

### FUND DETAILS AT 28 FEBRUARY 2011

**Fund status:** Currently restricted to existing investors only  
**Inception date:** 1 July 1998

#### Fund objective:

The Fund remains predominantly invested in South African equities. It seeks to earn higher returns in South African rands than the South African stock market, without greater risk of loss. The Fund's benchmark is the FTSE/JSE Africa All Share Index, including income ('JSE Index') and its currency benchmark is 100% South African rand.

**Price:** 1 150.85  
**Size:** R 1 676 m  
**R/\$:** 6.956  
**Minimum lump sum per investor account:** US\$50 000  
**Load:** None  
**Dealing day:** Weekly (Thursday)

#### Annual investment management fee:

The annual management fee rate is dependent on the return of the Fund relative to its benchmark over a rolling three-year period. The manager's sharing rate is 25% of the out- and underperformance of the benchmark over the rolling three-year period and a minimum fee of 0.5% and a maximum fee of 2.5% (excl. VAT) applies.

### COMMENTARY

The FTSE/JSE All Share Index rallied for the first half of February as commodity prices rose to new highs. The Index gave back some of these gains as concerns about the growth outlook in China gained the upper hand.

The majority of the Fund's assets are invested in the South African market, however the combined holding in Anglo American (AGL) and BHP Billiton (BIL) is only 4.5%. This compares to the total weight of 25% for these two shares in the FTSE/JSE All Share Index. Using spot commodity prices, both AGL and BIL are trading at less than 10 times earnings; on the face of it this seems to be good value for such large companies with good growth prospects. But our assessment of their value differs from this view in that we don't believe the current earnings are sustainable. The reason for this view is that many industrial commodities are trading at record highs in real terms and the level of profitability for almost all commodity producers is exceptional. For example, the spot iron ore price is US\$180 per tonne; this compares with production costs of US\$40/t and capital costs of approximately US\$120/t of annual capacity. At these prices the return on capital for new capacity exceeds 100%. These returns have encouraged the producers to invest heavily in new projects, but sooner or later this will bring down returns as usually the case when super profits are generated.

On our estimate of normal earning there is not a sufficient margin of safety in AGL and BIL to justify a position larger than the current holdings.

### TOP 10 HOLDINGS AT 31 DECEMBER 2010<sup>1</sup>

Company	% of fund
Sasol	10.0
SABMiller	9.8
Remgro	7.6
AngloGold Ashanti	5.6
MTN	5.5
Sanlam	4.6
Coronation Fund Managers	4.3
Sappi	3.9
Reinet Investments SA	3.7
Nampak	3.5
<b>Total</b>	<b>58.5</b>

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

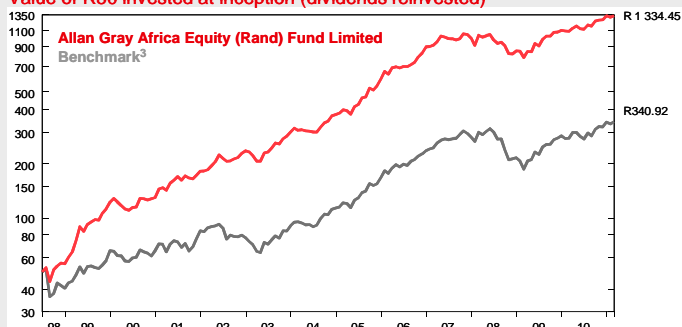
### SECTOR ALLOCATION AT 31 DECEMBER 2010<sup>2</sup>

Sector	% of fund	JSE Index
Oil and gas	10.0	4.9
Basic materials	28.0	38.0
Industrials	12.0	6.2
Consumer goods	16.1	13.6
Health care	1.7	2.0
Consumer services	2.1	9.5
Telecommunications	7.1	6.8
Financials	16.2	18.8
Technology	1.6	0.3
Fixed interest/ liquidity	5.1	-
<b>Total</b>	<b>100</b>	<b>100</b>

<sup>2</sup> The 'Sector Allocation' table is updated quarterly.

### PERFORMANCE

Value of R50 invested at inception (dividends reinvested)



% Returns	Fund	Benchmark <sup>3</sup>
Since inception (unannualised)	2568.9	581.8
Since inception (annualised)	29.6	16.4
Latest 10 years (annualised)	24.7	16.9
Latest 5 years (annualised)	16.1	14.1
Latest 3 years (annualised)	8.7	4.6
Latest 1 year	22.2	23.6
<b>Unannualised</b>		
Year to date	0.0	0.6
Month to date	2.1	2.8
<b>Risk measures (Since inception month end prices)</b>		
Maximum drawdown <sup>4</sup>	26.0	42.0
Percentage positive months	63.2	59.9
Annualised monthly volatility	18.5	21.3
Beta vs JSE index	0.7	1.0
Annualised monthly tracking error	12.2	-

<sup>3</sup> FTSE/JSE Africa All Share Index including income. Source: FTSE International Limited, performance calculated by Allan Gray as at 28 February 2011.

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

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