2013

ANNUAL REPORT UNIT TRUSTS

ALLAN GRAY

CONTENTS

EDGAR LOXTON

CHAIRMAN'S REPORT

Since early 2009, global stock markets have more than doubled in US dollar terms, and 2013 was another robust year, with the FTSE/JSE All Share Index (ALSI) and the FTSE World Index returning 21.4% and 54.2% respectively (in rand terms). Our funds have shared in the spoils; those with foreign exposure have benefited in particular from our offshore partner Orbis' outperformance (see Ian Liddle's report on page 3). Bearing in mind the current levels of global markets, we remain cautious about valuations moving forward. We continue to focus on finding investments that we believe will generate returns for our clients over the long term. This is our key objective.

One way for you to evaluate whether or not we are delivering on this objective is to consider the total return our funds have generated (also known as the absolute return). Another way to evaluate our performance is to look at how our funds have performed relative to their benchmarks. These figures are all shown on the fund information which follows on pages 7 to 32.

Engaging with the performance of the individual assets in our unit trusts over time reflects how yesterday's losers are often tomorrow's winners. In my 2012 report I noted how our underweight position in South African equities hurt our performance during that year as local shares outperformed cash, bonds and foreign equities.

Fast forward to 2013: this year our preference for offshore assets has paid off.

SUCCESSION PLANNING

It is crucial for us to find, develop and motivate the right successors and to provide a clear framework within which they can focus their efforts. In March 2013 we promoted two of our experienced analysts Ruan Stander and Jacques Plaut to the role of associate portfolio manager. During the course of the year, Mark Dunley-Owen, who has been managing a slice of our clients' fixed interest assets since July 2011, began managing a slice of our stable portfolios alongside Ian Liddle. We are looking forward to appointing a few more associate portfolio managers over time. Building the team is key to our ability to deliver on our long-term objective.

OVERVIEW OF OUR FUNDS

While in the pages that follow we give an overview of individual fund performance, there were some changes to benchmarks that investors should be aware of:

In January 2013 the Association for Savings and Investment South Africa (ASISA) changed the way it classifies unit trusts. As the Allan Gray Balanced Fund measures itself against other South African unit trusts in categories that follow similar balanced fund mandates, the Fund had to change its benchmark to reflect the change. Effective 1 February 2013, the Fund's new benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding the Allan Gray Balanced Fund). The new benchmark had no material impact on investors.

During the year we also changed the Allan Gray Stable Fund's benchmark to make it easier for investors to understand and compare the Fund's performance to its peers. Effective 1 August 2013, we ceased reducing the Allan Gray Stable Fund's benchmark by the tax rate of 25%. The Fund's new benchmark is the daily interest rate as supplied by FirstRand Bank Limited plus 2%.The main reason for the change was that the after-tax concept is outdated and inconsistent with the benchmarks of similar funds in the same ASISA category. The new benchmark has made it more demanding for our fund managers to outperform; the result is that investors pay the same or a lower annual management fee. We have amended the Fund's supplemental deed to reflect the change to the benchmark. The Fund's investment mandate and objective remain the same.

UPDATE ON UNIT HOLDERS

We are pleased to report that the number of unit holders who entrust us with their investments continues to increase. Net flows into our funds were R8 billion in 2013. Assets under management as at 31 December 2013 were R187 billion, which is a 28% increase on the R146 billion at 31 December 2012.

Gross client outflows divided by assets in our funds in 2013 were at an all-time low of about 15%, meaning that, on average, clients are giving us about six and a half years to deliver returns. Our fund churn rate, which includes switches between funds, has averaged just under 20% per year, reflecting a weighted average holding period for investors of just over five years. These are important measures for us: if clients are not distracted by short-term opportunities, and remain invested for a decent length of time, they will have more opportunity to share in the performance of their chosen funds.

IAN LIDDLE

CHIEF INVESTMENT OFFICER'S REPORT

We aim to grow our clients' wealth over the long term. Achieving this objective requires wisdom from both us and our clients. We need to invest wisely within the parameters of each of our funds. Our clients need to choose wisely between our funds, and guard against switching between them for the wrong reasons.

We restrict our product range to simplify choices for clients. Our funds can be classified across two dimensions – geography and equity exposure, as shown in **TABLE 1**:

TABLE 1 **CLASSIFYING ALLAN GRAY FUNDS**

EQUITY EXPOSURE	GEOGRAPHY	
	DOMESTIC	FOREIGN
HIGH Equity Exposure	Equity Fund	Global Equity Feeder Fund
MEDIUM Equity Exposure	Balanced Fund	Global Fund of Funds
LOW Equity Exposure	Stable Fund[1]	Global Optimal Fund of Funds

1. Our building-block funds (Money Market Fund, Bond Fund, Optimal Fund) could also be classified here as domestic low, very low or no equity exposure funds

GEOGRAPHY

Clients who upped their foreign exposure after reading our 2010 or 2011 Annual Reports have been rewarded with excellent returns from our foreign funds over the last three years (and especially in 2013). Unfortunately, the success of these foreign funds, along with the weak rand, has resulted in the full absorption of our unit trust management company's regulated foreign capacity. Therefore, effective 1 February 2014, we have closed these funds to investors not utilising their own foreign investment capacity. While the closure of these funds is temporary, we cannot predict when they will reopen – this will depend on overall flows into the management company, performance and the exchange rate.

In the commentary for the Balanced Fund on page 17, we discuss why we are maintaining the Fund's foreign exposure at its maximum of 25%. If you are belatedly reviewing your own foreign exposure, you may wish to consider investing on the Allan Gray offshore platform. Remember that you will need to obtain a tax clearance certificate from the South African Revenue Services (SARS), get approval from the South African Reserve Bank (SARB), and convert rands into foreign currency.

EQUITY EXPOSURE

Investors should take the opportunity presented by the current benign market conditions to review their choice on the second dimension – equity exposure. After a five-year bull market, investors will do well to remind themselves that stock markets are not a one-way bet, and that when they fall, they tend to fall faster than they rise. Investors in the Equity Fund and the Global Equity Feeder Fund should remain cognisant of the fact that these Funds are fully exposed to stock markets. This means that if, for example, the benchmark FTSE/JSE All Share Index (ALSI) falls significantly, the Equity Fund is likely to fall as well. However, our portfolio positioning will hopefully go some way to temper losses, as was the case in 2008, when the Equity Fund lost 14.4% compared to a fall of 23% for the ALSI. Investors who are unable to bear a loss of capital over any two-year period should reconsider whether their risk and return objectives are not more aligned with those of the Stable Fund.

Over the last three years we have sacrificed upside by holding below-average equity exposures in the medium and low equity exposure funds in which we exercise some discretion over the equity weight. We are pleased that despite this conservative positioning, all four funds (listed in TABLE 1) have beaten their benchmarks over the last one and three years. We believe that this conservative stance is appropriate in light of current market valuations and the attendant risks. Hopefully the funds will be rewarded for this prudence by further outperformance if equity markets weaken.

The Orbis funds materially outperformed their benchmarks in 2013. This is not a result of any extra effort on the part of our colleagues at Orbis in 2013. Rather, it is the result of diligent research and the disciplined implementation of our shared investment philosophy over many years. Unfortunately, we can't tell when the consistent implementation of our philosophy will be rewarded, but occasionally it results in super years, which contribute meaningfully to our long-term track record. Investors who miss out on these excellent years by mistimed switching will be hard-pushed to match the long-term track record of our funds.

2013 was a frustrating year for our stock-picking efforts in South Africa. The overall outperformance from our portfolio of selected shares was negated by the stellar performance of just two shares which we have been significantly underweight – Richemont and Naspers. By virtue of their strong price appreciation and large weights in the ALSI, these shares have contributed significantly to the return of the benchmark index. The Equity Fund has thus lagged its benchmark by 0.1% over the last year, and by 0.2% p.a. over the last three years. This is disappointing, but probably inevitable at times, for a fund which has the freedom to completely avoid heavily weighted stocks in a concentrated benchmark.

LONG-TERM FOCUS

Our investment team remains focused on estimating companies' intrinsic values as accurately as possible through diligent research and a peer review process, which encourages independent thought and diversity of views. Our portfolio managers remain focused on the disciplined execution of our valuation-based investment philosophy. We are confident that this approach, which has proven so successful for our patient clients over the last 40 years, will continue to bear fruit over the long term.

PORTFOLIO MANAGERS

IAN LIDDLE

CHIEF INVESTMENT OFFICER

B BUS SC (HONS) CFA

Ian joined Allan Gray in 2001 as an equity analyst after several years as a management consultant. He has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. In February 2008 Ian was appointed as chief investment officer, with overall responsibility for the investment team and portfolio management. He is a director of Allan Gray Proprietary Limited and a CFA charter holder.

DUNCAN ARTUS

PORTFOLIO MANAGER

B BUS SC (HONS) PGDA CFA CMT

Duncan joined Allan Gray in 2001 and has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. He is a director of Allan Gray Group Proprietary Limited. Duncan completed his Honours in Business Science and postgraduate diploma in accounting at UCT. He holds both the CFA and CMT charters.

MARK DUNLEY-OWEN

PORTFOLIO MANAGER

B BUS SC (HONS)

Mark joined Allan Gray in 2009 having worked at a number of international investment banks. He started managing a portion of the fixed interest portfolios in July 2011, and a portion of the stable portfolios in May 2013. He is one of the portfolio managers of the Allan Gray Money Market and Stable Funds, in addition to managing Africa ex-SA bonds.

ANDREW LAPPING

PORTFOLIO MANAGER

B SC (ENG) B COM CFA

Andrew joined Allan Gray in February 2001 as a fixed interest trader and moved to the research team as an equity analyst in February 2003. He was appointed as fixed interest portfolio manager in June 2006 and in February 2008 took on the additional responsibility of managing a portion of client equity and balanced portfolios. He is a fund manager for the Allan Gray Bond and Money Market Funds, as well as managing African equities. Andrew completed his B Sc (Eng) and B Com at UCT and is a CFA charter holder.

SANDY MCGREGGOR

PORTFOLIO MANAGER

B SC BA (HONS)

Sandy joined Allan Gray as an investment analyst and economist in October 1991. Previously he was employed by Gold Fields of South Africa Limited in a variety of management positions for 22 years, where much of his experience was focused on investment related activities. His current responsibilities include the management of fixed interest and individual client portfolios and he is a fund manager for the Allan Gray Bond Fund. He was a director of Allan Gray Limited from 1997 to 2006.

SIMON RAUBENHEIMER

PORTFOLIO MANAGER

B COM (HONS) (CUM LAUDE) CFA

Simon joined Allan Gray in February 2002 and has been managing a portion of client equity and balanced portfolios since July 2008, when he was appointed as a portfolio manager. He completed a B Com (Econometrics) degree at UP in 2000 and a B Com (Honours) degree at UCT in 2001 and is a CFA charter holder. Simon is a director of Allan Gray Investment Services Proprietary Limited.

RUAN STANDER

PORTFOLIO MANAGER

BSC (HONS) FIA FRM

Ruan joined Allan Gray in 2008 and is a quantitative and equity analyst as well as the portfolio manager of our relative risk portfolios (including the Allan Gray Optimal Fund). Ruan has managed a portion of client equity and balanced portfolios earmarked for associate portfolio managers since March 2013. He has an Honours degree in Financial and Actuarial Mathematics, is a certified GARP Financial Risk Manager and a qualified actuary.

ALLAN GRAY UNIT TRUSTS

FUND	FUND OBJECTIVE (SPECIFIC BENCHMARKS ARE SHOWN ON THE PERFORMANCE PAGES THAT FOLLOW)	LOCAL/ OFFSHORE	SUITABLE FOR INVESTORS WHO:	CATEGORY
100% HIGH NET EQUITY EXPOSURE				
Allan Gray Equity Fund	The Fund aims to outperform the South African equity market over the long term, without taking on greater risk.	Local	• Seek exposure to JSE-listed equities to provide long-term capital growth • Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility • Are prepared to take on the risk of capital loss • Typically have an investment horizon of more than five years • Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio	South African-Equity-General
Allan Gray-Orbis Global Equity Feeder Fund	The Fund aims to outperform global stock markets over the long term, without taking on greater risk.	Offshore	• Seek exposure to diversified international equities to provide long-term capital growth • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with global stock market and currency fluctuation and risk of capital loss • Typically have an investment horizon of more than five years • Wish to use the Fund as a fully invested global equity 'building block' in a diversified multi-asset class portfolio	Global-Equity-General
40% - 75% MEDIUM NET EQUITY EXPOSURE				
Allan Gray Balanced Fund	The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk.	Local	• Seek steady long-term capital growth • Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund • Wish to invest in a unit trust that complies with retirement fund investment limits • Typically have an investment horizon of more than three years	South African - Multi Asset - High Equity
Allan Gray-Orbis Global Fund of Funds	The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk.	Offshore	• Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund • Typically have an investment horizon of more than five years • Wish to use the Fund as a foreign medium equity 'building block' in a diversified multi-asset class portfolio	Global - Multi Asset - High Equity
0% - 40% LOW NET EQUITY EXPOSURE				
Allan Gray Stable Fund	The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited plus 2%.	Local	• Are risk-averse and require a high degree of capital stability • Seek both above-inflation returns over the long term, and capital preservation over any two-year period • Require some income but also some capital growth • Wish to invest in a unit trust that complies with retirement fund investment limits	South African - Multi Asset - Low Equity

FUND	FUND OBJECTIVE (SPECIFIC BENCHMARKS ARE SHOWN ON THE PERFORMANCE PAGES THAT FOLLOW)	LOCAL/ OFFSHORE	SUITABLE FOR INVESTORS WHO:	CATEGORY
0% - 20% VERY LOW NET EQUITY EXPOSURE				
Allan Gray Optimal Fund	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.	Local	• 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	South African - Multi Asset - Low Equity
Allan Gray-Orbis Global Optimal Fund of Funds	The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits.	Offshore	• Seek steady absolute returns ahead of those of cash measured in global currencies • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk • Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio	Global - Multi Asset - Low Equity
NO EQUITY EXPOSURE				
Allan Gray Bond Fund	The Fund aims to provide investors with a real return over the long-term and outperform the BEASSA All Bond Index at no greater risk.	Local	• Seek a bond 'building block' for a diversified multi-asset class portfolio • Are looking for returns in excess of those provided by money market or cash investments • Are prepared to accept more risk of capital depreciation than in a money market or cash investment	South African - Interest Bearing - Variable Term
Allan Gray Money Market Fund	The Fund aims to preserve capital, maintain liquidity and generate a sound level of income.	Local	• Require monthly income distributions • Are highly risk-averse but seek returns higher than bank deposits • Need a short-term investment account	South African - Interest Bearing - Money Market

PERFORMANCE SUMMARY

Annualised performance to 31 December 2013 over 10, 5 and 3 years.
Fund performance is shown net of all management fees and expenses.

FUND	10 YEARS	5 YEARS	3 YEARS
Allan Gray Equity Fund	19.6%	17.4%	16.2%
Benchmark[1]	19.5%	19.9%	16.4%
Allan Gray-Orbis Global Equity Feeder Fund		20.3%	33.2%
Benchmark[2]		18.3%	29.1%
Allan Gray Balanced Fund	17.0%	14.6%	16.2%
Benchmark[3]	15.3%	14.4%	14.4%
Allan Gray-Orbis Global Fund of Funds		12.3%	27.0%
Benchmark[4]		13.0%	24.8%
Allan Gray Stable Fund	12.0%	9.1%	11.4%
Benchmark[5]	8.5%	7.4%	6.4%
Allan Gray Optimal Fund	6.8%	4.9%	4.2%
Benchmark[6]	6.4%	5.2%	4.4%
Allan Gray-Orbis Global Optimal Fund of Funds			21.7%
Benchmark[7]			17.6%
Allan Gray Bond Fund		8.9%	8.3%
Benchmark[8]		7.7%	8.3%
Allan Gray Money Market Fund	7.6%	6.5%	5.4%
Benchmark[9]	7.5%	6.4%	5.4%
CPI inflation[10]	5.8%	5.4%	5.7%

All benchmark performance is calculated by Allan Gray as at 31 December 2013.

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge).
2. FTSE World Index including income (Source: Bloomberg).
3. The current benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding the Allan Gray Balanced Fund). Since inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund (Source: Morningstar).
4. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg).
5. The daily interest rate as supplied by FirstRand Bank Limited plus 2%.
6. The daily interest rate as supplied by FirstRand Bank Limited.
7. The simple average of the benchmarks of the underlying funds.
8. BEASSA All Bond Index (source: I-Net Bridge).
9. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
10. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

ALLAN GRAY EQUITY FUND

PORTFOLIO MANAGERS

Ian Liddle, Duncan Artus, Andrew Lapping, Simon Raubenheimer

ASSOCIATE PORTFOLIO MANAGERS

Ruan Stander, Jacques Plaut

FUND OBJECTIVE AND BENCHMARK

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund's benchmark is the FTSE/JSE All Share Index including income.

COMMENTARY

The FTSE/JSE All share Index (ALSI) produced a real return of 15.4% in 2013, above its long-term average, despite what we believe was an expensive starting point. Returns were driven by a few big shares, as opposed to a broad-based increase.

When evaluating this return, it is important to note that the ALSI is a very concentrated index; currently the largest 10 shares have a weighting of almost 60%. As a result, in pursuit of our goal to outperform the index, what we don't own can sometimes be as important as what we do own. In other words, a few decisions can have an outsized impact on our short-term relative performance when compared to less concentrated markets.

Five of the largest shares had contrasting fortunes, with the industrials – SABMiller, Richemont and Naspers – massively outperforming their two mining counterparts, BHP Billiton and Anglo American, and SAB trailing Richemont and Naspers.

Looking more broadly, resource shares have underperformed industrials to such an extent that they have surrendered almost all of the outperformance from the 1998 low when the commodity bull market began.

What makes this interesting, in our view, is that other than SAB, the fortunes of these big companies are all significantly tied to the evolution of the Chinese economy and the competitive dynamics within it.

Commodity prices (Anglos and Billiton), sales of luxury goods (Richemont) and internet/gaming penetration (Naspers via Tencent) have been buoyed by Chinese demand. While we focus on understanding the underlying economics of each company's business model, it is necessary to have some views on China.

Given our concerns over the sustainability of the commodity intensiveness of Chinese GDP growth, we have been underweight the diversified resource shares, which has been a positive contributor to relative performance. It would have been better to have had even less exposure over the last year.

On the flip side, our concerns about the sustainability of luxury good sales to Chinese consumers and increased competition in the internet sector for Tencent have proved to be unfounded so far. Being underweight these two shares has been a large detractor from relative performance to date.

SAB remains a large position in the portfolio with its ability to sustainably grow its earnings in dollars. While its Chinese operation has the largest beer market share in the country, it is still a small contributor to SAB's total profits, and it has great long-term potential.

Given current valuations we continue to be cautious about the level of expected real returns. But as always we concentrate on our investment process to produce returns above that of the market.

Commentary contributed by Duncan Artus

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	3 663.9	1 315.8	127.7
Annualised: Since inception	26.9	19.0	5.5
Latest 10 years	19.6	19.5	5.8
Latest 5 years	17.4	19.9	5.4
Latest 3 years	16.2	16.4	5.7
Latest 2 years	19.4	24.0	5.6
Latest 1 year	21.3	21.4	5.4

1. FTSE/JSE All Share Index including income (source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

SECTOR ALLOCATION ON 31 DECEMBER 2013

SECTOR	% OF PORTFOLIO	% OF ALSI
Oil & gas	12.2	4.6
Basic materials	15.0	23.5
Industrials	11.3	6.2
Consumer goods	23.4	23.3
Healthcare	3.0	3.3
Consumer services	4.0	12.4
Telecommunications	0.8	7.3
Financials	27.2	19.0
Technology	0.9	0.4
Other	0.8	0.0
Commodities	0.2	0.0
Money Market and Bank Deposits	1.2	0.0
TOTAL	100.0	100.0

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

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.	30 JUN 2013	31 DEC 2013
Cents per unit	38.9821	195.6494

ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND

PORTFOLIO MANAGER

This Fund invests solely into the Orbis Global Equity Fund, managed by Orbis Investment Management Limited.

