

### FUND DETAILS AT 31 JANUARY 2009

**Sector:** Domestic AA - Prudential - Low Equity  
**Inception date:** 1 July 2000  
**Fund manager:** Ian Liddle (Foreign assets are invested in Orbis funds.)

#### Fund objective:

The Fund aims to provide a return that exceeds the return on call deposits plus 2%, on an after-tax basis, at an assumed rate of 25%. It also seeks to provide a high level of capital stability and to minimise the risk of loss over any two-year period.

#### Suitable for those investors who:

- Are risk-averse and require a high degree of capital stability.
- Require a reasonable income but also some capital growth.
- Are retired or nearing retirement.
- Seek to preserve capital over any two-year period.

#### Compliance with Prudential Investment Guidelines:

Retirement Funds: The Portfolio is managed to comply with the limits of Annexure A to Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to market value fluctuations or capital withdrawals, in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 9 of Annexure A to Regulation 28).

**Price:** R 21.92  
**Size:** R 22 387 m  
**Minimum lump sum:** R 5 000  
**Minimum monthly:** R 500  
**Subsequent lump sums:** R 500  
**No. of share holdings:** 52  
**Income distribution: 01/01/08 - 31/12/08 (cents per unit)** Total 188.35  
**Average annual management fee for January (excl VAT)** 1.30%

Distributes quarterly. 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 of call deposits (for amounts in excess of R5m) with FirstRand Bank Limited plus 2%, on an after-tax basis at a rate of 25%, over a rolling two-year period. The fee hurdle (above which a fee greater than the minimum fee of 0.5% is charged) is performance equal to the benchmark minus 5%. For performance equal to the benchmark a fee of 1.0% (excl. VAT) per annum is payable. The manager's sharing rate is 10% of the under- and outperformance of the benchmark over a rolling two-year period and a maximum fee of 1.5% (excl. VAT) applies. If however, the Fund's cumulative return over a rolling two-year period is equal to or less than 0%, no annual management fee will be charged. The annual management fee is calculated on the daily value of the Fund excluding any assets invested in the Orbis funds. Assets invested in the Orbis funds incur a management fee. These along with other expenses are included in the Total Expense Ratio.

### COMMENTARY

A great debate is raging among some of the world's smartest investors and market observers. Some believe that the extremely aggressive monetary and fiscal stimuli being employed by the developed nations will not be enough to prevent the inevitable forces of deflation (such as those that overwhelmed Japan in the 1990s). Others argue that government-appointed central bankers hold the keys to the money-printing presses and will thus always have the capability to sufficiently devalue their currency in order to ward off deflation. Both sides of the argument can be persuasive.

We believe that the shares held by the Fund will yield better returns than cash over a long period. If we are proven to be right, then the Fund should comfortably outperform its benchmark. However, we recognise that equity markets are not trading at record low valuations and it is certainly possible that equity prices may fall further. In this event, the Fund will probably underperform its benchmark, but should then provide better returns than the Allan Gray Balanced Fund, which has a higher equity exposure.

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### TOP 10 SHARE HOLDINGS AT 31 DECEMBER 2008<sup>1</sup>

Company	% of portfolio
Anglogold Ashanti	3.2
SABMiller	2.8
British American Tobacco	2.6
MTN Group	2.2
Sanlam	1.5
Remgro	1.5
Sappi	1.4
Sasol	1.2
Compagnie Fin Richemont SA	1.1
Standard Bank Group	0.9

<sup>1</sup> The 'Top 10 Share Holdings' table is updated quarterly.

### TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 DECEMBER 2008<sup>2</sup>

Total expense ratio	Included in TER			
	Trading costs	Performance component	Fee at benchmark	Other expenses
1.78%	0.08%	0.48%	1.14%	0.08%

<sup>2</sup>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 December 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.

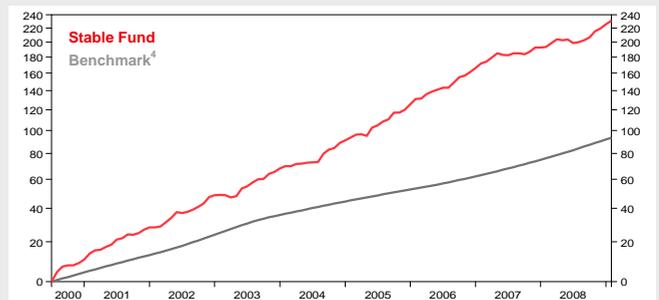
### ASSET ALLOCATION

Asset class	% of portfolio
Net SA equities	23.9
Hedged SA equities	0.0
Listed property	0.0
Commodities (New Gold)	3.3
Money market and cash	51.2
Foreign	21.6
Total	100

Total net SA and foreign equity exposure: 35.5%.

### PERFORMANCE<sup>3</sup>

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



% Returns (after tax)	Fund	Benchmark <sup>4</sup>
Since inception (unannualised)	230.3	93.2
Latest 5 years (annualised)	14.3	7.2
Latest 3 years (annualised)	12.6	8.0
Latest 1 year	12.7	9.8
<b>Risk measures</b> (since inception month end prices)		
Maximum drawdown <sup>5</sup>	-4.2	n/a
Percentage positive months	86.4	100.0
Annualised monthly volatility	3.9	0.6

<sup>3</sup> Fund and benchmark performance adjusted for income tax at a rate of 25%.

The return of call deposits (for amounts in excess of R5m) with FirstRand Bank.

<sup>4</sup> Limited plus 2%; on an after-tax basis at a rate of 25%. Source: FirstRand Bank, performance as calculated by Allan Gray as at 31 December 2008.

<sup>5</sup> Maximum percentage decline over any period.