarterly commentary as at 30 September 2011

Global economic uncertainties have continued to weigh heavily on equity markets around the world and accordingly markets have delivered anaemic returns for 2011 to date.

Times of heightened and ongoing macro uncertainty almost always translate into considerable volatility in asset prices, especially when these prices are not particularly cheap. Volatility, in turn, often causes consensus-driven investors to overreact in the short term. This overreaction can create potential buying opportunities for those investors who prefer to look through the emotion and focus on the fundamentals.

In this vein, the net equity component of the Fund was slightly increased when times of panicked selling created patches of opportunity. Notwithstanding this, the South African stock market is still not unequivocally cheap, especially in relation to our estimate of sustainable earnings for the market, which is somewhat below the current high level of earnings.

We continue to remain cautious about the likely performance of equities over the short term, and remain ever focused on pursuing, inter alia, the capital stability objective of this Fund.

Top 10 share holdings on 30 September 2011 (updated quarterly)

Company	% of portfolio
SABMiller	11.4
BHP Billiton	9.9
Anglo American	7.8
Sasol	7.8
Anglogold Ashanti	5.3
MTN	4.5
Impala Platinum	4.0
Compagnie Fin Richemont SA	3.7
Standard Bank	3.6
Gold Fields	2.8
Total	60.7

Asset allocation on 31 October 2011

Asset class	Total
Net SA Equities	5.1
JSE Inward Listed Equities ⁶	0.7
Hedged SA Equities	80.4
Property	0.3
Money Market and Bank Deposits	13.5
Total	100.0

6. These holdings form part of an institutional investor's overall foreign allowance, until such time as official notice is published that inward listed shares are classified as domestic, as per the announcement by the Minister of Finance on 25 October and Exchange Control Circular No.18/2011.

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	0.01% (August 2007)
Average	4.5%
Maximum	15.4% (January 2003)

Note: There may be slight discrepancies in the totals due to rounding.

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Disclaimer

The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. 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. Allan Gray Unit Trust Management Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The Company has been approved by the Regulatory Authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana.

Unit price

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. Forward pricing is used and Fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the manager by 14:00 each business day to receive that day's price.

Fees

A schedule of fees, 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.

TER

*TERs are shown for class A units only

The Total Expense Ratio (TER) is the percentage of the fund's average assets under management that has been used to pay the fund's operating expenses over the past year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), trading costs (including brokerage, STT, STRATE and insider trading levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. All Allan Gray performance figures are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. TERs should then be used to evaluate whether the Fund performance offers value for money.

Performance

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. Performance figures are from Allan Gray Proprietary Limited (GIPS compliant) and are for lump sum investments with income distributions reinvested.