FUND OBJECTIVE AND BENCHMARK

The Fund aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the FTSE World Index, including income.

COMMENTARY

Since early 2009, global stock markets have more than doubled, and 2013 was another robust year. Valuation multiples now sit solidly above those seen in 2009, but below the highs of the mid-to-late 1990s. Similarly, corporate returns on equity are now solidly above the lows witnessed in the last few US and worldwide recessions, but below the inflated levels seen in the mid-to-late 2000s. On this basis, one could hardly argue that overall global equity markets are wildly cheap at this point, but there is also a case to be made that they are not wildly expensive either.

Of course, what matters for the Global Equity Fund is not the aggregate valuation of the stock market as a whole, but the stock selection opportunities within it. There is no doubt that many areas of the market currently look expensive and, as a result, will struggle to deliver satisfactory real returns over the medium term. However, while undervalued companies are less plentiful than they were a few years ago, Orbis has still been able to find pockets of value that they believe offer potential for reasonable risk-adjusted returns. Examples of such pockets include selected opportunities within Asia, particularly Korea, and stocks within the oil and gas sector, such as Apache.

One part of the market where Orbis continues to see little value is in 'bond-like' equities with highly predictable earnings and dividend streams. Since the financial crisis, these shares have become inflated as a result of strong investor appetite for perceived stability and yield. As a result, many stocks Orbis has uncovered have almost the opposite characteristics – a high degree of economic sensitivity and, in many cases, exposure to rising bond yields.

Examples of such companies include insurers such as AIG and Aegon and managed healthcare companies such as WellPoint and Humana, which should all see the income on their investment books rise. Another example would be companies with large underfunded pension schemes such as General Motors, which benefit from a higher discount rate applied to their pension liabilities.

Only time will tell how global stock markets and the Fund's holdings will fare in the years ahead. Every investment environment has a set of risks, and this one is no different. The list today is long and well documented: high levels of sovereign debt, the unintended consequences of unconventional stimulus policies and so forth. None of these should be taken lightly, but as is often the case it is the unseen risks that are most likely to have the greatest impact on markets. While everyone is on the lookout for the next 2008, the next shock may very well develop in an area where few are looking.

The broad rise in prices over the last five years has reduced the equity risk premium – the compensation that equity investors should expect in return for assuming these risks. Critically, our process ensures that we are continually focused on avoiding the single most important risk investors face in any environment: the risk of paying more for an asset than it is worth.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	ZAR	ZAR	ZAR
Unannualised: Since inception	287.0	213.0	67.6
Annualised: Since inception	16.7	13.9	6.1
Latest 5 years	20.3	18.3	5.4
Latest 3 years	33.2	29.1	5.7
Latest 2 years	46.4	37.5	5.6
Latest 1 year	78.2	54.2	5.4

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	US$	US$	US$
Unannualised: Since inception	129.3	85.4	21.5
Annualised: Since inception	9.9	7.3	2.3
Latest 5 years	17.6	15.6	2.1
Latest 3 years	14.4	10.9	2.1
Latest 2 years	28.5	20.7	1.6
Latest 1 year	44.1	24.7	1.5

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

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 annually.	31 DEC 2013
Cents per unit	0.3809

GEOGRAPHICAL EXPOSURE ON 31 DECEMBER 2013

This Fund invests solely into the Orbis Global Equity Fund

REGION	FUND'S % EXPOSURE TO: EQUITIES	CURRENCIES	% OF WORLD INDEX
United States	48	47	50
Canada	1	1	3
Other	0	0	1
North America	49	48	54
Greater China	8	8	3
Korea	8	7	2
Other	3	3	1
Asia ex-Japan	19	18	6
United Kingdom	7	8	9
Continental Europe	11	18	18
Europe	18	26	26
Japan	10	4	9
Other	4	4	5
TOTAL	100	100	100

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

ALLAN GRAY BALANCED FUND

PORTFOLIO MANAGERS

Ian Liddle, Duncan Artus, Andrew Lapping, Simon Raubenheimer (Most foreign assets are invested in Orbis funds.)

ASSOCIATE PORTFOLIO MANAGERS

Ruan Stander, Jacques Plaut

FUND OBJECTIVE AND BENCHMARK

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding the Allan Gray Balanced Fund).

COMMENTARY

The Fund's investments outside South Africa contributed significantly to its returns in 2013. The FTSE World Index returned 24.7% (in US dollars) for the calendar year. Successful stock picking boosted the dollar return to 43.2% in the Orbis Global Equity Fund. As the rand depreciated from R8.40 per dollar to R10.35 per dollar over the year, the Fund's foreign returns were even higher when measured in rands. Although the Fund's investment in African (excluding SA) securities is still relatively modest, these investments also performed strongly, with the Allan Gray Africa ex-SA Equity Fund returning 20% in US dollars.

In light of this strong performance, Fund investors may be asking whether or not we should now be reducing the Fund's foreign exposure. To some extent we are required to sell in order to comply with Regulation 28 of the Pension Funds Act, which prescribes that foreign exposure which exceeds 25% due to market value movements must be reduced back below 25% within 12 months. Over the year, the Fund repatriated R2.5 billion from its foreign investments. (By the way, this is an illustration of the important stabilising effect of South Africa's new retirement fund regulations).

However, we don't judge it appropriate to reduce the Fund's foreign exposure significantly below 25% at this time. We continue to find more attractive stock-picking opportunities offshore than in South Africa. Despite the weakness of the rand over the last three years, we remain concerned that the local currency is vulnerable, as South Africa relies on the regular inflow of foreign capital to pay for our current account and fiscal deficits. The export response to the weaker rand has been disappointing so far – the mining sector has been plagued by labour unrest and policy uncertainty, and many South African manufacturing enterprises are still struggling to be globally competitive. The Fund's foreign investments also provide diversification, which is particularly important given the limited universe of listed South African securities.

We are pleased that the Fund has substantially outperformed CPI inflation over the last year, and that it has outperformed its peer benchmark in a strong year for equity markets despite holding a below-average equity exposure. Many sentiment indicators are exhibiting extreme optimism, and equity valuation multiples have expanded. This should make absolute returns harder to achieve in 2014. Should the markets sell off, we hope that Fund investors will be rewarded for the Fund's cautious positioning over the last three years by the Fund weathering the storm better than its peer benchmark.

Commentary contributed by Ian Liddle

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	1 197.7	576.3	123.8
Annualised: Since inception	19.7	14.4	5.8
Latest 10 years	17.0	15.3	5.8
Latest 5 years	14.6	14.4	5.4
Latest 3 years	16.2	14.4	5.7
Latest 2 years	18.4	18.7	5.6
Latest 1 year	23.7	20.0	5.4

1. The current benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding the Allan Gray Balanced Fund). Since inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

ASSET ALLOCATION ON 31 DECEMBER 2013

ASSET CLASS	TOTAL	SA	FOREIGN
Net Equity	55.6	42.0	13.6
Hedged Equity	12.8	2.6	10.2
Property	1.1	0.6	0.4
Commodities	3.6	3.6	0.0
Bonds	9.6	9.5	0.1
Money Market and Bank Deposits	17.4	15.6	1.8
TOTAL	100.0	74.0	26.0[3 4]

3. This includes African ex-SA assets.
4. The Fund is above its foreign exposure limit due to market value movements.

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

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.	30 JUN 2013	31 DEC 2013
Cents per unit	63.9191	82.2722

ALLAN GRAY-ORBIS GLOBAL FUND OF FUNDS

PORTFOLIO MANAGER

Ian Liddle (The underlying Orbis funds are managed by Orbis.)

FUND OBJECTIVE AND BENCHMARK

The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk. The Fund's benchmark is a portfolio made up 60% by the FTSE World Index, including income, and 40% the JP Morgan Global Government Bond index.

COMMENTARY

Since early 2009, global stock markets have more than doubled, and 2013 was another robust year. Valuation multiples now sit solidly above those seen in 2009, but below the highs of the mid-to-late 1990s. Similarly, corporate returns on equity are now solidly above the lows witnessed in the last few US and worldwide recessions, but below the inflated levels seen in the mid-to-late 2000s. On this basis, one could hardly argue that global equity markets are wildly cheap at this point, but there is also a case to be made that they are not wildly expensive either. Simplistically speaking, there is upside potential, but also downside risk from here.

Of course, what matters for the Orbis Funds is not the aggregate valuation of the stock market as a whole, but the stock selection opportunities within it. There is no doubt that many areas of the market currently look expensive and, as a result, will struggle to deliver satisfactory real returns over the medium term. However, while undervalued companies are less plentiful than they were a few years ago, Orbis has still been able to find pockets of value that they believe offer potential for reasonable risk-adjusted returns, especially when compared to other typical alternatives such as bonds.

Despite yields on 10-year US Treasury Bonds rising from what may prove to be a secular low of 1.4% in 2012 to 3.0% today, the bond market remains heavily distorted by the actions of the Federal Reserve and this has affected the behaviour of different types of stocks. One example is 'bond-like' equities – shares of companies with highly predictable earnings and dividend streams – which became inflated as a result of strong investor appetite for perceived stability and yield.

As a result, Orbis was finding the majority of opportunities in stocks with almost the opposite characteristics – a high degree of economic cyclicality, and in many cases, exposure to rising bond yields. Examples of these opportunities include insurers such as AIG and Aegon and managed healthcare companies such as WellPoint and Humana, which should all see the income on their investment books rise. General Motors should also benefit from rising yields as it can apply a higher discount rate to its underfunded pension liabilities.

It is important to note that Orbis did not purchase these stocks because of any top-down view on the direction of interest rates or strength of any economic recovery. The movement of economic variables, or share prices themselves, is not a regular periodic cycle. At Orbis and Allan Gray, our key tool is independent, company-specific, fundamental valuation analysis. This a challenging tool to use – and an imprecise one even when used well – but it is what our analysts focus on every day. The reward is that this process can often provide us with exciting opportunities to invest in companies at significant discounts to their intrinsic value.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	ZAR	ZAR	ZAR
Unannualised: Since inception	200.6	183.6	74.5
Annualised: Since inception	11.7	11.1	5.8
Latest 5 years	12.3	13.0	5.4
Latest 3 years	27.0	24.8	5.7
Latest 2 years	32.6	26.9	5.6
Latest 1 year	55.6	38.8	5.4

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	US$	US$	US$
Unannualised: Since inception	101.1	89.7	25.9
Annualised: Since inception	7.3	6.7	2.4
Latest 5 years	9.8	10.5	2.1
Latest 3 years	9.1	7.2	2.1
Latest 2 years	16.4	11.4	1.6
Latest 1 year	25.8	12.2	1.5

1. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

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 annually.	31 DEC 2013
Cents per unit	0.1766

ASSET ALLOCATION ON 31 DECEMBER 2013

	TOTAL	NORTH AMERICA	EUROPE	JAPAN	ASIA EX-JAPAN	OTHER
Net equities	51	20	9	6	13	2
Hedged equities	44	15	11	10	7	1
Cash/ currency hedge	5	19	0	(13)	(1)	0
TOTAL (%)	100	54	20	4	20	2

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

ALLAN GRAY STABLE FUND

PORTFOLIO MANAGER

Ian Liddle, Mark Dunley-Owen
(Most foreign assets are invested in Orbis funds)

FUND OBJECTIVE AND BENCHMARK

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited plus 2%.

COMMENTARY

The FTSE/JSE All Share Index (ALSI) traded below 18 000 at the height of the global financial crisis in November 2008. Five years later, at the end of 2013, it traded above 46 000.

One way of interpreting this is that South African equities have returned more than 150% over the last five years. Investors have maximised returns by maximising exposure to risk assets.

Another interpretation is that South African equities would fall by 60% if they were to return to late-2008 levels. We hope this does not happen, but it is not impossible. Some of the challenges that caused the crisis have not gone away, and new challenges have emerged, particularly within South Africa. In such an environment, limiting investment risk is an important determinant of future returns.

The Fund is focused on both risk and return. Its objective is to minimise the risk of loss over any two-year period, while producing long-term returns superior to bank deposits. This is particularly appropriate when asset prices have risen sharply over a relatively short period of time, as has happened recently.

It is pleasing that the Fund achieved both aspects of its objective during 2013. It returned 15.3% versus 6.2% for its benchmark. The maximum monthly drawdown was -1.2% in June compared to -5.7% for the ALSI. The Fund's performance since inception is similarly pleasing – it has outperformed its benchmark by 4.1% per year and it has generated positive returns over all two-year periods.

To be fair, the Fund's track record has been accumulated during a tremendous bull market. We don't know whether future asset returns will be as good as the recent past, but if history is a reliable guide, they will probably disappoint. The Fund continues to maintain a conservative equity market exposure. It seeks to better cash returns through stock-picking outperformance on hedged equities, exposure to foreign assets which offer superior value to South African assets, investments in high-quality dividend-paying companies such as British American Tobacco, Sasol, SABMiller and Standard Bank, and niche opportunities in the credit markets.

Commentary contributed by Mark Dunley-Owen

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	454.6	239.9	112.5
Annualised: Since inception	13.5	9.5	5.7
Latest 10 years	12.0	8.5	5.8
Latest 5 years	9.1	7.4	5.4
Latest 3 years	11.4	6.4	5.7
Latest 2 years	10.7	6.3	5.6
Latest 1 year	15.3	6.2	5.4

1. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited plus 2%, performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

ASSET ALLOCATION ON 31 DECEMBER 2013

ASSET CLASS	TOTAL	SA	FOREIGN
Net Equity	16.8	11.6	5.2
Hedged Equity	32.8	15.4	17.4
Property	1.9	1.5	0.3
Commodities	4.5	4.5	0.0
Bonds	7.5	7.5	0.0
Money Market and Bank Deposits	36.5	33.9	2.6
TOTAL	100.0	74.4	25.6[3]

3. The Fund is above its foreign exposure limit due to market value movements.

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

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 quarterly.

	31 MAR 2013	30 JUN 2013	30 SEPT 2013	31 DEC 2013
Cents per unit	13.4051	13.0091	14.2539	14.3869

ALLAN GRAY OPTIMAL FUND

PORTFOLIO MANAGER

Ruan Stander

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 daily interest rate as supplied by FirstRand Bank Limited.

COMMENTARY

2013 was another fantastic year for equity investors, with the MSCI World index delivering a total return of 57% in rand terms, the highest calendar year return since 1985. The JSE also had a strong year, with the All Share Index (ALSI) returning 21.4%. Valuation levels are close to an extreme with the ALSI trading on a price-to-earnings (PE) ratio of around 19, within a few percentage points of the high set in 1995.

During 2013 the Optimal Fund returned 6.5% versus 4.1% for its benchmark. This is a reasonable result given 1) Our Equity Fund did not outperform its benchmark and 2) The mandate of the Optimal Fund is to protect investor's capital during tough times (i.e. sacrificing upside during the good times).

The equities in the Optimal Fund continue to be positioned defensively for tougher times, with investments in stable companies trading on above-average free cash flow yields (British American Tobacco, SABMiller, Sasol and Standard Bank). In a down market, we expect this positioning to offer a second level of protection for Optimal investors.

Our underweight position in South African retailers served us well, but unfortunately this was offset by an underweight position in Richemont, which outperformed the ALSI by around 33% in 2013. Richemont, perhaps similar to South African retailers a year ago, is a great business, but trading on a high multiple (PE ratio of approximately 23) on earnings that are close to a cyclical high. We would like to be overweight Richemont one day, but only at the right price.

Resources also underperformed for the year, but we maintain a cautious stance since the earnings in cyclical industries tend to be symmetrical, with bigger booms leading to bigger busts; the most recent boom in resources was on an unprecedented scale. The Chinese construction boom continues showing signs of slowing down, with the latest debt audit reflecting that local government debt is building up much faster than previously thought. This indicates that construction growth is funded by debt instead of income, and raises questions about the utility of completed projects.

Our neutral position in Naspers was maintained, primarily because of the fantastic economics in its online businesses, where Naspers' companies have dominant positions, good growth prospects and don't require capital. The valuation discount has narrowed and we will look to reduce exposure to this share if better opportunities are presented to us during 2014.

Commentary contributed by Ruan Stander

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	133.7	111.0	79.9
Annualised: Since inception	7.8	6.9	5.4
Latest 10 years	6.8	6.4	5.8
Latest 5 years	4.9	5.2	5.4
Latest 3 years	4.2	4.4	5.7
Latest 2 years	4.0	4.2	5.6
Latest 1 year	6.5	4.1	5.4

1. The daily interest rate as supplied by FirstRand Bank Limited (source: FirstRand Bank), performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

ASSET ALLOCATION ON 31 DECEMBER 2013

ASSET CLASS	TOTAL
Net SA Equities	3.8
Hedged SA Equities	84.0
Property	0.6
Money Market and Bank Deposits	11.6
TOTAL (%)	100.0

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

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.	30 JUN 2013	31 DEC 2013
Cents per unit	15.6466	19.0309

ALLAN GRAY-ORBIS GLOBAL OPTIMAL FUND OF FUNDS

PORTFOLIO MANAGER

Ian Liddle (The underlying Orbis funds are managed by Orbis.)

FUND OBJECTIVE AND BENCHMARK

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis funds.

COMMENTARY

2013 was a good year for your Fund, which delivered returns of 39.6% in rand terms (12.9% in US dollars), meaningfully above the benchmark return of 26.6% (2.3% in US dollars). This brings the three-year annualised return to 21.7% in rand terms (4.6% in US$), which compares to the benchmark return over that period of 17.6% in rands (1% in US dollars).

The main contributor to your Fund's dollar return in 2013 and over the past three-year period was the relative performance of Orbis' stock selections, which rebounded after a period of poor performance in 2011 and 2012. This contribution from performance relative to local benchmarks was broad-based, with particularly strong results in North America and Asia ex-Japan.

That Orbis' underlying stock selections were the main driver of the Fund's return is entirely as we expect and consistent with the structure of the Optimal SA Funds. These Funds invest in Orbis' preferred stocks, each of which brings exposure to its local stock market. Optimal SA then hedges out most of this 'inherited' exposure to stock markets. This isolates the skill-based component of each stock's return and insulates your Fund against stock market fluctuations. The result is a Fund that has little correlation with other asset classes, and that is driven primarily by the value Orbis adds or detracts through stock selection – as we have seen this year.

Of course, after such a strong year, investors may wonder about what opportunities lie ahead. Today, undervalued companies are less plentiful than they were a few years ago, but Orbis has still been able to find pockets of value that they believe offer potential for outperformance. As an example, at a time when optimism – and prices –are running high in many areas of the stock market, the oil & gas sector is a notable exception.

Within the sector, your Fund has exposure to companies such as Apache, Weatherford International and INPEX, but it is effectively short the major integrated oil companies due to its stock market hedging. Each of Optimal's holdings has been selected for idiosyncratic reasons, but a common thread is that Orbis believes the market's assessment of these shares' intrinsic value is much lower than their assessment. In the case of Weatherford, the company has gone through a 'perfect storm' of bad news in recent years, but Orbis believes that a new cycle of fundamental improvement is underway. Only time will tell if this thesis is right, but we have found that many things in investing tend to be cyclical. Provided that one is comfortable looking wrong for some time, the market's pessimism can often produce compelling opportunities for patient investors.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	ZAR	ZAR	ZAR
Unannualised: Since inception	55.9	40.7	21.2
Annualised: Since inception	12.3	9.3	5.1
Latest 3 years	21.7	17.6	5.7
Latest 2 years	22.7	16.0	5.6
Latest 1 year	39.6	26.6	5.4

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	US$	US$	US$
Unannualised: Since inception	14.0	2.9	7.9
Annualised: Since inception	3.5	0.7	2.0
Latest 3 years	4.6	1.0	2.1
Latest 2 years	7.7	1.8	1.6
Latest 1 year	12.9	2.3	1.5

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

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 annually.	31 DEC 2013
Cents per unit	0.3877

ASSET ALLOCATION ON 31 DECEMBER 2013

	TOTAL	NORTH AMERICA	EUROPE	JAPAN	ASIA EX-JAPAN	OTHER
Net equities	8	1	1	1	5	1
Hedged equities	82	27	21	19	13	1
Cash/ currency hedge	9	28	2	(20)	(1)	(1)
TOTAL (%)	100	57	24	0	18	1

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

ALLAN GRAY BOND FUND

PORTFOLIO MANAGERS

Sandy McGregor, Andrew Lapping

FUND OBJECTIVE AND BENCHMARK

The Fund aims to provide investors with a real return over the long-term and outperform the BEASSA All Bond Index at no greater risk.

