# ALLANGRAY

# FUND DETAILS AT 30 JUNE 2010

Sector:	
Inception date:	
Fund manager:	

1 July 2000 Ian Liddle (Foreign assets are invested in Orbis funds)

Domestic AA - Prudential - Low Equity

### 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

Price:	R 22.55
Size:	R31 292 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:	58
Income distribution: 01/07/09 - 30/06/10 (cents per unit)	Total 88.25

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

# COMMENTARY

One of the ways in which the Fund seeks to achieve its dual objectives of real returns and capital stability is to vary its exposure to the equity markets depending on the value that they offer. When investors' expectations are low and stock markets offer good value, the Fund is attracted to the limited downside and the potential for upside from positive surprises. Vice versa, when stock markets offer little value, the Fund is particularly concerned about the potential downside and it reduces its equity market exposure.

The Fund has maintained a low net equity exposure at 14.2%. The bulk of this reduction in net equity exposure has been effected by the selling of stock index futures. This means that 38.2% of the Fund is still exposed to the potential, for us and Orbis, to add value through stock picking.

History has shown (United States and Japan) that lower interest rates on cash do not automatically translate into high equity returns

We continue to be more concerned about the risk of capital loss than the risk of missing out of any potential rally in local equities.

Distributes quarterly. To the extent that the total expenses exceed the income earned

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 out- and underperformance 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.

260 220 180 140 100 60

% Returns (after-tax)	Fund	Benchmark <sup>4</sup>
Since inception (unannualised)	255.2	111.7
Latest 5 years (annualised)	11.7	7.4
Latest 3 years (annualised)	8.0	8.0
Latest 1 year	8.3	6.1
Risk measures (since inception month end prices)		
Maximum drawdown <sup>5</sup>	-4.3	n/a
Percentage positive months	83.3	100.0
Annualised monthly volatility	4.2	0.5

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

<sup>4</sup> 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%. Source: FirstRand Bank, performance as ulated by Allan Gray as at 30 June 2010.

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

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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 Sector a local data and the part of the pa may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. The Fund may berow up to 10% of the market value of the portion to consummation and use of the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the standard the market value of the market value of the market value of the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the portion to the standard the market value of the standard the market value of the standard the standard the market value of the standard th Biolidelines for retirement funds: The Fund is managed to comply with Regulation 28 of the Pension Funds Act, except for the total foreign exposure limit which is 20% (FSB Circular 3 of 2008). ASISA regards a prudential fund with foreign exposure of up to 20%, as conforming to Regulation 28 for fund classification purposes. 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 with section 19(4) of the Pension Funds Act (item 9 of Annexure A to Regulation 28). Allan Gray Unit Trust Management Limited is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Limited, an authorised financial services provider, is the appointed investment manager of Allan Gray Unit Trust Management Limited.

# STABLE FUND

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

Company	% of portfolio
SABMiller	2.8
Sasol	2.1
Anglogold Ashanti	2.0
British American Tobacco	1.8
Remgro	1.7
Sanlam	1.1
MTN	1.0
Tongaat-Hulett	0.7
Sappi	0.6
Standard Bank	0.6

<sup>1</sup> The Top 10 share holdings at 30 June 2010. Updated quarterly

# TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 MARCH 2010<sup>2</sup>

	Included in TER			
Total expense ratio	Trading costs	Performance component	Fee at benchmark	Other expenses
1.37%	0.05%	0.14%	1.15%	0.03%

<sup>2</sup> A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as value of the portfolio, calculated for the year to the end of March 2010. 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 30 JUNE 2010**

		% of portfolio		
Asset class	Total	SA	Foreign	
Net Equities	14.2	6.8	7.4	
Hedged Equities	24.0	12.9	11.0	
Property	0.2	0.2	-	
Commodities (Gold)	4.1	4.1	-	
Bonds	6.9	6.9	-	
Money Market and Bank Deposits	50.7	49.2	1.5	
Total	100.0	80.1	19.9	

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

# PERFORMANCE <sup>3</sup>

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

