

# Allan Gray Africa Equity (Rand) Fund Limited

# ALLAN GRAY

Fund fact sheet details at 30 November 2011

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

## Fund objective and benchmark

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.

## 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.

## Fund information

**Fund size:** R1 783 m  
**Fund price:** 1 226.8  
**R/\$:** 8.12  
**Minimum lump sum per investor account:** US\$50 000  
**Load:** None  
**Dealing day:** Weekly (Thursday)

## Fund manager commentary

Approximately a quarter of the Fund is invested in equities where the primary business is located in Africa, excluding South Africa. The reason for the increasing 'African' weighting is valuation and specifically the attractive valuations of Kenyan and Egyptian equities. The Egyptian market is where we are finding the most opportunities. Rather than discuss specific shares, as we are still building positions, we will try to give a sense of the overall market valuation and how it compares to the South African market.

At Allan Gray we have been cautious about South African equity valuations for some time. It is not the price earnings (PE) multiple that concerns us but rather the level of earnings. We believe earnings are unsustainably high and the current PE multiple of 12.5 does not compensate for this. The South African market trades on a five year trailing PE of 14.7 and a price-to-book ratio of 2.4 times. The Egyptian market looks to be similarly valued with a PE of 13.0; however the PE on five year trailing earnings is 8.0 for the EGX30 and the price-to-book value only 1.0.

A low PE on trailing five year earnings and a price-to-book of 1.0 may just mean that earnings were high and returns on capital are low in Egypt. The bottom up analysis we have done on individual stocks indicates that this is not the case. The earnings of a number of companies appear to be depressed with substantial opportunity for growth. These companies can be acquired at what we believe are attractive valuations based on normal earnings.

## Top 10 holdings at 30 September 2011<sup>1</sup>

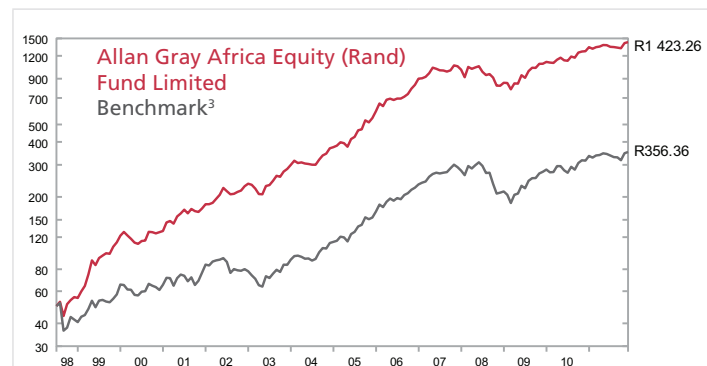
Company	% of fund
Sasol	8.7
SABMiller	6.9
Remgro	6.6
Standard Bank	4.7
Coronation Fund Managers	4.5
Reinet Investments SA	4.0
Anglo American <sup>2</sup>	3.4
Impala Platinum	3.4
Illovo	3.1
Pan African Resources	3.1
<b>Total</b>	<b>48.4</b>

## Sector allocation at 30 September 2011<sup>1</sup>

Sector	% of fund	JSE Index
Oil & gas	9.6	5.2
Basic materials	17.2	34.5
Industrials	19.6	5.8
Consumer goods	13.1	15.1
Healthcare	2.1	2.1
Consumer services	1.6	9.5
Telecommunications	9.4	7.5
Financials	23.5	20.0
Technology	0.0	0.3
Fixed interest/Liquidity	4.1	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Performance

### Value of R50 invested at inception (dividends reinvested)



% Returns	Fund	Benchmark <sup>3</sup>
Since inception (unannualised)	2746.5	612.7
Since inception (annualised)	28.3	15.8
Latest 10 years (annualised)	23.5	16.7
Latest 5 years (annualised)	11.5	9.5
Latest 3 years (annualised)	20.3	18.9
Latest 1 year	12.3	11.7
Year to date (unannualised)	6.7	5.1
Month to date (unannualised)	1.3	1.6
<b>Risk measures (Since inception)</b>		
Maximum drawdown <sup>4</sup>	26.0	42.0
Percentage positive months	62.1	59.0
Annualised monthly volatility	18.1	20.9
Beta vs JSE index	0.7	1.0
Annualised monthly tracking error	11.9	-

- The 'Top 10 holdings' and 'Sector allocation' tables are updated quarterly and includes foreign and JSE inward listed shares.
- Including Anglo American stub certificates.
- FTSE/JSE Africa All Share Index including income. Source: FTSE International Limited, performance calculated by Allan Gray as at 30 November 2011.
- Maximum percentage decline over any period.



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Shares in the Fund are available by Prospectus only. Certain capitalised terms are defined in the Prospectus. While we have endeavoured to ensure the accuracy of the information herein, such information is not guaranteed as to accuracy or completeness. Returns are net of fees, include income and assume reinvestment of dividends. Past performance is not a reliable indicator of future results. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. When making an investment in the Fund, an investor's capital is at risk. 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. Returns may decrease or increase as a result of currency fluctuations. FTSE/JSE Africa All Share Index data source is FTSE International Limited. 'FTSE' is a trademark of the London Stock Exchange Limited and is used by FTSE International Limited under licence. Allan Gray International (Pty) Limited, an authorised financial services provider, is the appointed investment manager of the Fund. Allan Gray Proprietary Limited, an authorised financial services provider in South Africa, is the appointed investment adviser.