COMMENTARY

Over the past year South African bonds have moved in lockstep with international bond prices. This is not surprising given that foreigners own about 35% of bonds issued by the SA government. Bond yields have been depressed by central banks in developed countries, which have set short-term interest rates close to zero, and in the case of the US Federal Reserve and Bank of Japan, have been actively buying bonds to depress long-term yields. It is widely agreed that such policies will not be sustainable in the longer term, and international bond investors are increasingly focusing on the timing of a return to more normal monetary policy. 'More normal' probably means that globally interest rates will rise.

During 2013, along with other emerging markets, South African bonds sold off, partly due to concerns regarding global rates, but also because investment flows into emerging markets declined significantly. South Africa's current account deficit is currently running at more than 6% of GDP, which is depressing the rand. Financial stability in South Africa is dependent on maintaining the confidence of foreign investors. Capital flight would have an adverse impact on interest rates, inflation and the rand.

South Africa is experiencing stagflation – a weak economy and significant inflationary pressures caused by a declining rand. It is difficult to conduct monetary policy in these circumstances. Despite the weak economy the SARB has responded to the depreciating rand by increasing interest rates by 0.5% because they anticipate significant deterioration in the inflation rate.

The yield curve is very steep, which creates some value in longer-dated bonds. However, given current uncertainties, the duration of the Fund remains below that of the All Bond Index benchmark.

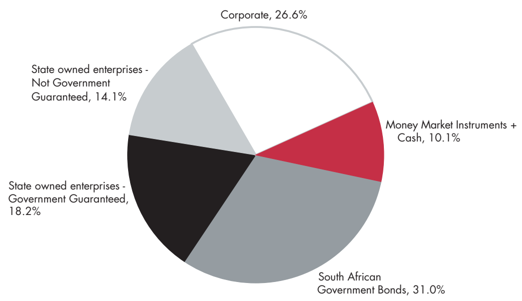
Commentary contributed by Sandy McGregor

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	126.9	122.1	71.1
Annualised: Since inception	9.3	9.0	6.0
Latest 5 years	8.9	7.7	5.4
Latest 3 years	8.3	8.3	5.7
Latest 2 years	7.7	8.0	5.6
Latest 1 year	2.2	0.6	5.4

1. BEASSA All Bond Index (source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

FUND ALLOCATION ON 31 DECEMBER 2013



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

INCOME DISTRIBUTIONS FOR THE LAST 12 MONTHS

Actual payout, the Fund distributes quarterly.

	31 MAR 2013	30 JUN 2013	30 SEPT 2013	31 DEC 2013
Cents per unit	19.2730	20.2218	20.3667	20.3958

ALLAN GRAY MONEY MARKET FUND

PORTFOLIO MANAGER

Andrew Lapping, Mark Dunley-Owen

FUND OBJECTIVE AND BENCHMARK

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest ('STeFI') Composite Index.

COMMENTARY

Term interest rates continued to tick up over the final quarter of 2013, but only by 15 basis points in the six-month area, while the 12-month area of the curve was basically unchanged. The steadily weaker rand caused investors to be more cautious in their inflation outlook, and consequently in their outlook for interest rates.

The Monetary Policy Committee (MPC) of the Reserve Bank is in a difficult position as the South African economy is weak, but there are definite risks to price stability from the currency weakness. At the moment the base case forecast of the Reserve Bank is for inflation to remain below 6% in 2014, but the tone of the MPC statements makes it clear that the members of the Committee are cautious.

There is very little inflation globally, which is helping to keep South African inflation within the 3-6% target range, as the pass through from external sources is minimal. Commodity prices, such as the oil price, are already high and the risks are probably towards lower rather than higher prices, which will help the inflation situation locally.

The biggest risk to South African prices, and therefore interest rates, is the 6.5% current account deficit which has not moderated despite the substantially weaker rand. We have not changed our view that the next move in interest rates will be an increase. The higher six-month NCD rate makes this asset more attractive, so we have been investing in this area of the curve, as well as continuing to invest in floating rate notes.

Commentary contributed by Andrew Lapping

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	172.0	170.6	100.4
Annualised: Since inception	8.3	8.3	5.7
Latest 10 years	7.6	7.5	5.8
Latest 5 years	6.5	6.4	5.4
Latest 3 years	5.4	5.4	5.7
Latest 2 years	5.3	5.4	5.6
Latest 1 year	5.2	5.2	5.4

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 31 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2013.

INCOME DISTRIBUTIONS FOR THE LAST 12 MONTHS

Actual payout (cents per unit), the Fund distributes monthly.

JAN 2013	FEB 2013	MAR 2013	APR 2013
0.42	0.38	0.43	0.42
MAY 2013	**JUN 2013**	**JUL 2013**	**AUG 2013**
0.43	0.42	0.43	0.44
SEPT 2013	**OCT 2013**	**NOV 2013**	**DEC 2013**
0.42	0.44	0.43	0.44

EXPOSURE BY ISSUER ON 31 DECEMBER 2013

	% OF PORTFOLIO
Republic of South Africa	10.9
Eskom	1.0
Transnet	0.6
Trans-Calendon Tunnel Authority	0.5
GOVERNMENT AND PARASTATALS	13.0
Bidvest	3.0
MTN	2.0
Macquarie Securities	1.9
Sanlam	1.3
Toyota Financial Services	1.3
Emira Property Fund	1.2
CORPORATES	10.7
FirstRand Bank	18.7
Nedbank	17.6
Standard Bank	15.6
ABSA	13.5
Investec Bank	6.4
Standard Chartered	4.5
Deutsche Bank	0.2
BANKS[3]	76.5
TOTAL	100.0

3. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

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

ALLAN GRAY UNIT TRUSTS ANNUAL FEES

FUND	ANNUAL INVESTMENT MANAGEMENT FEE (EXCL. VAT)
Allan Gray Equity Fund (JSE code: AGEF)	The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark adjusted for Fund expenses and cash flows. Fee for performance equal to the Fund's benchmark: 1.50% p.a. excl. VAT For each percentage of two-year performance above or below the benchmark, we add or deduct 0.1%, subject to the following limits: Maximum fee: 3.00% p.a. excl. VAT Minimum fee: 0.00% p.a. excl. VAT This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark. The fee rate is applied to the daily value of the Fund.
Allan Gray-Orbis Global Equity Feeder Fund[1] (JSE code: AGOE)	Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis. Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet, which can be found at www.allangray.co.za.
Allan Gray Balanced Fund (JSE code: AGBF)	Allan Gray charges a fee on the portion of the Fund managed by Allan Gray. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark. Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits: Maximum fee: 1.50% p.a. excl. VAT Minimum fee: 0.50% p.a. excl. VAT This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark. Orbis charges fees on the portion of the Fund that they manage. These are performance-based fees deducted within the underlying funds and are calculated based on each Orbis fund's performance relative to its own benchmark.[2]
Allan Gray-Orbis Global Fund of Funds[1] (JSE code: AGGF)	Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis. Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis Funds' factsheets, which can be found at www.allangray.co.za.
Allan Gray Stable Fund (JSE code: AGSF)	Allan Gray charges a fee on the portion of the Fund managed by Allan Gray. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee. Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits: Maximum fee: 1.50% p.a. excl. VAT Minimum fee: 0.50% p.a. excl. VAT This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark. Orbis charges fees on the portion of the Fund that they manage. These are performance-based fees deducted within the underlying funds and are calculated based on each Orbis fund's performance relative to its own benchmark.[2]
Allan Gray Optimal Fund (JSE code: AGOF)	The fee rate is calculated daily by comparing the Fund's total performance to that of the benchmark. Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT The Fund is first required to recover any underperformance before a fee higher than the fee for performance equal to the benchmark can be charged. This is known as a high watermark. If the Fund's performance is above its previous high watermark, we add 0.2% to the fee for each percentage of performance above the high watermark. The fee is uncapped.
Allan Gray-Orbis Global Optimal Fund of Funds[1] (JSE code: AGOO)	Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis. Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis Funds' factsheets, which can be found at www.allangray.co.za.
Allan Gray Bond Fund (JSE code: AGBD)	The fee rate is calculated daily by comparing the Fund's total performance over the last year, to that of the benchmark adjusted for Fund expenses and cash flows. Minimum fee: 0.25% p.a. excl. VAT If the Fund outperforms its benchmark, for each percentage of performance above the benchmark we add 0.25% to the minimum fee to a maximum fee of 0.75% p.a. excl. VAT. The fee rate is applied to the daily value of the Fund.
Allan Gray Money Market Fund (JSE code: AGMF)	Fixed fee: 0.25% p.a. excl. VAT

ALLAN GRAY UNIT TRUSTS TOTAL EXPENSE RATIOS

FUND	TOTAL EXPENSE RATIO[3] (INCL. VAT)				
	FEE FOR BENCHMARK PERFORMANCE	PERFORMANCE FEE	OTHER COST INCLUDING TRADING COSTS	VAT	TOTAL EXPENSE RATIO (TER)
Allan Gray Equity Fund[4] (JSE code: AGEF)	1.50%	0.44%	0.06%	0.27%	2.27%
Allan Gray-Orbis Global Equity Feeder Fund[1] (JSE code: AGOE)	1.49%	0.49%	0.18%	0.00%	2.16%
Allan Gray Balanced Fund[4] (JSE code: AGBF)	1.06%	0.44%	0.09%	0.12%	1.71%
Allan Gray-Orbis Global Fund of Funds[1] (JSE code: AGGF)	1.22%	1.25%	0.23%	0.00%	2.70%
Allan Gray Stable Fund[4] (JSE code: AGSF)	1.02%	0.80%	0.09%	0.16%	2.07%
Allan Gray Optimal Fund[4] (JSE code: AGOF)	1.00%	0.00%	0.08%	0.15%	1.23%
Allan Gray-Orbis Global Optimal Fund of Funds[1] (JSE code: AGOO)	0.99%	1.81%	0.25%	0.00%	3.05%
Allan Gray Bond Fund (JSE code: AGBD)	0.25%	0.23%	0.02%	0.07%	0.57%
Allan Gray Money Market Fund (JSE code: AGMF)	0.25%	0.00%	0.01%	0.04%	0.30%

1. Due to foreign exchange control regulations, the Fund may be closed from time to time. Unit holders can contact our Client Service Centre to confirm whether or not the Fund is open.
2. Assets invested in the Orbis funds incur a management fee. These, along with other expenses, are included in the total expense ratio.
3. A total expense ratio ('TER') of a unit trust is a measure of the unit trust's assets that were relinquished as a payment of services rendered in the management of the unit trust. The total operating expenses are expressed as a percentage of the average value of the unit trust, calculated for the year ended 31 December 2013. Included in the TER is the proportion of costs incurred by the performance component, fee at benchmark and other expenses. These are disclosed separately as percentages of the net asset value. Trading costs (including brokerage, VAT, STT, STRATE, levy and insider trading levy) are included in the TER. A high TER will 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.
4. The TERs provided are for Class A funds only. TERs for Class B and Class C funds are available from our Client Service Centre.
5. TERs are unaudited.

COMPLIANCE WITH PRUDENTIAL INVESTMENT GUIDELINES:

ALLAN GRAY BALANCED, STABLE, BOND AND MONEY MARKET FUNDS

The Funds are managed to comply with Regulation 28 of the Pension Fund Act. Exposures in excess of the limit will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management (RF) Proprietary Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (Item 6 of Table 1 to Regulation 28).

THE COMPANY AND GROUP

1. Allan Gray Unit Trust Management (RF) Proprietary Limited ('Company') is a subsidiary of Allan Gray Proprietary Limited ('AGL') and forms part of the Allan Gray group of companies ('Group') of which Allan Gray Group Proprietary Limited ('AGGL') is the ultimate holding company. AGL and AGGL are incorporated in the Republic of South Africa and are subject to the corporate governance regime set out in the South African Companies Act of 2008 and the King Code of Governance for South Africa 2009 ('King III' or 'the Code').
2. The Group provides financial services to clients in Southern Africa. It offers a range of investment products and services through various operating companies and subsidiaries registered in South Africa, Namibia, Botswana, Swaziland and Nigeria. These operating companies and subsidiaries are registered and / or licensed financial services providers in South Africa and / or their respective countries of registration. The Group's size, structure and location of operations and activities as well as its products and services are detailed on its website.
3. The Company is registered in South Africa and its principal business is to manage the Allan Gray Unit Trust Funds registered under the Allan Gray Unit Trust Scheme in accordance with the Collective Investment Schemes Control Act No. 45 of 2002, ('CISCA'). The Company has appointed its holding company as investment manager and to undertake certain company administrative and marketing functions and the day to day administration of local unit trusts. AGL is licensed as an authorised financial services provider with the Financial Services Board in South Africa. The Company is a member of the Association for Savings & Investments SA ('ASISA').
4. The Group is privately owned and does not offer shares to the public.

CLIENT ORIENTATION

5. The Group provides investment management services to clients through a variety of investment products. Its main sources of revenue and its only sources of operating income are fees charged to clients for these investment management services. Fees are aligned with the interests of clients in that they are charged in proportion to assets and / or directly linked to the investment performance achieved for clients. Shareholder value is therefore created by, amongst other things, excelling for clients.
6. The Group is client focused and its corporate governance efforts are first and foremost directed towards protecting the interests of clients. This is appropriate as clients have entrusted their investment funds to the Group that, in managing such funds, acts in a fiduciary capacity.

KING III

7. The Group applies the highest standards of integrity and ethics in its business and in its dealings with clients, the public, employees, shareholders, regulatory and fiscal authorities and all other stakeholders and interested or effected parties. It is committed to the principles of effective corporate governance. The Group supports King III.

BOARD COMPOSITION

8. The board of the Company ('Board') consists of six directors of which four are non-executive and two are independent.
9. The board of AGL consisted of eight directors during the year, of which four are non-executive and two are independent. The chairman of the board is a non-executive director and shareholder of AGGL. He is not independent. He is suitably experienced, including as a former executive of the Group, to fulfill his role as chairman. His lack of independence does not prevent him from fulfilling the chairman's functions.
10. The board of AGGL consisted of eight directors during the year, of which three are non-executive and one is independent. The chairman of the board is a non-executive director and shareholder of AGGL. He is not independent. He is suitably experienced, including as a former executive of the Group, to fulfill his role as chairman. His lack of independence does not prevent him from fulfilling the chairman's functions.

BOARD MEETINGS

11. The Board meets regularly, including as often as is required to effectively perform its duties. It met twice during the 2013 financial year.

BOARD APPOINTMENT

12. Directors are appointed and annually re-appointed by shareholders.

AUDIT COMMITTEE

13. The Board is assisted by the Group Audit Committee appointed by AGGL shareholders. The Audit Committee has five members of which two are executives and three are independent. It is chaired by an independent non-executive AGGL director. He is suitably experienced, to fulfill his role as chairman of the Audit Committee. The Audit Committee met five times during the year.
14. The most senior financial officer and internal auditor as well as the external auditors of the Group attend Audit Committee meetings by invitation.
15. The Audit Committee performs its functions in accordance with applicable legislation and as set out in its terms of reference adopted by the AGGL board.

ROLE AND RESPONSIBILITY OF THE BOARD

16. The Board directs, controls and monitors the affairs of the Company while at the same time protecting the interests of clients. The Board is responsible for risk management.

COMPANY SECRETARY

17. The company secretary attends to all company secretarial matters as prescribed by law and King III. All directors have access to the company secretary.
18. The company secretary is not a director or prescribed officer of the Company.

CODE OF ETHICS

19. In support of its commitment to apply the highest standards of integrity and ethics in dealing with all stakeholders, the Group has adopted the Code of Ethics and Standards of Professional Conduct of the CFA Institute (www.cfainstitute.org).

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

20. Executive and director remuneration is dealt with at a Group level and is monitored and approved by the AGGL shareholders that act through a shareholder appointed Remuneration Committee constituted in terms of the AGGL Memorandum of Incorporation.

SUSTAINABILITY

21. As a provider of financial services, the Group's business activities have minimal direct environmental impact and the Group strives to minimise these and any indirect impact through appropriate environmentally sensitive practices and procedures. This includes locating the head office in Cape Town in a green building that has been awarded 6 stars by the Green Building Council of South Africa.
22. The Group's investment professionals consider the sustainability of the companies in which the Group invests clients' funds.
23. The Group contributes 7% of its profits (after tax) to the Allan Gray Orbis Foundation, a registered public benefit organisation which promotes entrepreneurship in Southern Africa.
24. The Group is committed to employment equity and meaningful transformation.

COMPLIANCE

25. The Group has appointed Compliance Officer(s) as required in applicable statutes. Compliance issues are dealt with by the Group Audit Committee and the Board through suitable reports and enquiry.

INTERNAL CONTROL AND RISK MANAGEMENT

26. The Group's internal control and risk management procedures serve to provide assurance against material misstatement and loss.
27. An Enterprise Risk Management (ERM) framework provides a consistent process for identifying, measuring and managing risk on a company-wide basis. The group is increasingly embedding ERM within existing organisational structures and procedures.

INTERNAL AUDIT

28. The Group internal audit function assists the Board and management in monitoring the adequacy and effectiveness of the Company's internal control, including to consider their design and operating efficiency and to recommend improvements.
29. The internal audit function reports directly to the Group Audit Committee.
30. The Group internal audit function operates in terms of a Group-wide internal audit plan. The plan is compiled with the involvement of senior executives and is regularly updated. The Group Audit Committee and the AGGL board monitor and review the implementation of the plan regularly, and in the case of the latter, at least once a year. The internal audit findings are presented to management and the Group Audit Committee. Follow-up audits are conducted in areas where significant internal control weaknesses are found.

CONTROL OPINION

31. Nothing has come to the attention of the Board that causes it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The Board's opinion is supported by the Audit Committee.

GOING CONCERN

32. The Board is satisfied that the Company remains a going concern.

INTRODUCTION

1. The Allan Gray Audit Committee ('Committee') is a committee appointed by the shareholders of Allan Gray Group Proprietary Limited ('AGGL'), the ultimate holding company of the Allan Gray group of companies ('Group'). The duties of the Committee are set out in its terms of reference, the Companies Act of South Africa ('Act') and other applicable legislation, if any. The Committee acts as audit committee of a number of entities in the Group.

TERMS OF REFERENCE

2. The AGGL board has determined the terms of reference of the Committee.

MEMBERSHIP, MEETINGS AND ANNUAL ASSESSMENT

3. For the reporting period, the Committee had five members. Four were directors of AGGL and / or its subsidiaries. Two of the members were independent, non-executive directors. One further member, chosen for his skills and experience, was not a director or executive of any Group company and was independent. Shareholders approved the composition of the Committee knowing that the King III Code of Corporate Governance ('King III') recommended that all audit committee members should be independent non-executive directors.
4. The chairman of the Committee is an independent, non-executive director of AGGL. He is suitably experienced, including as a member of other audit committees, to act as chairman.
5. Various executives as well as the Group's external auditor attend meetings by invitation.
6. During the year under review the Committee met five times.
7. The effectiveness of the Committee and its members are assessed on an annual basis.

ROLE AND RESPONSIBILITIES

8. Although the Company is a private company and not required by the Act to have an audit committee, the Committee's role and responsibilities include, through its terms of reference, the statutory duties set out in the Act for such committees. The Committee adheres to King III and when not, the circumstances have been explained in the Corporate Governance Statement, included elsewhere in the Annual Report.
9. The Committee satisfied itself that the external auditor was independent of the Allan Gray Unit Trust Management (RF) Proprietary Limited ('Company') and the AGGL Group, as set out in section 94(8) of the Act. This included consideration of other appointments of the auditor, the extent of other work undertaken by the auditor for the Company and the AGGL Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm supported and demonstrated its claim to independence. The Committee ensured that the appointment of the auditor complied with the Act, and any other legislation relating to the appointment of auditors.

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2013

10. The Committee, in consultation with executive management, considered and approved the audit plan and budgeted audit fees for the 2013 year with the external auditor. The Committee did not set a formal procedure for the engagement of the external auditor for non-audit services. When practicable, the Committee approved non-audit services in advance. When the external auditor provided non-audit services that had not been approved by the Committee in advance, full details were provided to the Committee at the earliest available opportunity.
11. The Committee recommended to the Company's board and shareholders that Ernst & Young Inc. be reappointed as the external auditor for the 2014 financial year.
12. The Committee reviewed the accounting policies and the draft annual financial statements of the Company and was satisfied that they were appropriate and complied with International Financial Reporting Standards.
13. The Committee relied on the Group's investor complaint resolution procedures (as required by legislation) to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the Company. No matters of significance were raised in the past financial year.
14. The Committee reviewed and reported to the Board on the effectiveness of the Company's internal control and risk management systems. In this it relied on the external auditor and the AGGL Group internal audit function.
15. The Committee accepted that it had to deal with concerns and complaints, if any and whether from within or outside the Company, relating to the accounting practices and internal audit of the Company, the content or auditing of the Company's financial statements, the internal financial controls of the Company and related matters. No matters of significance were raised with the Committee during the financial year.
16. Additional duties and functions assigned by the Board to the Committee, as set out in its terms of reference, included the following:
    - 16.1 an oversight role regarding the Company's reporting process generally;
    - 16.2 satisfying itself that the Company, in its reporting process, optimised the assurance coverage obtained from management and internal and external assurance providers in accordance with an appropriate combined assurance model;
    - 16.3 reviewing and recommending, as it normally does at a meeting held in February every year, the annual financial statements for approval by the Board;
    - 16.4 considering the performance, financial position and general state of affairs of the Company in assisting the Board in formulating its statement regarding the 'going concern' status of the Company as set out elsewhere in the Annual Report;
    - 16.5 considering the Company's risk management function which was assigned to an executive risk and compliance committee, the meetings of which were, by invitation, open for any Audit Committee member to attend; and
    - 16.6 considering the management of financial and operational reporting risks, the implementation of internal financial and operational controls and measures aimed at preventing or mitigating fraud and information technology risks.
17. The Committee ensured that the Company's internal audit function operates independently and had the resources, standing and authority

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2013

necessary to discharge its duties. The Committee ensured cooperation between the internal and external auditors, and served as a link between the Board and these functions.

18. The Committee recommended a risk management charter which was approved by the AGGL Board.
19. The Committee approved the annual audit plan of the internal audit function. This included that:
    19.1 the internal audit function reported centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the AGGL Group's operations, including the Company; and
    19.2 the internal audit function reported its findings against the agreed internal audit plan to the Committee on a regular basis. The internal audit function had direct access to the Committee.
20. The Committee assessed the performance of the internal audit function. An effectiveness review was performed and the internal audit function was rated as being adequate and satisfactory. The Committee was satisfied that an independent external review was not required.
21. The Committee was satisfied that the appointment and employment status of the internal audit manager was commensurate with such function acting with the required degree of independence and that the Committee had complete and unfettered access to these functions to be able to play an effective oversight role.
22. The Committee had not charged the internal audit function with the King III requirement of considering the opportunities that would have promoted the realisation of strategic goals that were identified, assessed and managed by the Company's management team.
23. The Committee was satisfied that it had complied with its legal, regulatory and other responsibilities.
24. The Committee was satisfied that the person assigned to manage the Company's finances had appropriate expertise and experience.
25. The Committee considered and satisfied itself that the expertise and resources of the finance function and experience of the senior members of management responsible for the financial function were adequate.

F J Van Der Merwe
Chairman
10 February 2014

TRUSTEES' REPORT ON THE ALLAN GRAY UNIT TRUST SCHEME

As Trustees to the Allan Gray Unit Trust Scheme ("the Scheme"), we are required in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the Act") to report to unitholders on the administration of the Scheme during each annual accounting period.

We advise for the period 1 January 2013 to 31 December 2013 we reasonably believe that the Manager has administered the Scheme in accordance with:

(i) the limitations imposed on the investment and borrowing powers of the manager by the Act; and
(ii) the provisions of the Act and the relevant deeds.

We confirm that according to the records available to us there were no material instances of compliance contraventions and therefore no consequent losses incurred by the Portfolios in the year.

Yours faithfully

Nelia de Beer
Trustee Services Head

Marian Rutters
Trustee Operations Manager

Custody and Trustee Services
Corporate Banking
Rand Merchant Bank, a division of FirstRand Bank Limited

Johannesburg
11 February 2014

ALLAN GRAY UNIT TRUSTS

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements for the year ended 31 December 2013 set out on pages 41 to 80 have been approved by the board of directors of Allan Gray Unit Trust Management (RF) Proprietary Limited and are signed on its behalf by:

ED Loxton Chairman	RW Dower Director
Cape Town 21 February 2014	Cape Town 21 February 2014

ALLAN GRAY UNIT TRUSTS

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF

Allan Gray Equity Fund
Allan Gray-Orbis Global Equity Feeder Fund
Allan Gray Balanced Fund
Allan Gray-Orbis Global Fund of Funds
Allan Gray Stable Fund
Allan Gray Optimal Fund
Allan Gray-Orbis Global Optimal Fund of Funds
Allan Gray Bond Fund
Allan Gray Money Market Fund
(The 'Allan Gray Unit Trust Funds' or the 'Funds')

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of The Allan Gray Unit Trust Funds set out on pages 43 to 80 which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Trust Deeds, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Allan Gray Unit Trust Funds as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Trust Deeds.

Ernst + Young

Ernst & Young Inc.
Director – Anthony Robert Cadman
Registered Auditor
Chartered Accountant
Ernst & Young, 35 Lower Long Street, Cape Town
21 February 2014

ALLAN GRAY UNIT TRUSTS

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
		2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
REVENUE		1 079 815 256	1 103 288 961	1 682 226	814 418	2 133 708 681	1 834 517 557	1 275 251	660 971	1 014 668 444	1 089 165 006	29 532 428	48 672 832	334 264	282 007	58 100 079	47 137 599	407 155 215	456 318 079
Dividends		1 014 252 536	1 021 103 332	-	-	1 004 476 046	902 099 927	-	-	264 593 927	264 028 808	24 070 731	40 184 121	-	-	-	-	-	-
Interest - Local		64 507 424	81 256 941	1 682 226	814 418	1 128 748 005	931 398 508	1 275 251	660 971	750 005 849	824 928 745	5 461 697	8 440 927	334 264	282 007	58 100 079	47 137 599	407 155 215	456 318 079
- Bonds		-	-	-	-	527 788 021	434 527 022	-	-	119 084 736	160 887 448	-	-	-	-	49 402 485	36 942 617	-	-
- Money market instruments		-	-	-	-	502 376 916	406 266 406	-	-	583 744 450	606 753 855	-	-	334 264	282 007	7 792 318	8 289 401	385 063 114	434 737 447
- Property funds		22 774 045	23 836 233	-	-	30 533 939	33 841 800	-	-	7 510 447	15 389 324	-	-	-	-	-	-	-	-
- Cash and cash equivalents		41 733 379	57 420 708	1 682 226	814 418	68 049 129	56 763 280	1 275 251	660 971	39 666 216	41 898 118	5 461 697	8 440 927	-	-	905 276	1 905 581	22 092 101	21 580 632
Interest - Foreign investments		-	-	-	-	191 647	-	-	-	68 668	-	-	-	-	-	-	-	-	-
Sundry income		1 055 296	928 688	-	-	292 983	1 019 122	-	-	-	207 453	-	47 784	-	-	-	-	-	-
OPERATING EXPENSES		778 360 822	763 386 876	518 938	359 950	739 870 130	616 437 390	512 144	428 231	411 441 023	405 390 533	10 895 589	16 356 464	89 288	78 890	4 328 222	2 052 691	22 053 618	23 814 585
Audit fee		108 765	88 532	38 756	35 117	124 553	102 838	40 160	36 389	111 166	90 706	109 090	88 821	40 158	36 348	71 202	64 515	83 201	74 957
Bank charges		300 049	186 798	6 966	3 333	412 303	280 127	3 973	1 944	274 857	262 406	48 426	56 763	6 731	4 941	21 628	29 571	87 758	98 160
Trustee fees		1 757 475	1 720 566	473 216	321 500	3 665 031	3 171 459	468 011	389 898	1 555 547	1 640 700	46 316	76 680	42 399	37 601	38 504	37 157	380 453	461 256
Management fee		776 194 533	761 390 980	-	-	735 668 243	612 882 966	-	-	409 499 453	403 396 721	10 691 757	16 134 200	-	-	4 196 888	1 921 448	21 502 206	23 180 212
OPERATING PROFIT BEFORE INCOME ADJUSTMENTS		301 454 434	339 902 085	1 163 288	454 468	1 393 838 551	1 218 080 167	763 107	232 740	603 227 421	683 774 473	18 636 839	32 316 368	244 976	203 117	53 771 857	45 084 908	385 101 597	432 503 494
(Expense)/revenue on creation and cancellation of units		(2 948 979)	(5 216 176)	130 241	4 921	36 074 263	37 582 404	22 011	(12 234)	1 030 578	(1 350 399)	(1 437 495)	(4 797 524)	77 976	(18 665)	(1 730 008)	2 606 465	-	-
PROFIT BEFORE UNDISTRIBUTABLE INCOME ITEMS	2	298 505 455	334 685 909	1 293 529	459 389	1 429 912 814	1 255 662 571	785 118	220 506	604 257 999	682 424 074	17 199 344	27 518 844	322 952	184 452	52 041 849	47 691 373	385 101 597	432 503 494
Investment transaction costs on investments at fair value through profit or loss		-	-	-	-	(118 295)	(113 015)	-	-	(330 679)	(393 139)	(53 342)	(80 244)	-	-	-	-	-	-
Realised gains on disposal of available-for-sale investments		2 743 453 148	1 456 475 410	185 251 778	56 800 563	2 910 505 300	1 379 935 176	444 567 962	175 573 356	1 644 417 404	867 168 636	147 936 033	287 495 664	39 696 926	31 476 976	318 563	7 586 575	-	-
Losses on investments at fair value through profit or loss		-	-	-	-	(304 411 111)	(306 549 949)	-	-	(879 853 977)	(926 097 216)	(118 915 090)	(218 058 761)	-	-	-	-	-	-
Foreign exchange gains/(losses) on monetary assets		-	-	4 225 392	2 461 931	198 600 919	113 729 634	(183 513)	(164 649)	75 531 498	55 247 769	-	-	914 002	1 228 338	-	-	-	-
Impairment of available-for-sale investments		(915 349 033)	(165 343 849)	-	-	(1 025 566 313)	(206 182 734)	-	-	(214 602 654)	(59 513 156)	(27 177 424)	(3 570 242)	-	-	-	-	-	-
OPERATING PROFIT FOR THE YEAR		2 126 609 570	1 625 817 470	190 770 699	59 721 883	3 208 923 314	2 236 481 683	445 169 567	175 629 213	1 229 419 591	618 836 968	18 989 521	93 305 261	40 933 880	32 889 766	52 360 412	55 277 948	385 101 597	432 503 494
Finance costs - distributions to unitholders	2	(301 841 362)	(336 833 549)	(1 293 529)	(459 389)	(1 429 912 814)	(1 255 662 571)	(785 118)	(220 506)	(604 257 999)	(682 424 074)	(17 199 344)	(27 518 844)	(322 952)	(184 452)	(52 041 849)	(47 691 373)	(385 101 597)	(432 503 494)
UNDISTRIBUTED PROFIT FOR THE YEAR		1 824 768 208	1 288 983 921	189 477 170	59 262 494	1 779 010 500	980 819 112	444 384 449	175 408 707	625 161 592	(63 587 106)	1 790 177	65 786 417	40 610 928	32 705 314	318 563	7 586 575	-	-
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS																			
Unrealised gains/(losses) on available-for-sale investments		6 394 697 943	4 539 046 564	5 064 635 897	1 023 213 671	13 869 142 177	5 868 441 152	3 913 512 296	833 453 100	4 491 570 991	1 934 650 924	159 604 377	205 564 562	258 828 841	60 895 205	(38 011 957)	35 029 130	-	-
Reclassification adjustment for realised gains on available-for-sale investments included in profit or loss		(2 743 453 148)	(1 456 475 410)	(185 251 778)	(56 800 563)	(2 910 505 300)	(1 379 935 176)	(444 567 962)	(175 573 356)	(1 644 417 404)	(867 168 636)	(147 936 033)	(287 495 664)	(39 696 926)	(31 476 976)	(318 563)	(7 586 575)	-	-
Reclassification adjustment for impairment of available-for-sale investments		915 349 033	165 343 849	-	-	1 025 566 313	206 182 734	-	-	214 602 654	59 513 156	27 177 424	3 570 242	-	-	-	-	-	-
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AS A RESULT OF OPERATIONS		6 391 362 036	4 536 898 924	5 068 861 289	1 025 675 602	13 763 213 690	5 675 507 822	3 913 328 783	833 288 451	3 686 917 833	1 063 408 338	40 635 945	(12 574 443)	259 742 843	62 123 543	(38 011 957)	35 029 130	-	-

ALLAN GRAY UNIT TRUSTS

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	
		2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
ASSETS									
Investments	8	36 946 329 423	32 402 283 339	13 043 360 383	6 139 962 894	83 474 778 440	61 903 966 239	11 281 914 040	7 038 290 257
Available-for-sale investments		36 537 329 423	31 485 135 526	13 043 360 383	6 139 962 894	70 588 676 608	52 617 348 739	11 281 914 040	7 038 290 257
- Equity instruments		36 537 329 423	31 485 135 526	-	-	40 744 582 627	30 714 166 425	-	-
- Listed bonds		-	-	-	-	8 110 912 875	6 481 223 638	-	-
- Foreign investments		-	-	13 043 360 383	6 139 962 894	21 733 181 106	15 421 958 676	11 281 914 040	7 038 290 257
Money market investments classified as loans and receivables		-	-	-	-	11 868 772 571	8 446 875 766	-	-
Cash and cash equivalents held for investment purposes		409 000 000	917 147 813	-	-	1 017 329 261	839 741 734	-	-
Accounts receivable*		88 430 179	77 821 950	167	125	46 656 429	24 820 028	-	22 000 086
Interest receivable		792 372	7 127 978	254 431	105 724	4 276 318	7 146 374	173 255	28 823
Cash and cash equivalents		10 894 198	6 894 623	89 811 586	32 147 669	6 188 230	9 612 916	65 890 149	(510 559)
TOTAL ASSETS		37 046 446 172	32 494 127 890	13 133 426 567	6 172 216 412	83 531 899 417	61 945 545 557	11 347 977 444	7 059 808 607
LIABILITIES									
Accounts payable*		53 240 904	112 055 240	43 089 191	11 065 196	78 332 489	292 800 460	31 090 700	70 417
Distribution payable to unitholders		250 838 825	91 754 679	1 293 529	459 389	830 630 934	570 417 375	785 118	220 506
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		304 079 729	203 809 919	44 382 720	11 524 585	908 963 423	863 217 835	31 875 818	290 923
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		36 742 366 443	32 290 317 971	13 089 043 847	6 160 691 827	82 622 935 994	61 082 327 722	11 316 101 626	7 059 517 684

	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
ASSETS										
Investments	32 986 729 595	28 989 510 128	844 576 371	1 003 530 595	1 287 474 978	627 792 134	630 961 582	804 590 108	7 847 226 552	7 799 117 584
Available-for-sale investments	21 824 561 109	18 569 761 442	750 157 885	914 379 277	1 287 474 978	627 792 134	567 699 816	584 985 014	-	-
- Equity instruments	10 892 536 064	8 749 951 962	750 157 885	914 379 277	-	-	-	-	-	-
- Listed bonds	2 492 016 773	2 287 284 378	-	-	-	-	567 699 816	584 985 014	-	-
- Foreign investments	8 440 008 272	7 532 525 102	-	-	1 287 474 978	627 792 134	-	-	-	-
Money market investments classified as loans and receivables	10 832 035 883	9 963 583 127	-	-	-	-	62 261 766	191 605 094	7 473 226 552	7 509 117 584
Cash and cash equivalents held for investment purposes	330 132 603	456 165 559	94 418 486	89 151 318	-	-	1 000 000	28 000 000	374 000 000	290 000 000
Accounts receivable*	3 026 154	6 769 972	877	3 264 528	782	69	-	-	76	81
Interest receivable	2 500 296	4 588 326	523 731	414 425	30 417	26 555	37 676	133 078	1 839 539	1 567 825
Cash and cash equivalents	29 081 393	9 313 982	4 738 075	6 464 642	7 239 547	9 864 232	943 365	1 219 525	5 573 698	5 095 495
TOTAL ASSETS	33 021 337 438	29 010 182 408	849 839 054	1 013 674 190	1 294 745 724	637 682 990	631 942 623	805 942 711	7 854 639 865	7 805 780 985
LIABILITIES										
Accounts payable*	38 951 355	34 436 197	967 222	1 166 197	43 690	3 539 431	634 677	265 637	1 990 385	1 994 079
Distribution payable to unitholders	162 489 272	158 983 521	9 119 344	10 213 936	322 952	184 452	11 406 270	14 018 717	34 364 269	32 795 832
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	201 440 627	193 419 718	10 086 566	11 380 133	366 642	3 723 883	12 040 947	14 284 354	36 354 654	34 789 911
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	32 819 896 811	28 816 762 690	839 752 488	1 002 294 057	1 294 379 082	633 959 107	619 901 676	791 658 357	7 818 285 211	7 770 991 074

* Accounts receivable and accounts payable are interest-free and are generally settled within 30 days.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2013

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	
	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
OPENING BALANCE	32 290 317 971	27 644 998 579	6 160 691 827	5 081 158 933	61 082 327 722	48 103 970 346	7 059 517 684	6 659 562 241
Increase/(decrease) in net assets attributable to unitholders as a result of operations	6 391 362 036	4 536 898 924	5 068 861 289	1 025 675 602	13 763 213 690	5 675 507 822	3 913 328 783	833 288 451
Undistributed profit/(loss) for the year	1 824 768 208	1 288 983 921	189 477 170	59 262 494	1 779 010 500	980 819 112	444 384 449	175 408 707
Other comprehensive income	4 566 593 828	3 247 915 003	4 879 384 119	966 413 108	11 984 203 190	4 694 688 710	3 468 944 334	657 879 744
Change in net assets attributable to unitholders as a result of net (cancellations)/creations of units during the year	(1 939 313 564)	108 420 468	1 859 490 731	53 857 292	7 777 394 582	7 302 849 554	343 255 159	(433 333 008)
TOTAL NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	36 742 366 443	32 290 317 971	13 089 043 847	6 160 691 827	82 622 935 994	61 082 327 722	11 316 101 626	7 059 517 684
Represented by the following:								
Cumulative available-for-sale reserve	14 634 661 878	10 068 068 050	6 364 441 289	1 484 956 656	24 421 934 980	12 424 127 244	4 776 343 751	1 307 330 394
Book value of net assets	22 107 704 565	22 222 249 921	6 724 602 558	4 675 735 171	58 201 001 014	48 658 200 478	6 539 757 875	5 752 187 290
TOTAL	36 742 366 443	32 290 317 971	13 089 043 847	6 160 691 827	82 622 935 994	61 082 327 722	11 316 101 626	7 059 517 684

	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
OPENING BALANCE	28 816 762 690	27 816 835 703	1 002 294 057	1 879 504 055	633 959 107	579 810 761	791 658 357	458 751 247	7 770 991 074	8 718 830 161
Increase/(decrease) in net assets attributable to unitholders as a result of operations	3 686 917 833	1 063 408 338	40 635 945	(12 574 443)	259 742 843	62 123 543	(38 011 957)	35 029 130	-	-
Undistributed profit/(loss) for the year	625 161 592	(63 587 106)	1 790 177	65 786 417	40 610 928	32 705 314	318 563	7 586 575	-	-
Other comprehensive income	3 061 756 241	1 126 995 444	38 845 768	(78 360 860)	219 131 915	29 418 229	(38 330 520)	27 442 555	-	-
Change in net assets attributable to unitholders as a result of net (cancellations)/creations of units during the year	316 216 288	(63 481 351)	(203 177 514)	(864 635 555)	400 677 132	(7 975 197)	(133 744 724)	297 877 980	47 294 137	(947 839 087)
TOTAL NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	32 819 896 811	28 816 762 690	839 752 488	1 002 294 057	1 294 379 082	633 959 107	619 901 676	791 658 357	7 818 285 211	7 770 991 074
Represented by the following:										
Cumulative available-for-sale reserve	7 257 452 547	4 184 985 688	378 096 196	339 250 428	290 237 319	71 105 403	(5 590 484)	33 022 470	-	-
Book value of net assets	25 562 444 264	24 631 777 002	461 656 292	663 043 629	1 004 141 763	562 853 704	625 492 160	758 635 887	7 818 285 211	7 770 991 074
TOTAL	32 819 896 811	28 816 762 690	839 752 488	1 002 294 057	1 294 379 082	633 959 107	619 901 676	791 658 357	7 818 285 211	7 770 991 074

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
		2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES																			
Interest received		70 843 030	78 432 268	1 533 519	708 694	1 030 050 288	873 452 179	1 130 819	656 027	720 790 119	822 852 625	5 352 391	9 174 104	330 402	284 210	57 924 772	44 155 616	378 714 211	490 364 729
Dividends received		1 011 539 541	1 021 111 374	-	-	1 002 579 674	902 099 927	-	-	262 973 885	264 028 808	24 070 731	40 184 121	-	-	-	-	-	-
Sundry income		1 055 296	928 688	-	-	292 983	1 019 122	-	-	-	207 453	-	47 784	-	-	-	-	-	-
Distributions paid		(142 757 216)	(327 917 880)	(459 389)	(597 541)	(1 169 699 255)	(1 215 117 943)	(220 506)	-	(600 752 248)	(703 939 425)	(18 293 936)	(38 431 388)	(184 452)	(142 995)	(54 654 296)	(41 691 069)	(383 533 160)	(438 910 676)
Cash (used)/generated by operations before working capital changes	4	(781 309 801)	(768 603 052)	3 836 695	2 106 902	(505 194 948)	(465 125 352)	(673 646)	(605 114)	(334 878 947)	(351 493 163)	(12 333 084)	(21 153 988)	902 690	1 130 783	(6 058 230)	553 774	(22 053 618)	(23 814 585)
Working capital changes	4	(66 709 570)	(19 241 948)	32 023 953	20 903 873	(234 408 000)	231 167 412	53 020 369	(21 978 715)	9 879 018	13 465 295	3 064 676	(16 868 354)	(3 496 454)	1 261 989	369 040	(4 832)	(3 689)	(164 381)
Net cash flow from operating activities		92 661 280	(15 290 550)	36 934 778	23 121 928	123 620 742	327 495 345	53 257 036	(21 927 802)	58 011 827	45 121 593	1 860 778	(27 047 721)	(2 447 814)	2 533 987	(2 418 714)	3 013 489	(26 876 256)	27 475 087
CASH FLOW FROM INVESTING ACTIVITIES																			
Purchase of investments		(13 249 199 758)	(10 808 537 458)	(4 522 486 835)	(683 537 916)	(46 779 276 549)	(36 760 431 188)	(1 023 336 465)	(99 035 351)	(35 570 795 447)	(31 171 974 716)	(1 535 640 658)	(2 498 814 676)	(1 187 294 009)	(538 752 653)	(742 303 636)	(1 023 714 491)	(19 930 871 818)	(27 810 150 319)
Proceeds on disposal of investments		15 099 851 617	10 712 743 199	2 687 950 635	635 806 716	39 073 437 458	29 240 002 652	693 041 465	526 145 352	35 291 866 241	31 244 670 236	1 735 230 827	3 389 088 358	787 354 008	548 692 789	878 190 914	723 232 382	19 910 932 140	28 729 514 977
Net cash flow from investing activities		1 850 651 859	(95 794 259)	(1 834 536 200)	(47 731 200)	(7 705 839 091)	(7 520 428 536)	(330 295 000)	427 110 001	(278 929 206)	72 695 520	199 590 169	890 273 682	(399 940 001)	9 940 136	135 887 278	(300 482 109)	(19 939 678)	919 364 658
CASH FLOW FROM FINANCING ACTIVITIES																			
Net (payments)/proceeds from creation and cancellation of units		(1 939 313 564)	108 420 468	1 859 490 731	53 857 292	7 777 394 582	7 302 849 554	343 255 159	(433 333 008)	316 216 288	(63 481 351)	(203 177 514)	(864 635 555)	400 677 132	(7 975 197)	(133 744 724)	297 877 980	47 294 137	(947 839 087)
Net cash flow from financing activities		(1 939 313 564)	108 420 468	1 859 490 731	53 857 292	7 777 394 582	7 302 849 554	343 255 159	(433 333 008)	316 216 288	(63 481 351)	(203 177 514)	(864 635 555)	400 677 132	(7 975 197)	(133 744 724)	297 877 980	47 294 137	(947 839 087)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3 999 575	(2 664 341)	61 889 309	29 248 020	195 176 233	109 916 363	66 217 195	(28 150 809)	95 298 909	54 335 762	(1 726 567)	(1 409 594)	(1 710 683)	4 498 926	(276 160)	409 360	478 203	(999 342)
Cash and cash equivalents at the beginning of the year		6 894 623	9 558 964	32 147 669	5 361 580	9 612 916	13 426 187	(510 559)	27 475 601	9 313 982	10 225 989	6 464 642	7 874 236	9 864 232	6 593 644	1 219 525	810 165	5 095 495	6 094 837
Foreign exchange (gain)/loss on monetary assets		-	-	(4 225 392)	(2 461 931)	(198 600 919)	(113 729 634)	183 513	164 649	(75 531 498)	(55 247 769)	-	-	(914 002)	(1 228 338)	-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		10 894 198	6 894 623	89 811 586	32 147 669	6 188 230	9 612 916	65 890 149	(510 559)	29 081 393	9 313 982	4 738 075	6 464 642	7 239 547	9 864 232	943 365	1 219 525	5 573 698	5 095 495

1. ACCOUNTING STANDARDS AND POLICIES

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost, in accordance with International Financial Reporting Standards ('IFRS'). These financial statements are presented in South African rands being the functional currency of the Funds. The accounting policies have been applied consistently in the current and prior years, unless specifically stated otherwise.

1.2 IFRS

The Funds have adopted all new and revised Standards, Interpretations and Amendments issued by the International Accounting Standards Board (the 'IASB') and the IFRS Interpretations Committee of the IASB that are relevant to their operations and effective for annual accounting periods ended 31 December 2013.

The significant accounting policies adopted in the preparation of the annual financial statements are set out below and are in accordance with and comply with IFRS.

The following new IFRS standards, interpretations and amendments applicable to the Funds were adopted during the year.

STATEMENTS/INTERPRETATIONS/AMENDMENTS		EFFECTIVE DATE YEARS BEGINNING ON / AFTER	IMPACT
IFRS 7	Amendment Offsetting financial assets and financial liabilities	1 January 2013	No material impact
IFRS 13	Fair value measurement	1 January 2013	Additional disclosure requirements
IAS 1	2012 Annual Improvements Project Clarification of requirements for comparative information and presentation of OCI	1 January 2013	No material impact

ALLAN GRAY UNIT TRUSTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

The following new or revised IFRS statements, interpretations and amendments applicable to the Funds have been issued but are not yet effective.

STATEMENTS/INTERPRETATIONS/AMENDMENTS		EFFECTIVE DATE YEARS BEGINNING ON/AFTER	EXPECTED IMPACT
IFRS 9	Financial instruments	To be confirmed	The available-for-sale designation for investments will no longer be available. As a result it is expected that these investments will be held at fair value through profit and loss.
IFRS 13	2013 Annual Improvements Project – Scope of portfolio exception (para 52)	1 July 2014	No significant impact expected
IAS 1	2013 Annual Improvements Project – Meaning of 'effective IFRSs'	1 July 2014	No significant impact expected
IAS 32	Amendment Offsetting financial assets and financial liabilities	1 January 2014	No significant impact expected

A number of other changes, that are effective for accounting periods ended after 31 December 2013, have been issued by the IASB and IFRS Interpretations Committee. However, these are not considered relevant to the Funds' operations.

1.3 ACCOUNTING POLICIES

The Funds have identified the accounting policies that are most significant to their operations and the understanding of their results. These accounting policies are set out below and have been consistently applied.

1.3.1 REVENUE

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Funds and the revenue can be measured reliably.

Dividend income comprises dividends accrued on equity investments for which the last date to register falls within the accounting period.

Interest income is accrued for on a daily basis using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its carrying value. Interest income includes income from cash and cash equivalents, debt securities and money market instruments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

1.3.2 INCOME ADJUSTMENTS

Income adjustments on creation/cancellation of units represent the income portion of the price received or paid when units are created or cancelled. The income portion of the price received by the Fund on creation of units is, in effect, a payment by unitholders for entitlement to a distribution of income that was earned by the Fund before they joined. The income portion of the price paid to unitholders when units are cancelled is, in effect, compensation for the income distribution they will forfeit when exiting the Fund before the distribution date. The income adjustment on creation or cancellation of units is recognised when units from which it arises are either purchased or sold.

1.3.3 REALISED GAINS AND LOSSES ON INVESTMENTS

Realised gains and losses on investments are calculated as the difference between sales proceeds and the original purchase price on a weighted average basis. Debt instruments are calculated as the difference between proceeds and amortized cost.

1.3.4 MANAGEMENT FEE

The management fee is the fee paid by the Funds to Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Manager') for the management of the Funds and the administration of unitholder transactions. Management fees are either performance-based or fixed and are calculated and accrued based on the daily market value of the portfolios.

1.3.5 DISTRIBUTIONS PAID

Distributions paid represent profits paid to unitholders at each distribution date. Distributable profits are determined by deducting operating expenses incurred from the revenue earned by the fund since the last distribution date.

Where the Funds' operating expenses exceed revenue earned during the distribution period, the shortfall is funded by reducing the non-distributable portion of the Funds' net assets attributable to unitholders.

Distributions to unitholders are recognised in the Statement of comprehensive income as finance costs.

1.3.6 TAXATION AND DEFERRED TAXATION

Taxation and deferred taxation are not recognised in the annual financial statements of the Funds as the Funds are all exempt from taxation under the current taxation laws of South Africa.

1.3.7 EXPENSES

All expenses are recognised in profit or loss on an accrual basis.

1.3.8 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

CLASSIFICATION

The Funds classify their investments in debt and equity instruments and unit trusts as available-for-sale financial assets, related derivatives as financial assets at fair value through profit or loss and money market instruments as loans and receivables.

ALLAN GRAY UNIT TRUSTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that are intended to be held for an indefinite period of time, and that may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices. Investments in bonds, equities (including mutual funds and commodities) and unit trusts are classified as available-for-sale assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets classified as financial assets at fair value through profit or loss are designated as such upon initial recognition. This designation is based on the Funds' intention to hold and sell such financial assets for its benefit. Derivatives are categorised as held for trading and are not designated as effective hedging instruments in terms of IAS 39. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Money market instruments are classified as loans and receivables.

FINANCIAL LIABILITIES

The Funds classify their trade and other payables as financial instruments measured at amortised cost and net assets attributable to unitholders are classified as financial liabilities at fair value through profit or loss.

RECOGNITION AND MEASUREMENT

A 'regular way' contract is one that requires the delivery of an asset within the time frame established, generally by regulation or convention within the marketplace concerned. Regular way purchases and sales of financial assets are recognised using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or to sell an asset.

Financial instruments are recognised on the trade date at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Funds determine the classification of their financial instruments on initial recognition, when the Fund becomes a party to the contract governing the instrument.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income. Fair value is determined as the quoted price at the reporting date. Gains and losses arising from changes in the fair value are recognised in other comprehensive income, with the exception of foreign exchange gains or losses on monetary items; these are recognised immediately in profit or loss. When instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

Interest on available-for-sale debt instruments is calculated using the effective interest method and is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets designated as at fair value through profit or loss are measured at fair value. Subsequent to initial recognition, investments at fair value through profit or loss are marked to market on a daily basis with changes in fair value taken through profit or loss as gains and losses. Attributable transaction costs are recognised in profit or loss as incurred.

LOANS AND RECEIVABLES
Loans and receivables are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash commitments rather than for investment or other purposes are current assets and disclosed separately on the face of the Statement of financial position. Margin deposits are aggregated with cash balances held for investment purposes and are disclosed as cash and cash equivalents held for investment purposes on the face of the Statement of financial position. Margin deposits are not readily available for use by the Funds as they are held as collateral to cover losses that the Funds may incur from their derivative trades. Details on margin deposits may be found in note 8.3.

Subsequent to initial recognition, cash and cash equivalents, accounts receivable, accounts payable and distributions payable to unitholders are measured at amortised cost using the effective interest rate method.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES
A financial asset is derecognised where:
- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset, or
- The Fund has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS
The Funds assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

ASSETS CARRIED AT AMORTISED COST
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced directly. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its original amortised cost at the reversal date.

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS
In the case of available-for-sale equity instruments, a significant or prolonged decline in the fair value of the instrument below its cost is considered in determining whether the instruments are impaired. A decrease of 30% in fair value is seen as significant and a period of 12 months or more as prolonged. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its original amortised cost at the date of reversal.

DETERMINATION OF FAIR VALUE
Financial instruments carried at fair value are valued based on a quoted price in an active market. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.
An analysis of fair values of financial instruments and further details as to how they are measured, are provided in note 8.2.

OFFSETTING
A financial asset and a financial liability are offset, and the net amount presented in the Statement of financial position, only when the Funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are only offset to the extent that their related instruments have been offset in the Statement of financial position.

1.3.9 FOREIGN CURRENCIES

Foreign currency items are recorded at the exchange rate ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the Statement of financial position date or when settled. Gains and losses arising from the translation of these monetary assets and liabilities are recognised in profit or loss.

Non-monetary assets classified as available-for-sale investments are also translated at rates of exchange ruling at the reporting date. Unrealised gains and losses arising from the translation of these assets are included in unrealised gains and losses on available-for-sale investments and are recognised in other comprehensive income.

1.3.10 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Units issued by the Funds are classified as financial liabilities and disclosed as net assets attributable to unitholders. The value of net assets attributable to unitholders is what is commonly known as the capital value of the fund. This financial liability (as defined by IAS 32) is carried at fair value, being the redemption amount representing the unitholders' right to a residual interest in the Funds' net assets.

1.3.11 CRITICAL JUDGEMENT IN APPLYING THE FUNDS' ACCOUNTING POLICIES

The Funds follow the guidance of IAS 39 to determine when an available-for-sale asset is impaired. In making this judgement the Funds evaluate, among other factors the duration and extent to which the fair value of an investment is less than its cost.

1.3.12 FINANCIAL RESULTS

The results of operations for the year are prepared in terms of IFRS and are set out in the accompanying Statements of comprehensive income and Statements of cash flows for the year ended 31 December 2013 as well as the Statements of financial position as at 31 December 2013.

1.3.13 EVENTS SUBSEQUENT TO YEAR END

The South African Reserve Bank Exchange Control regulations restrict collective investment scheme management companies to invest up to a maximum of 35% of their total retail assets under management in foreign investments. The Manager has reached this maximum limit for foreign investments and, as a result, may no longer accept new discretionary investments into the Allan Gray-Orbis Global Equity Feeder Fund, the Allan Gray-Orbis Global Fund of Funds and the Allan Gray-Orbis Global Optimal Fund of Funds. The Manager cannot predict if or when these funds will reopen – this will depend on overall flows, investment performance and the exchange rate.

There were no other significant events subsequent to year end.

2. DISTRIBUTION SCHEDULES

	NOTES	2013	2012
Distributions paid are calculated to the fourth decimal place.			
Allan Gray Equity Fund			
30 June			
Class A			
Cents per unit		38.9821	183.8525
Distribution paid - R		51 002 537	242 420 823
Class B			
Cents per unit		-	68.4812
Distribution paid - R		-	2 658 047
31 December			
Class A			
Cents per unit		195.6494	69.1269
Distribution paid - R		222 380 614	91 754 679
Class B			
Cents per unit		22.3941	-
Distribution paid - R		680 417	-
Class C			
Cents per unit		225.1460	-
Distribution paid - R		27 777 794	-
TOTAL DISTRIBUTION FOR THE YEAR		301 841 362	336 833 549
Shortfall of income funded by net assets attributed to unitholders	3	(3 335 907)	(2 147 640)
DISTRIBUTABLE PROFIT FOR THE YEAR		298 505 455	334 685 909
Allan Gray-Orbis Global Equity Feeder Fund			
31 December			
Class A			
Cents per unit		0.3809	0.1613
Distribution paid - R		1 293 529	459 389
TOTAL DISTRIBUTION FOR THE YEAR		1 293 529	459 389
Allan Gray Balanced Fund			
30 June			
Class A			
Cents per unit		63.9191	80.1127
Distribution paid - R		593 804 922	669 557 427
Class B			
Cents per unit		20.1326	41.8376
Distribution paid - R		5 476 958	15 687 769
31 December			
Class A			
Cents per unit		82.2722	63.4551
Distribution paid - R		726 336 841	564 076 328

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2. DISTRIBUTION SCHEDULES (CONTINUED)

	NOTES	2013	2012
Class B			
Cents per unit		32.9661	22.4711
Distribution paid - R		8 849 592	6 341 047
Class C			
Cents per unit		85.1816	-
Distribution paid - R		95 444 501	-
TOTAL DISTRIBUTION FOR THE YEAR		1 429 912 814	1 255 662 571
Allan Gray-Orbis Global Fund of Funds			
31 December			
Class A			
Cents per unit		0.1766	0.0511
Distribution paid - R		785 118	220 506
TOTAL DISTRIBUTION FOR THE YEAR		785 118	220 506
Allan Gray Stable Fund			
31 March			
Class A			
Cents per unit		13.4051	16.1632
Distribution paid - R		141 964 552	175 302 077
Class B			
Cents per unit		5.6297	8.6083
Distribution paid - R		3 240 887	6 906 740
30 June			
Class A			
Cents per unit		13.0091	17.8014
Distribution paid - R		137 514 267	194 352 108
Class B			
Cents per unit		4.5160	10.1601
Distribution paid - R		2 521 562	8 150 938
30 September			
Class A			
Cents per unit		14.2539	12.3897
Distribution paid - R		147 863 085	135 823 143
Class B			
Cents per unit		5.3597	4.6614
Distribution paid - R		3 025 981	2 905 547
Class C			
Cents per unit		14.9790	-
Distribution paid - R		5 638 393	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

	NOTES	2013	2012
31 December			
Class A			
Cents per unit		14.3869	14.3128
Distribution paid - R		144 090 153	155 319 339
Class B			
Cents per unit		5.5375	6.1522
Distribution paid - R		3 039 852	3 664 182
Class C			
Cents per unit		15.6064	-
Distribution paid - R		15 359 267	-
TOTAL DISTRIBUTION FOR THE YEAR		604 257 999	682 424 074
Allan Gray Optimal Fund			
30 June			
Class A			
Cents per unit		15.6466	22.7463
Distribution paid - R		8 032 843	17 083 440
Class B			
Cents per unit		5.1752	12.3510
Distribution paid - R		47 157	221 468
31 December			
Class A			
Cents per unit		19.0309	17.1315
Distribution paid - R		9 037 737	10 144 779
Class B			
Cents per unit		8.0403	6.5436
Distribution paid - R		66 880	69 157
Class C			
Cents per unit		20.6937	-
Distribution paid - R		14 727	-
TOTAL DISTRIBUTION FOR THE YEAR		17 199 344	27 518 844
Allan Gray-Orbis Global Optimal Fund of Funds			
31 December			
Class A			
Cents per unit		0.3877	0.3246
Distribution paid - R		322 952	184 452
TOTAL DISTRIBUTION FOR THE YEAR		322 952	184 452
Allan Gray Bond Fund			
31 March			
Class A			
Cents per unit		19.2730	20.1139
Distribution paid - R		13 417 989	9 839 576

2. DISTRIBUTION SCHEDULES (CONTINUED)

	NOTES	2013	2012
30 June			
Class A			
Cents per unit		20.2218	20.1759
Distribution paid - R		13 692 209	10 921 560
30 September			
Class A			
Cents per unit		20.3667	19.7622
Distribution paid - R		13 525 381	12 911 520
31 December			
Class A			
Cents per unit		20.3958	20.4677
Distribution paid - R		11 406 270	14 018 717
TOTAL DISTRIBUTION FOR THE YEAR		52 041 849	47 691 373

ALLAN GRAY MONEY MARKET FUND

The Allan Gray Money Market Fund distributes on a daily basis. This distribution is paid over to unitholders on a monthly basis. These daily distribution details have not been disclosed in this note due to the frequency of the distributions.

INVESTMENTS APPLIED TO THE FUNDING OF DISTRIBUTION PAYABLE TO UNITHOLDERS

In the event of a cash shortfall to fund distributions, the Funds have access to liquid assets, classified as cash and cash equivalents held for investment purposes, to honour their obligations to unitholders. The following funds were in this position at reporting date:

2013	EQUITY FUND R	BALANCED FUND R
Distribution payable to unitholders	250 838 825	830 630 934
Distribution to be reinvested	(151 380 707)	(518 936 703)
Distribution expected to be paid in cash	99 458 118	311 694 231
Less: Current account cash balance	(10 894 198)	(6 188 230)
CASH AND CASH EQUIVALENTS HELD FOR INVESTMENT PURPOSES RING-FENCED IN THE EVENT OF A CASH SHORTFALL AT DISTRIBUTION DATE	88 563 920	305 506 001
2013	**STABLE FUND R**	**BOND FUND R**
Distribution payable to unitholders	162 489 272	11 406 270
Distribution to be reinvested	(111 494 631)	(6 451 778)
Distribution expected to be paid in cash	50 994 641	4 954 492
Less: Current account cash balance	(29 081 393)	(943 365)
CASH AND CASH EQUIVALENTS HELD FOR INVESTMENT PURPOSES RING-FENCED IN THE EVENT OF A CASH SHORTFALL AT DISTRIBUTION DATE	21 913 248	4 011 127

2012	EQUITY FUND R	BALANCED FUND R
Distribution payable to unitholders	91 754 679	570 417 375
Distribution to be reinvested	(83 936 474)	(530 111 346)
Distribution expected to be paid in cash	7 818 205	40 306 029
Less: Current account cash balance	(6 894 623)	(9 612 916)
CASH AND CASH EQUIVALENTS HELD FOR INVESTMENT PURPOSES RING-FENCED IN THE EVENT OF A CASH SHORTFALL AT DISTRIBUTION DATE	923 582	30 693 113
2012	**STABLE FUND R**	**BOND FUND R**
Distribution payable to unitholders	158 983 521	14 018 717
Distribution to be reinvested	(149 009 500)	(13 869 929)
Distribution expected to be paid in cash	9 974 021	148 788
Less: Current account cash balance	(9 313 982)	(1 219 525)
CASH AND CASH EQUIVALENTS HELD FOR INVESTMENT PURPOSES RING-FENCED IN THE EVENT OF A CASH SHORTFALL AT DISTRIBUTION DATE	660 039	N/A

3. SHORTFALLS OF DISTRIBUTABLE PROFITS

The following amounts have been transferred from the net assets attributable to unitholders to fund shortfalls in distributable profits in terms of Section 51.2 of the Funds Trust Deed.

	2013 R	2012 R
Allan Gray Equity Fund B Class (December)	-	2 147 640
Allan Gray Equity Fund B Class (June)	3 335 907	-
TOTAL SHORTFALLS FOR THE YEAR	3 335 907	2 147 640

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4. NOTES TO THE STATEMENTS OF CASH FLOWS

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	
	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
CASH GENERATED BY OPERATIONS								
Profit for the year	2 126 609 570	1 625 817 470	190 770 699	59 721 883	3 208 923 314	2 236 481 683	445 169 567	175 629 213
Adjusted for:								
Impairment of available-for-sale investments	915 349 033	165 343 849	-	-	1 025 566 313	206 182 734	-	-
Investment transaction costs on investments at fair value through profit or loss	-	-	-	-	118 295	113 015	-	-
Sundry income	(1 055 296)	(928 688)	-	-	(292 983)	(1 019 122)	-	-
Interest income	(64 507 424)	(81 256 941)	(1 682 226)	(814 418)	(1 128 939 652)	(931 398 508)	(1 275 251)	(660 971)
Dividend income	(1 014 252 536)	(1 021 103 332)	-	-	(1 004 476 046)	(902 099 927)	-	-
Realised gains on disposal of available-for-sale investments	(2 743 453 148)	(1 456 475 410)	(185 251 778)	(56 800 563)	(2 910 505 300)	(1 379 935 176)	(444 567 962)	(175 573 356)
Losses on investments at fair value through profit or loss	-	-	-	-	304 411 111	306 549 949	-	-
CASH (USED)/GENERATED BY OPERATIONS BEFORE WORKING CAPITAL CHANGES	(781 309 801)	(768 603 052)	3 836 695	2 106 902	(505 194 948)	(465 125 352)	(673 646)	(605 114)
WORKING CAPITAL CHANGES								
(Increase)/decrease in accounts receivable	(7 895 234)	(46 579 018)	(42)	9 999 875	(19 940 029)	3 091 497	22 000 086	(22 000 026)
(Decrease)/increase in accounts payable	(58 814 336)	27 337 070	32 023 995	10 903 998	(214 467 971)	228 075 915	31 020 283	21 311
WORKING CAPITAL CHANGES	(66 709 570)	(19 241 948)	32 023 953	20 903 873	(234 408 000)	231 167 412	53 020 369	(21 978 715)

	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R	2013 R	2012 R
CASH GENERATED BY OPERATIONS										
Profit for the year	1 229 419 591	618 836 968	18 989 521	93 305 261	40 933 880	32 889 766	52 360 412	55 277 948	385 101 597	432 503 494
Adjusted for:										
Impairment of available-for-sale investments	214 602 654	59 513 156	27 177 424	3 570 242	-	-	-	-	-	-
Investment transaction costs on investments at fair value through profit or loss	330 679	393 139	53 342	80 244	-	-	-	-	-	-
Sundry income	-	(207 453)	-	(47 784)	-	-	-	-	-	-
Interest income	(750 074 517)	(824 928 745)	(5 461 697)	(8 440 927)	(334 264)	(282 007)	(58 100 079)	(47 137 599)	(407 155 215)	(456 318 079)
Dividend income	(264 593 927)	(264 028 808)	(24 070 731)	(40 184 121)	-	-	-	-	-	-
Realised gains on disposal of available-for-sale investments	(1 644 417 404)	(867 168 636)	(147 936 033)	(287 495 664)	(39 696 926)	(31 476 976)	(318 563)	(7 586 575)	-	-
Losses on investments at fair value through profit or loss	879 853 977	926 097 216	118 915 090	218 058 761	-	-	-	-	-	-
CASH (USED)/GENERATED BY OPERATIONS BEFORE WORKING CAPITAL CHANGES	(334 878 947)	(351 493 163)	(12 333 084)	(21 153 988)	902 690	1 130 783	(6 058 230)	553 774	(22 053 618)	(23 814 585)
WORKING CAPITAL CHANGES										
(Increase)/decrease in accounts receivable	5 363 860	14 478 413	3 263 651	(3 106 527)	(713)	(62)	-	-	5	(81)
(Decrease)/increase in accounts payable	4 515 158	(1 013 118)	(198 975)	(13 761 827)	(3 495 741)	1 262 051	369 040	(4 832)	(3 694)	(164 300)
WORKING CAPITAL CHANGES	9 879 018	13 465 295	3 064 676	(16 868 354)	(3 496 454)	1 261 989	369 040	(4 832)	(3 689)	(164 381)

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5. RECONCILIATION OF UNITS

	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
2013									
Opening balance	136 361 025	284 704 596	916 973 209	431 335 071	1 144 793 420	60 275 115	56 825 285	68 515 451	7 770 991 074
Net units (cancelled)/created during the year	(7 320 474)	54 821 160	104 431 527	13 245 587	9 583 919	(11 886 945)	26 270 924	(12 183 109)	47 294 137
CLOSING BALANCE	129 040 551	339 525 756	1 021 404 736	444 580 658	1 154 377 339	48 388 170	83 096 209	56 332 342	7 818 285 211
2012									
Opening balance	135 703 722	282 641 679	800 424 979	459 915 263	1 146 560 280	112 104 264	56 009 720	41 990 590	8 718 830 160
Net units created/(cancelled) during the year	657 303	2 062 917	116 548 230	(28 580 192)	(1 766 860)	(51 829 149)	815 565	26 524 861	(947 839 086)
CLOSING BALANCE	136 361 025	284 704 596	916 973 209	431 335 071	1 144 793 420	60 275 115	56 825 285	68 515 451	7 770 991 074

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES

CENTS	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
2013									
CLASS A									
Lowest	24 069.83	2 232.59	6 732.12	1 659.25	2 525.85	1 667.02	1 121.37	1 089.27	100.00
Highest	28 823.43	3 855.48	8 171.42	2 545.52	2 857.47	1 755.70	1 558.08	1 195.59	100.00
CLASS B									
Lowest	23 138.25	n/a	6 731.66	n/a	2 525.68	1 666.85	n/a	n/a	n/a
Highest	27 552.80	n/a	8 122.12	n/a	2 848.62	1 745.78	n/a	n/a	n/a
CLASS C									
Lowest	24 677.57	n/a	7 297.00	n/a	2 729.46	1 713.03	n/a	n/a	n/a
Highest	28 845.91	n/a	8 174.33	n/a	2 858.70	1 757.21	n/a	n/a	n/a
2012									
CLASS A									
Lowest	20 658.15	1 798.42	6 035.70	1 403.29	2 401.49	1 669.41	986.77	1 083.84	100.00
Highest	23 850.06	2 249.43	6 742.79	1 711.03	2 581.21	1 701.47	1 181.81	1 177.45	100.00
CLASS B									
Lowest	19 817.92	n/a	6 034.87	n/a	2 398.58	1 663.55	n/a	n/a	n/a
Highest	22 893.58	n/a	6 704.09	n/a	2 580.34	1 695.69	n/a	n/a	n/a

n/a denotes funds without either B-Class or C-Class units

The prices of units fluctuate in accordance with the changes in the market values of the investments included in the portfolio.

7. RELATED PARTY TRANSACTIONS

All transactions with related parties are conducted at arm's length. Outstanding balances bear no interest, are unsecured and are settled within 14 days of invoice date.

The Manager earns a management fee for managing and administering the Funds. Management fees per fund are either performance-based or fixed. As a consequence of the performance fee orientation, management fees will typically be higher following periods where the Funds' total investment performance (income plus capital appreciation) have outperformed their respective benchmarks and lower in the case of underperformance. This ensures that the Manager's interests are aligned with those of our investors.

During the year, the Funds collectively paid management fees of R1 957.8m, including VAT, to the Manager (2012: R1 818.9m). At 31 December 2013, the balance due to the Manager is detailed as follows:

	VAT INCLUSIVE 2013 R	VAT INCLUSIVE 2012 R
Allan Gray Equity Fund	46 382 190	67 538 718
Allan Gray Balanced Fund	56 703 930	56 819 113
Allan Gray Stable Fund	37 982 860	33 461 020
Allan Gray Optimal Fund	863 007	1 066 387
Allan Gray Bond Fund	480 883	191 911
Allan Gray Money Market Fund	1 878 688	1 878 427
	144 291 558	160 955 576

The directors of the Manager have acquired and hold units in the Funds. These units were valued at R49 200 842 at 31 December 2013 (2012: R39 430 914). During the year, the directors' share of distributions paid by the Funds on their attributable unit holdings amounted to R248 372 (2012: R404 096).

The Manager holds discretionary investments in the Funds. These units were valued at R95 199 020 at 31 December 2013 (2012: R497 069). During the year, the Manager's share of distributions paid by the Funds on their attributable unit holdings amounted to R49 984 (2012: R10 800).

8. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

8.1 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Funds maintain positions in a variety of derivative and non-derivative financial instruments as dictated by each Fund's specific investment management strategy. The Funds' investment portfolios may comprise listed equity and debt investments, unlisted equity and debt investments, investments in other funds, unlisted money market instruments and short-term cash deposits. Asset allocation is determined by the Funds' Manager who manages the distribution of the assets to achieve the Funds' investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored daily by the Allan Gray compliance department.

MARKET RISK

The Funds' investing activities expose unitholders to various types of risk that are associated with the financial instruments and markets in which the Funds invest. Market risk is defined as 'the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate, foreign currency and other price risks.

The table below shows the Funds' exposure to price and interest rate risks, split into the different types of financial instruments held by the Funds at reporting date. The analysis only relates to instruments subject to those specific risks.

2013 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	36 537 329	13 043 360	62 477 764	11 281 914	19 332 544	750 158	1 287 475	-	-
Local instruments	36 537 329	-	40 744 583	-	10 892 536	750 158	-	-	-
Foreign instruments*	-	13 043 360	21 733 181	11 281 914	8 440 008	-	1 287 475	-	-
Subject to interest rate risk	409 000	-	20 997 015	-	13 654 185	94 418	-	630 962	7 847 227
Money market and cash investments	409 000	-	12 886 102	-	11 162 168	94 418	-	63 262	7 847 227
Bonds	-	-	8 110 913	-	2 492 017	-	-	567 700	-
TOTAL INVESTMENTS	36 946 329	13 043 360	83 474 779	11 281 914	32 986 729	844 576	1 287 475	630 962	7 847 227

*Included in foreign instruments is cash held in foreign currency for investment in foreign mutual funds.

MARKET RISK (CONTINUED)

2012 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	31 485 136	6 139 963	46 136 125	7 038 290	16 282 477	914 379	627 792	-	-
Local instruments	31 485 136	-	30 714 166	-	8 749 952	914 379	-	-	-
Foreign instruments*	-	6 139 963	15 421 959	7 038 290	7 532 525	-	627 792	-	-
Subject to interest rate risk	917 148	-	15 767 842	-	12 707 033	89 151	-	804 590	7 799 118
Money market and cash investments	917 148	-	9 286 618	-	10 419 749	89 151	-	219 605	7 799 118
Bonds	-	-	6 481 224	-	2 287 284	-	-	584 985	-
TOTAL INVESTMENTS	32 402 284	6 139 963	61 903 967	7 038 290	28 989 510	1 003 530	627 792	804 590	7 799 118

*Included in foreign instruments is cash held in foreign currency for investment in foreign mutual funds.

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

Unitholders are exposed to changes in the market values of the individual investments underlying each Fund. The security selection and asset allocation within each of the Funds is monitored daily by the Manager in terms of each individual Fund's stated investment objectives. Allan Gray's compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act, No. 24 of 1956 where applicable ('Regulation 28') and the CISCA, (as amended from time to time)) and the Funds' investment mandates on a daily basis. In addition, price risk may be hedged using derivative financial instruments such as futures contracts.

Exposure to price risk is mainly through listed instruments.

There has been no change to the Funds' exposure to price risk or the manner in which it manages and measures the risk. The following analysis indicates the possible impact on net assets attributable to unitholders to price risk, until such time as the investments are sold. The table also illustrates the effect of possible changes in fair value of investments for price risk, assuming that all other variables remain constant. Note that changes in the fair value of available for sale investments will impact other comprehensive income whilst changes in the fair value of derivative hedging instruments will impact profit or loss. It follows that the actual results may differ from the sensitivity analysis below and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

2013 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS
INVESTMENTS SUBJECT TO PRICE RISK	36 537 329	13 043 360	62 477 764	11 281 914	19 332 544	750 158	1 287 475
Analysed as follows:							
Local Instruments							
Net exposure	36 537 329	-	38 577 434	-	5 825 986	37 505	-
Gross instruments	36 537 329	-	40 744 583	-	10 892 536	750 158	-
Hedged instruments	-	-	(2 167 149)	-	(5 066 550)	(712 653)	-
+ or - 5%	1 826 866	-	1 928 872	-	291 299	1 875	-
+ or - 10%	3 653 733	-	3 857 743	-	582 599	3 750	-
+ or - 20%	7 307 466	-	7 715 487	-	1 165 197	7 501	-
Foreign Instruments							
Foreign exposure	-	13 043 360	21 733 181	11 281 914	8 440 008	-	1 287 475
+ or - 5%	-	652 168	1 086 659	564 096	422 000	-	64 374
+ or - 10%	-	1 304 336	2 173 318	1 128 191	844 001	-	128 748
+ or - 20%	-	2 608 672	4 346 636	2 256 383	1 688 002	-	257 495

PRICE RISK (CONTINUED)

2012 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS
INVESTMENTS SUBJECT TO PRICE RISK	31 485 136	6 139 963	46 136 125	7 038 290	16 282 477	914 379	627 792
Analysed as follows:							
Local Instruments							
Net exposure	31 485 136	-	28 890 383	-	3 509 093	38 458	-
Gross instruments	31 485 136	-	30 714 166	-	8 749 952	914 379	-
Hedged instruments	-	-	(1 823 783)	-	(5 240 859)	(875 921)	-
+ or - 5%	1 574 257	-	1 444 519	-	175 455	1 923	-
+ or - 10%	3 148 514	-	2 889 038	-	350 909	3 846	-
+ or - 20%	6 297 027	-	5 778 077	-	701 819	7 692	-
Foreign Instruments							
Foreign exposure	-	6 139 963	15 421 959	7 038 290	7 532 525	-	627 792
+ or - 5%	-	306 998	771 098	351 915	376 626	-	31 390
+ or - 10%	-	613 996	1 542 196	703 829	753 253	-	62 779
+ or - 20%	-	1 227 993	3 084 392	1 407 658	1 506 505	-	125 558

INTEREST RATE RISK

The value of Funds' holding in listed interest bearing investments varies in accordance with changes in the prevailing market interest rates. The risk of loss due to adverse interest rate movements is monitored daily by the Manager. All Funds are exposed to interest rate risk as a result of cash balances held, however, the Funds that are significantly exposed to interest rate risk are those that invest in bonds (the Allan Gray Balanced Fund, the Allan Gray Bond Fund and the Allan Gray Stable Fund) and money market instruments (the Allan Gray Bond Fund, the Allan Gray Balanced Fund, the Allan Gray Stable Fund and the Allan Gray Money Market Fund). See note 8.4 for maturity profiles of interest-bearing investments.

The table on page 72 illustrates the effect of possible changes in prevailing interest rates, with all other variables held constant. The effect on initial margin deposits on derivative investments is factored into the calculation. This analysis ignores operating bank accounts in the underlying Funds. Modified duration is used to estimate the change in the net assets attributable to unitholders as a result of a change in interest rates. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

R'000 SENSITIVITY TO CHANGES IN INTEREST RATES	2013			2012		
	INVESTMENT VALUE	+ OR - 0.50%	+ OR - 1.00%	INVESTMENT VALUE	+ OR - 0.50%	+ OR - 1.00%
Allan Gray Balanced Fund	20 997 015	171 091	342 183	15 767 841	147 653	295 306
Allan Gray Stable Fund	13 654 185	14 267	28 534	12 707 033	70 051	140 101
Allan Gray Bond Fund	630 962	16 334	32 669	804 590	18 129	36 258

The Allan Gray Money Market Fund investment valuations do not change as a result of a change in interest rates. The Allan Gray Equity Fund, the Allan Gray-Orbis Global Fund of Funds, the Allan Gray Optimal Fund, the Allan Gray-Orbis Global Optimal Fund of Funds and the Allan Gray-Orbis Global Equity Feeder Fund all have cash balances that attract variable interest rates. Fluctuations in prevailing interest rates would therefore have no effect on those cash balances. However, there would be changes to the interest income of the Funds. Any such changes would be immaterial due to the temporary nature of these balances.

FOREIGN CURRENCY RISK

The Allan Gray Balanced Fund, the Allan Gray Stable Fund, the Allan Gray-Orbis Global Fund of Funds, the Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Optimal Fund of Funds invest in foreign mutual funds. For the purposes of IFRS disclosure, currency risk is not considered to arise from financial instruments that are non-monetary items, however to the extent that these Funds hold cash in foreign currencies, they expose unitholders to risk in respect of changes in foreign exchange rates. The risk of loss due to adverse foreign exchange rate movements is monitored daily by the Manager.

The table on page 73 illustrates the effect of possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

FOREIGN CURRENCY RISK (CONTINUED)

R'000	2013		2012	
	DOLLAR-DENOMINATED	EURO-DENOMINATED	DOLLAR-DENOMINATED	EURO-DENOMINATED
Allan Gray-Orbis Equity Feeder Fund	43 101	-	10 986	-
+ or - 5%	2 155	-	549	-
+ or - 10%	4 310	-	1 099	-
+ or - 20%	8 620	-	2 197	-
Allan Gray Balanced Fund	409 189	-	1 170 456	-
+ or - 5%	20 459	-	58 523	-
+ or - 10%	40 919	-	117 046	-
+ or - 20%	81 838	-	234 091	-
Allan Gray-Orbis Global Fund of Funds	28 180	2 896	-	-
+ or - 5%	1 409	145	-	-
+ or - 10%	2 818	290	-	-
+ or - 20%	5 636	579	-	-
Allan Gray Stable Fund	181 987	-	426 677	-
+ or - 5%	9 099	-	21 334	-
+ or - 10%	18 199	-	42 668	-
+ or - 20%	36 397	-	85 335	-
Allan Gray-Orbis Global Optimal Fund of Funds	-	-	3 496	-
+ or - 5%	-	-	175	-
+ or - 10%	-	-	350	-
+ or - 20%	-	-	699	-

The Allan Gray Balanced Fund, the Allan Gray Stable Fund, the Allan Gray-Orbis Global Fund of Funds, the Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Global Optimal Fund of Funds use foreign currency to purchase investments in foreign mutual funds.

LIQUIDITY RISK

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk management rests with the Manager, which has built an appropriate liquidity risk management framework for the management of each of the Fund's short-, medium- and long-term funding and liquidity management requirements. The Funds manage their liquidity risk by investing in marketable securities listed on recognised exchanges which may be sold in an active market.

The Funds have access to overdraft facilities with one of the major banks. CISCA allows the Funds to utilise

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

these facilities in cases where insufficient liquidity exists in a portfolio or where assets cannot be realised to repurchase participatory interests. Borrowings may not exceed 10% of the market value of such a portfolio at the time of borrowing. Allan Gray's compliance department monitors compliance with the applicable regulations. The contractual value of accounts payable and net assets attributable to unitholders is the carrying value. The maturity for accounts payable and distributions payable is less than 30 days and net assets attributable to unitholders are payable on demand.

The Funds in aggregate have an overdraft facility of R1bn with First National Bank. This is limited to 10% of the market value of the borrowing Fund. As at 31 December 2013 the Funds had not utilised their overdraft facility.

The Funds' main concentration of liquidity risk lies with the net assets attributable to unitholders and distributions payable to unitholders, as disclosed on the face of the Statements of financial position and note 2.

There has been no change in the manner in which the Funds manage and measure risk.

CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds.

The Funds expose unitholders to credit risk as a result of transacting with various institutions. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. An interest rate policy committee manages credit risk by setting exposure limits for counterparties, issuers and financial instruments.

Allan Gray's compliance department monitors compliance with applicable regulations (for example Regulation 28 and CISCA) and the investment mandate on a daily basis. Maximum exposure to individual instruments does not exceed those set out by the regulations mentioned above.

The carrying amount of financial assets recorded in the financial statements represents unitholders' maximum exposure to credit risk. At 31 December 2013 the Funds did not consider there to be any significant concentration of credit risk which needed to be provided for. Accounts receivable are considered to be of a high credit quality.

The table on page 75 provides an analysis of the credit quality of interest-bearing investments at reporting date. Fitch ratings are used to describe the credit quality. Ratings are presented in ascending order of credit risk.

There has been no change in the manner in which the Funds manage and measure the risk.

CREDIT RISK (CONTINUED)

2013	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	BOND FUND	MONEY MARKET FUND
National long-term credit ratings						
AAA	-	19%	4%	-	51%	-
AA+	-	3%	2%	-	2%	-
AA	-	8%	6%	-	19%	-
AA-	-	1%	-	-	5%	-
A+	-	4%	2%	-	5%	-
A	-	1%	3%	-	1%	-
A-	-	1%	-	-	2%	-
BBB+	-	1%	-	-	2%	-
BBB	-	-	-	-	1%	-
National short-term credit ratings						
F1+	44%	51%	70%	64%	12%	89%
F1	56%	8%	11%	36%	-	11%
F2	-	3%	2%	-	-	-
	100%	100%	100%	100%	100%	100%

2012	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	BOND FUND	MONEY MARKET FUND
National long-term credit ratings						
AAA	-	23%	10%	-	46%	-
AA+	-	1%	1%	-	-	-
AA	-	8%	5%	-	11%	-
AA-	-	3%	-	-	6%	-
A+	-	5%	1%	-	5%	-
A	-	-	-	-	1%	-
A-	-	-	-	-	2%	-
BBB+	-	1%	-	-	1%	-
National short-term credit ratings						
F1+	34%	50%	71%	77%	24%	87%
F1	66%	9%	12%	23%	4%	13%
F2	-	-	-	-	-	-
	100%	100%	100%	100%	100%	100%

8.2 FAIR VALUE

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited are of the opinion that the fair value of all remaining financial instruments approximates the carrying amount in the Statements of financial position as these balances are due within 30 days. IFRS 7 and IFRS 13 requires fair value measurements to be disclosed by the source of inputs, using a three-level hierachy, as follows:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

8.2 FAIR VALUE (CONTINUED)

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions, which are traded in active liquid markets, is determined with reference to quoted market prices. Loans and receivables, which are considered level 2, are usually held for the instruments' entire life, meaning that the carrying amount of these instruments closely approximates the fair value.

The fair value of cash and cash equivalents is generally considered to be the amount held on deposit at the relevant institution. When considered necessary a credit spread will be applied. This is considered a level 2 valuation. For all financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

Investments in listed instruments, bonds and foreign instruments are measured at fair value, based on quoted prices in active markets. Therefore these are classified within level 1. The table below shows the fair values of these instruments at 31 December 2013.

2013 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Listed equities	36 417 940	-	40 637 492	-	10 882 226	744 629	-	-
Foreign instruments	-	13 043 360	21 733 181	11 281 914	8 440 008	-	1 287 475	-
Listed bonds	-	-	8 110 913	-	2 492 017	-	-	567 700
TOTAL	36 417 940	13 043 360	70 481 586	11 281 914	21 814 251	744 629	1 287 475	567 700

2012 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Listed equities	31 380 498	-	30 622 145	-	8 740 926	909 223	-	-
Foreign instruments	-	6 139 963	15 421 959	7 038 290	7 532 525	-	627 792	-
Listed bonds	-	-	6 481 224	-	2 287 284	-	-	584 985
TOTAL	31 380 498	6 139 963	52 525 328	7 038 290	18 560 735	909 223	627 792	584 985

The Funds hold investments in suspended and unlisted instruments. These instruments are measured at fair value based on prices obtained from the unlisted entities. These are classified within level 2. The table below shows the fair values of these instruments at 31 December 2013.

2013 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Unlisted equities	119 389	-	107 091	-	10 310	5 529	-	-

2012 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Unlisted equities	104 637	-	92 021	-	9 026	5 156	-	-

There were no transfers between level 1 and 2 during the year.

The Funds have no investments that are classified within level 3.

8.3 DERIVATIVE INSTRUMENTS

Derivatives are used for hedging purposes in accordance with the CISCA. Derivatives are not designated as effective hedging instruments in terms of IAS 39 and are classified as investments at fair value through profit or loss.

Investments in derivatives are regulated by the Financial Services Board. Submissions were made to the Financial Services Board at the end of each quarter during the period under review in terms of CISCA Notice 1503 of 2005 and Board Notice of 2012.

The fair value of derivative instruments are calculated using quoted prices.

In terms of South Africa Futures Exchange ('SAFEX') requirements, margin deposits are pledged as collateral for derivatives held. Margin deposits are included in cash and cash equivalents for investment purposes.

Short exposure is the value of the Funds' commitment to sell a derivative instrument at contract maturity. Short exposures and margin deposits at 31 December were:

	2013		2012	
	MARGIN DEPOSIT R'000	SHORT EXPOSURE R'000	MARGIN DEPOSIT R'000	SHORT EXPOSURE R'000
Allan Gray Stable Fund	273 133	5 066 550	267 166	5 240 859
Allan Gray Balanced Fund	116 829	2 167 149	96 093	1 823 783
Allan Gray Optimal Fund	38 418	712 653	46 151	875 921

8.4 INTEREST-BEARING INSTRUMENTS

ALLAN GRAY BALANCED FUND

MATURITIES	< 1 YEAR R	1 TO 3 YEARS R	3 TO 7 YEARS R	> 7 YEARS R	TOTAL R
Bonds	651 131 550	2 025 575 008	2 579 115 150	2 855 091 167	8 110 912 875
Money market instruments	11 498 772 571	200 000 000	170 000 000	-	11 868 772 571
Money at call	1 017 329 261	-	-	-	1 017 329 261
Non-interest bearing equity investments	-	-	-	-	62 477 763 733
TOTAL INVESTMENTS PER THE STATEMENT OF FINANCIAL POSITION	13 167 233 382	2 225 575 008	2 749 115 150	2 855 091 167	83 474 778 440

Fixed coupon rates on bonds range between 2.50% and 11.68%. Yields on the money market instruments are fixed and range between 5.05% and 9.72% and money at call earns variable interest at rates ranging between 4.65% and 4.91%.

ALLAN GRAY STABLE FUND

MATURITIES	< 1 YEAR R	1 TO 3 YEARS R	3 TO 7 YEARS R	> 7 YEARS R	TOTAL R
Bonds	410 342 812	1 320 036 427	673 652 534	87 985 000	2 492 016 773
Money market instruments	9 297 035 883	1 235 000 000	300 000 000	-	10 832 035 883
Money at call	330 132 603	-	-	-	330 132 603
Non-interest bearing equity investments	-	-	-	-	19 332 544 336
TOTAL INVESTMENTS PER THE STATEMENT OF FINANCIAL POSITION	10 037 511 298	2 555 036 427	973 652 534	87 985 000	32 986 729 595

Fixed coupon rates on bonds range between 5.00% and 9.22%. Yields on the money market instruments are fixed and range between 5.05% and 9.72% and money at call earns variable interest at rates ranging between 4.65% and 4.91%.

ALLAN GRAY MONEY MARKET FUND

MATURITIES	< 1 YEAR R	1 TO 3 YEARS R	3 TO 7 YEARS R	> 7 YEARS R	TOTAL R
Money market instruments	7 473 226 552	-	-	-	7 473 226 552
Money at call	374 000 000	-	-	-	374 000 000
TOTAL INVESTMENTS PER THE STATEMENT OF FINANCIAL POSITION	7 847 226 552	-	-	-	7 847 226 552

Yields on the money market instruments are fixed and range between 5.11% and 6.07% and money at call earns variable interest rates ranging between 4.70% and 4.85%.

ALLAN GRAY BOND FUND

MATURITIES	< 1 YEAR R	1 TO 3 YEARS R	3 TO 7 YEARS R	> 7 YEARS R	TOTAL R
Bonds	26 027 897	86 120 316	122 755 828	332 795 775	567 699 816
Money market instruments	48 261 766	14 000 000	-	-	62 261 766
Money at call	1 000 000	-	-	-	1 000 000
TOTAL INVESTMENTS PER THE STATEMENT OF FINANCIAL POSITION	75 289 663	100 120 316	122 755 828	332 795 775	630 961 582

Fixed coupon rates on bonds range between 6.20% and 12.50%. Yields on the money market instruments are fixed and range between 5.31% and 6.12% and money at call earns variable interest at a rate of 4.85%.

OTHER FUNDS

The Allan Gray Equity Fund had money at call amounting to R409 000 000 at 31 December 2013, earning variable interest at rates ranging between 4.70% and 4.90%.

The Allan Gray Optimal Fund had R94 418 486 at call at 31 December 2013, earning variable interest at rates ranging between 4.65% and 4.91%.

The Allan Gray Orbis-Global Fund of Funds, Allan Gray-Orbis Global Equity Feeder Fund and Allan Gray-Orbis Global Optimal Fund of Funds did not hold any interest bearing investments at 31 December 2013.

APPROVAL OF THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Company' and 'Manager') are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements for the year ended 31 December 2013 set out on pages 81 to 108 have been approved by the board of directors and are signed on its behalf by:

E D Loxton	R W Dower
Chairman	Director and Public officer
Cape Town	Cape Town
21 February 2014	21 February 2014

CERTIFICATION BY THE COMPANY SECRETARY

For the year ended 31 December 2013

I hereby confirm, in terms of the Companies Act, No 71 of 2008, as amended, that for the year ended 31 December 2013 the Company has lodged with the Companies Intellectual and Property Commission all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

T Pickering
Company secretary

Cape Town
21 February 2014

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Allan Gray Unit Trust Management (RF) Proprietary Limited set out on pages 87 to 108, which comprise the Statement of financial position as at 31 December 2013, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Allan Gray Unit Trust Management (RF) Proprietary Limited as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Report of the Directors and the Certification by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst + Young

Ernst & Young Inc.
Director – Anthony Robert Cadman
Registered Auditor
Chartered Accountant
Ernst & Young
35 Lower Long Street
Cape Town
21 February 2014

REPORT OF THE DIRECTORS

For the year ended 31 December 2013

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited ('the Company') have pleasure in presenting their report for the year ended 31 December 2013.

NATURE OF THE COMPANY'S BUSINESS

Allan Gray Unit Trust Management (RF) Proprietary Limited is a private company incorporated in South Africa in terms of the Companies Act No 71 of 2008, as amended.

The principal business of the Company is to manage the Allan Gray Unit Trust Funds (the 'Funds') registered under the Allan Gray Unit Trust Scheme (the 'Scheme') in accordance with the Collective Investment Schemes Control Act No. 45 of 2002 ('CISCA'), as amended.

ALLAN GRAY UNIT TRUST FUNDS	FUND LAUNCH DATE
Allan Gray Equity Fund	1 October 1998
Allan Gray Balanced Fund	1 October 1999
Allan Gray Stable Fund	1 July 2000
Allan Gray Money Market Fund	1 July 2001
Allan Gray Optimal Fund	1 October 2002
Allan Gray Bond Fund	1 October 2004
Allan Gray-Orbis Global Fund of Funds	3 February 2004
Allan Gray-Orbis Global Equity Feeder Fund	1 April 2005
Allan Gray-Orbis Global Optimal Fund of Funds	1 March 2010

THE COMPANY'S INVESTMENTS IN THE FUNDS

UNIT TRUST FUNDS	2013		2012	
	UNITS	FAIR VALUE R	UNITS	FAIR VALUE R
Allan Gray Balanced Fund	7 663	626 159	7 392	497 069
Allan Gray Equity Fund	41	11 641	-	-
Allan Gray Optimal Fund	582	10 229	-	-
Allan Gray Stable Fund	368	10 521	-	-
Allan Gray Money Market Fund	94 540 470	94 540 470	-	-

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2013

RESULTS OF THE COMPANY

The detailed results of operations for the year are reported in terms of International Financial Reporting Standards ('IFRS') and are set out in the accompanying Statement of comprehensive income and Statement of cash flows for the year ended 31 December 2013 and the Statement of financial position as at 31 December 2013.

DIVIDENDS

DECLARATION DATE	RANDS PER SHARE
26 March 2012	217.99
11 October 2012	370.98
11 April 2013	334.98
10 October 2013	399.98

In 2013 the Company declared total dividends of R735m (2012: R589m).

DIRECTORS AND COMPANY SECRETARY

Particulars of the directors and company secretary are given on the back cover.

EVENTS SUBSEQUENT TO YEAR END

The South African Reserve Bank Exchange Control regulations restrict collective investment scheme management companies to invest up to a maximum of 35% of their total retail assets under management in foreign investments. The Company has reached this maximum limit for foreign investments and, as a result, may no longer accept new discretionary investments into the Allan Gray-Orbis Global Equity Feeder Fund, the Allan Gray-Orbis Global Fund of Funds and the Allan Gray-Orbis Global Optimal Fund of Funds. The Company cannot predict if or when these funds will reopen – this will depend on overall flows, investment performance and the exchange rate.

There were no other significant events subsequent to year end.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 R	2012 R
INCOME			
REVENUE		1 965 978 650	1 758 297 028
Management fees	16	1 717 573 172	1 590 318 805
Income from the Company's investment in the Funds:			
- Dividends		4 343	5 439
- Interest		5 171	5 361
Interest earned		12 886 727	10 617 269
Income from related party	16	235 509 237	157 350 154
OTHER INCOME		39 016 534	8 044 732
Unrealised gain on investments at fair value through profit or loss		111 966	47 700
Net foreign exchange gain		38 904 568	7 997 032
OPERATING COSTS		891 968 636	767 378 910
Linked investment service provider costs		352 614 696	335 728 918
Audit fees			
- Fees for audit		618 120	600 563
- Other services		60 896	56 912
Fees charged by the holding company	16	530 101 508	416 726 977
Other operating expenses		8 573 416	14 265 540
DONATION	16	64 500 454	49 945 583
PROFIT BEFORE TAXATION		1 048 526 094	949 017 267
Taxation expense	4	293 575 759	287 529 933
PROFIT FOR THE YEAR		754 950 335	661 487 334
Total comprehensive income attributable to equity holder		754 950 335	661 487 334

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 R	2012 R
ASSETS			
Non-current assets		658 550	497 069
Investments at fair value through profit or loss	5	658 550	497 069
Current assets		417 933 990	382 973 014
Trade and other receivables	6	199 156 226	194 111 107
Cash	7	105 278 048	24 212 406
Group treasury: cash equivalent	7	113 499 716	154 168 833
Taxation receivable		-	10 480 668
TOTAL ASSETS		418 592 540	383 470 083
EQUITY AND LIABILITIES			
Total equity attributable to equity holder		330 476 498	310 526 163
Share capital	8	1 000 060	1 000 060
Share premium	8	2 000 000	2 000 000
Accumulated profit		327 476 438	307 526 103
Non-current liabilities		40 498	19 619
Deferred taxation liability	9	40 498	19 619
Current liabilities		88 075 544	72 924 301
Trade and other payables	10	86 112 182	72 924 301
Taxation payable		1 963 362	-
TOTAL EQUITY AND LIABILITIES		418 592 540	383 470 083

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	SHARE CAPITAL R	SHARE PREMIUM R	ACCUMULATED PROFIT R	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER R
BALANCE AS AT 31 DECEMBER 2011	1 000 060	2 000 000	235 038 769	238 038 829
Transactions with equity holder:				
- Ordinary dividend	-	-	(589 000 000)	(589 000 000)
Total comprehensive income:				
- Profit for the year	-	-	661 487 334	661 487 334
BALANCE AS AT 31 DECEMBER 2012	1 000 060	2 000 000	307 526 103	310 526 163
Transactions with equity holder:				
- Ordinary dividend	-	-	(735 000 000)	(735 000 000)
Total comprehensive income:				
- Profit for the year	-	-	754 950 335	754 950 335
BALANCE AS AT 31 DECEMBER 2013	1 000 060	2 000 000	327 476 438	330 476 498

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	11.1	1 035 517 887	938 341 498
Working capital changes	11.2	8 142 762	(10 760 622)
Cash generated from operations		1 043 660 649	927 580 876
Interest received		12 891 898	10 622 630
Dividends received		4 343	5 439
Dividends paid		(735 000 000)	(589 000 000)
Taxation paid	11.3	(281 110 850)	(303 045 112)
Net cash flow from operating activities		40 446 040	46 163 833
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments in the Funds		(49 515)	(5 845)
Net cash flow from investing activities		(49 515)	(5 845)
Net increase in cash and cash equivalents		40 396 525	46 157 988
Cash and cash equivalents at beginning of year		178 381 239	132 223 251
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	218 777 764	178 381 239

1. COMPANY DETAILS

Allan Gray Unit Trust Management (RF) Proprietary Limited is a private company incorporated in and subject to the laws of the Republic of South Africa. The address of its registered office is disclosed on the back cover. The principal business activities of the Company are described in the report of the directors.

2. ACCOUNTING STANDARDS

2.1 BASIS OF PREPARATION

The annual financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value, in accordance with International Financial Reporting Standards ('IFRS') and the Companies Act of South Africa. These annual financial statements are presented in South African Rands. The accounting policies have been applied consistently in the current and prior years, unless specifically stated otherwise.

2.2 IFRS

The Company has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the 'IASB') and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for annual accounting periods ended 31 December 2013.

The significant accounting policies adopted in the preparation of the annual financial statements are set out in note 3 and comply with IFRS.

The following new and revised IFRS statements, interpretations and amendments applicable to the Company were adopted during the year:

STATEMENTS/INTERPRETATIONS AND AMENDMENTS		EFFECTIVE DATE: YEARS BEGINNING ON/AFTER	IMPACT
IFRS 7	Amendment offsetting financial assets and financial liabilities	1 January 2013	No material impact
IFRS 13	Fair value measurement	1 January 2013	Increased disclosure requirements
IAS 1	2012 Annual Improvements Project - Clarification of requirements for comparative information and presentation of OCI	1 January 2013	No material impact

The following new and revised IFRS statements, interpretations and amendments applicable to the Company have been issued with effective dates applicable to future annual financial statements of the Company:

STATEMENTS/INTERPRETATIONS AND AMENDMENTS		EFFECTIVE DATE: YEARS BEGINNING ON/AFTER	EXPECTED IMPACT
IAS 1	2013 Annual Improvements Project - Meaning of 'effective IFRSs'	1 July 2014	No material impact
IFRS 9	Financial instruments	To be confirmed	No material impact
IAS 32	Offsetting financial assets and financial liabilities	1 January 2014	No material impact

2.3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect the reported amounts of assets, liabilities and contingent liabilities at the reporting date as well as the reported income and expenses for the year. Although estimates are based on management's best knowledge and judgement of current facts as at the reporting date, the actual outcome may differ from these estimates.

No critical estimates and judgements were applied in preparing these annual financial statements.

3. ACCOUNTING POLICIES

The Company has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are set out below and have been consistently applied.

3.1 REVENUE

Revenue excludes any value added taxation ('VAT') and includes management fees from managing and administering the collective investment scheme portfolios, service fees, interest income, and income distributions from investments in the Funds.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. All transactions with related parties are conducted at arm's length.

Management fees accrue on a daily basis and are based on the daily market values of the Funds.

Service fees are recognised monthly on an accrual basis based on the average market value of assets invested in mutual funds offered by Orbis Investment Management Limited ('Orbis').

Interest income is recognised on an accrual basis using the effective interest method.

All dividend and income distributions from the Company's investments in the Funds are recognised when the last date to register has passed.

3.2 TAXATION

TAXATION RECEIVABLE / PAYABLE

Taxation assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation rates and taxation laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

TAXATION EXPENSE

The taxation expense in the Statement of comprehensive income represents the sum of the normal taxation, capital gains taxation, deferred taxation and secondary tax on companies ('STC'). The current taxation expense is based on taxable profit for the year. Taxable profit may differ from profit as reported in the Statement of comprehensive income because of timing or permanent differences in taxation treatment.

STC was recognised as part of the taxation expense in the Statement of comprehensive income on all dividends declared prior to 1 April 2012. As of 1 April 2012 dividends witholding taxation ('DWT') replaced STC as the taxation on dividends. The taxation on declared dividends is now an expense of the recipient of those dividends.

3.3 DEFERRED TAXATION

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, based on the expected manner of recovery or settlement. Deferred taxation is accounted for using the liability method. Deferred taxation liabilities are generally recognised for all taxable differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated using the taxation rates and taxation laws that are enacted or substantively enacted by the reporting date.

Deferred taxation is charged or credited to income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred taxation is dealt with in other comprehensive income.

Deferred taxation assets and liabilities are offset if a legally enforceable right exists to set off current taxation assets against current taxation liabilities and the amounts relate to the same taxation authority.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

3.4 EXPENSES

Expenses are recognised when they are incurred.

3.5 FINANCIAL ASSETS

Financial assets are classified as either financial assets at *fair value through profit or loss* or *loans and receivables*. Financial assets are recognised on the trade date at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Detail on how fair value is determined may be found in note 14. The Company determines the classification of its financial assets on initial recognition when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, except for short-term items where the recognition of interest would be immaterial. Losses are recognised in income (as part of operating costs) when the loans and receivables are derecognised or impaired.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are classified as loans and receivables and are generally settled within 30 days. Trade and other receivables are initially recognised at original invoice amount, and subsequently carried at this amount less any uncollectible amounts.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of financial position comprise cash at banks, funds held in a Group dollar denominated bank account, money market fund investments and short-term deposits with an original maturity of three months or less.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets classified as financial assets at fair value through profit or loss are designated as such upon initial recognition.

All assets at fair value through profit or loss are measured at quoted market values. Gains and losses on investments at fair value through profit or loss are determined by reference to the quoted market prices, excluding any interest and dividends.

Gains or losses on investments held at fair value through profit or loss are recognised in income.

The investments at fair value through profit or loss consist of discretionary holdings in the Funds.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset; or
- the Company has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

LOANS AND RECEIVABLES

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is then reduced directly. The amount of the loss is recognised in income (as part of operating costs). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any such reversal of an impairment loss is recognised in income, to the extent that the carrying value of the asset does not exceed its original amortised cost at the reversal date. In the case of trade and other receivables, provision is made where there is objective evidence (such as the probability of insolvency or significant financial difficulty of the debtor), at year end, that the Company will not be able to collect the debts. Any bad debts are written off when identified. Losses are recognised in income (as part of operating costs) when the loans and receivables are derecognised or impaired.

3.6 FINANCIAL LIABILITIES

Financial liabilities are classified as *financial liabilities held at amortised cost*. The Company determines the classification of its financial liabilities on initial recognition, when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument. Financial liabilities are recognised on the trade date at fair value, less, in the case of financial liabilities held at amortised cost, directly attributable transaction costs.

FINANCIAL LIABILITIES HELD AT AMORTISED COST

TRADE AND OTHER PAYABLES

Trade and other payables are recognised at original invoice amount and are subsequently stated at amortised cost by applying the effective interest method. Trade and other payables are generally settled within 30 days and are interest free.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in income.

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

3.7 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Exchange differences arising on the settlement and translation of monetary items are included in income in the period in which they arise.

3.8 PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

3.9 CONTINGENCIES

In the event that there may ever be (1) possible obligations that arise from past events the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company or (2) material present obligations of the Company that arise from past events where it is not probable, but is possible, that an outflow of economic benefits will be required to settle the obligation that arises from past events or where the amount of the obligation cannot be measured reliably, then a liability is not recognised in the Statement of financial position but rather disclosed in the notes to the financial statements.

Possible assets of the Company whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company are not recognised in the Statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

4. TAXATION EXPENSE

	2013 R	2012 R
South African normal taxation		
- Current	293 554 884	265 710 501
- Prior year (over)/under provision	(4)	42
Deferred taxation		
- Fair value adjustments on revaluation of investments at fair value through profit or loss	20 879	19 619
Secondary tax on companies	-	21 799 771
	293 575 759	287 529 933

Reconciliation of taxation rate:	%	%
Standard taxation rate	28.00	28.00
Adjusted for:		
- Secondary tax on companies	-	2.30
EFFECTIVE TAXATION RATE	28.00	30.30

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013		2012	
	COST R	FAIR VALUE R	COST R	FAIR VALUE R
Allan Gray Balanced Fund				
- 7 663 units (2012: 7 392)	411 322	626 159	391 862	497 069
Allan Gray Equity Fund				
- 41 units (2012: Nil)	10 000	11 641	-	-
Allan Gray Optimal Fund				
- 582 units (2012: Nil)	10 000	10 229	-	-
Allan Gray Stable Fund				
- 368 units (2012:Nil)	10 055	10 521	-	-
	441 377	658 550	391 862	497 069

The investments at fair value through profit or loss consist entirely of investments in the Funds, and therefore have no fixed maturity date or coupon rate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. TRADE AND OTHER RECEIVABLES

	2013 R	2012 R
Investment income due	504 352	145 594
Receivables from related parties	193 004 729	184 472 432
Other receivables	4 436 412	7 679 481
Prepayments	1 210 733	1 813 600
	199 156 226	194 111 107

Trade and other receivables are classified as loans and receivables for financial statement reporting purposes and are carried at cost. The carrying value of trade and other receivables approximates fair value due to the short-term nature (settled within 30 days).

7. CASH AND CASH EQUIVALENTS

	2013 R	2012 R
Cash	105 278 048	24 212 406
- Cash at bank	416 578	231 406
- Short-term deposits	10 321 000	23 981 000
- Allan Gray Money Market Fund deposit	94 540 470	-
Group treasury: cash equivalent - refer note 16	113 499 716	154 168 833
	218 777 764	178 381 239

Cash and cash equivalents comprise cash held, money market fund investments and short-term deposits with an original maturity of three months or less. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between 1 and 30 days, depending on the cash requirements of the Company, and earn interest at the respective short-term rates.

Cash and cash equivalents are classified as loans and receivables for financial statement reporting purposes.

The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of the deposits and market related interest rate earned.

In terms of section 105 of CISCA, investments into and out of unit trust funds managed by the management company must be processed through trust bank accounts. These bank accounts belong to unitholders and therefore are not reflected in the Company's Statement of financial position. Unitholder cash awaiting investment at 31 December 2013 amounted to R30 954 248 (2012: R33 093 493)

8. SHARE CAPITAL AND SHARE PREMIUM

	2013 R	2012 R
Authorised		
3 000 000 ordinary shares of R1 each	3 000 000	3 000 000
Issued and fully paid		
1 000 060 ordinary shares of R1 each	1 000 060	1 000 060
Share premium account		
Arising on the issue of ordinary shares	2 000 000	2 000 000

9. DEFERRED TAXATION

	2013 R	2012 R
Opening balance	19 619	-
Charged directly to income	20 879	19 619
CLOSING BALANCE	40 498	19 619

Deferred taxation arising on the revaluation of the Company's investments is based on capital gains since the later of 1 October 2001 and date of acquisition. Deferred taxation on capital gains has been calculated using the applicable inclusion and taxation rate.

10. TRADE AND OTHER PAYABLES

	2013 R	2012 R
Payables to related parties - refer to note 16	67 094 602	53 580 551
Accruals and other payables	19 017 580	19 343 750
	86 112 182	72 924 301

Trade and other payables are classified as financial liabilities at amortised cost for financial statement reporting purposes and are carried at cost. The carrying value of trade and other payables approximates the fair value due to the short-term nature (due within 30 days).

Accruals comprise expense items not yet invoiced, but for which benefit has been received. These items are expected to be finalised and settled shortly after year end. The exact amount is dependent on the agreed invoice from the supplier. Accruals have been based on expected costs as per previous, similar items.

11. NOTES TO THE STATEMENT OF CASH FLOWS

11.1 CASH GENERATED BY OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2013 R	2012 R
Profit before taxation	1 048 526 094	949 017 267
Adjustments for:		
Unrealised gain on the investments at fair value through profit or loss	(111 966)	(47 700)
Interest earned	(12 891 898)	(10 622 630)
Dividend income	(4 343)	(5 439)
	1 035 517 887	938 341 498

11.2 WORKING CAPITAL CHANGES

	2013 R	2012 R
Increase in trade and other receivables	(5 045 119)	(6 732 688)
Increase/(decrease) in trade and other payables	13 187 881	(4 027 934)
	8 142 762	(10 760 622)

11.3 TAXATION PAID

	2013 R	2012 R
Amount (receivable)/payable at beginning of year	(10 480 668)	5 054 130
Amount charged through income	293 554 880	287 510 314
Amount (payable)/receivable at end of year	(1 963 362)	10 480 668
AMOUNT PAID	281 110 850	303 045 112

12. CANCELLATION OF UNITS

The Company undertakes to repurchase units in accordance with the requirements of CISCA, and on terms and conditions set out in the Funds' trust deeds, refer note 13.5.

13. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise:

- Investments at fair value through profit or loss: These are holdings in the Allan Gray suite of collective investment scheme portfolios.
- Cash and cash equivalents: This arises from operating activities and is used to fund working capital requirements and distributions to the equity participant.
- Trade and other receivables: These arise from daily operations.
- Trade and other payables: These arise from daily operations.

The fair value through profit or loss investments are reviewed by the board periodically to ensure that they are consistent with the Company's risk strategy. Cash and cash equivalents are reviewed weekly and are invested to earn the most appropriate interest rates. Trade and other payables and trade and other receivables arise from daily operations and are managed in such a way to achieve an operating cycle of not more than 30 days.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

13.1 CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

At the reporting date, credit risk consisted principally of fees due from the Funds, service fees due from Orbis and money market and short-term deposits. Maximum credit exposure for these financial instruments is limited to the carrying value per the Statement of financial position since all the balances are unsecured. The Funds and Orbis are both related parties of the Company (see note 16 for details). During the year, the Company deposited cash surpluses with South African financial institutions considered to be of high quality credit standing.

There has been no change in the Company credit risk management policy.

At 31 December 2013 the Company did not consider there to be any significant concentration of credit risk which needed to be provided for. All assets are considered to be of good credit quality. All financial assets disclosed in the financial statements are neither past due nor impaired.

13.2 PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The investments at fair value through profit or loss consist of discretionary holdings in the Funds which are subject to market fluctuations. The actual risk and return profile of the investments are monitored and reviewed from time to time to ensure that they remain in line with the Company's risk appetite and long-term capital management framework.

The Company's price risk policy remains unchanged from previous years.

No sensitivity analysis has been prepared in respect of market movements as any reasonable variation is not expected to have a material impact on the financial results.

At 31 December 2013 the Company did not consider there to be any significant concentration of price risk.

13.3 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk on financial assets relates to cash, money market and call instruments held as part of daily operations (see note 7 for details).

The interest rate risk is monitored by the Company to determine appropriate financial instrument allocations.

There has been no change in the interest rate risk management policies of the Company.

INTEREST RATE RISK ANALYSIS
All interest bearing instruments are subject to variable interest linked to the relevant interest rate.

No sensitivity analysis has been prepared for the Company in respect of interest earned on cash and cash equivalents as any reasonable variation is not expected to have a material impact on the financial results as any significant surplus cash balances held at year end are distributed as a dividend.

13.4 CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk as a result of foreign cash held, as well as certain receivables.

Monitoring of the exchange rate takes place in order to ensure that currency risk, including the financial impact, is minimised at all times and that the amounts held remain appropriate for the Company's requirements and risk profile. Group treasury: cash equivalent constitutes an amount of US$ 10 788 331 (2012: US$ 18 185 005) held in a US dollar bank account on behalf of the Company. Trade and other receivables include a balance of US$ 6 298 395 (2012: US$ 5 019 766) directly receivable from Orbis.

There has been no change in the currency risk management policies of the Company.

The following table illustrates the effect on profit before taxation of reasonable possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material:

% RATE CHANGE	2013	2012
	Rm	Rm
+-5	9.0	9.8
+-10	18.0	19.6
+-20	36.0	39.2

13.5 LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk arises primarily from trade and other payables, which arise from daily operations. These liabilities are settled on 30 day terms. The Company actively manages its liquidity risk by continuously assessing its projected cash outflows and considering the level of liquid assets necessary in relation thereto. The Company's liquidity risk is further managed by holding financial assets for which there is a liquid market and by holding sufficient deposits at recognised financial institutions to meet any upcoming negotiated liquidity requirements. There has been no change in the liquidity risk management policy.

The undertaking of the Company to repurchase units in accordance with the requirements of CISCA and on terms and conditions set out in the Funds' trust deeds exposes the Company to liquidity risk. This risk is mitigated by stringent cash management and capacity for substantial banking facilities at the reporting date. The Funds in aggregate have an overdraft facility of R1 billion with First National Bank. This facility is subject to regulatory limits on the borrowing of collective investments schemes in terms of CISCA. None of the Funds were in overdraft at 31 December 2013 (2012: Allan Gray Global Fund of Funds had utilised R0.5m of its overdraft facility at year end).

13.6 CAPITAL ADEQUACY RISK

CISCA requires that a manager must, on an ongoing basis, maintain in liquid form the capital for the matters and risks determined by the Registrar of Collective Investment Schemes (the 'Registrar'). Notice 2072 of 2003 prescribes the calculation of the capital required and requires that a calculation of the capital position as at the last business day of each calendar month, be submitted to the Registrar within 14 business days after the end of such calendar month.

The required capital, as defined by Board Notice 2072 of 2003, consists of three components: basic capital, seed capital and position risk capital. The basic capital component is the greater of R600 000 or a sum equivalent to 13 weeks of the Manager's fixed cost calculated as the previous financial year's fixed costs divided by four. At 31 December 2013 this capital requirement was R92 910 278 (2012: R75 985 647).

The requirement that seed capital of R1m be invested by the Manager does not apply as the prescribed amount of R1m may be reduced by 10% for every R1m invested by investors (independent from the Manager) in a portfolio. At 31 December 2013, the Manager did not have any investments held as seed capital.

Position risk capital is a sum equivalent to a percentage (10% for a money market portfolio, 15% for an income portfolio and 25% for all other portfolios) of the amount paid by the Manager for units in a portfolio administered by itself.

The Company satisfied the capital requirements and its reporting obligations under Notice 2072 of 2003. The quantum of dividends declared during the year was limited to the liquid resources of the Company as calculated in accordance with the capital adequacy requirements stipulated by Notice 2072 of 2003.

There has been no change in the capital adequacy risk management policies of the Company.

14. FAIR VALUE

All of the Company financial assets held at fair value are classified within level 1 of the fair value hierarchy as determined by IFRS 13, *Fair Value* as the values are based on quoted prices in active markets. Gains and losses on investments at fair value are determined by reference to the quoted prices in active markets, excluding any interest and dividends. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Loans and receivables, which are considered level 2, are usually held for the instruments' entire life, meaning that the carrying amount of these instruments closely approximates the fair value.

The fair value of cash and cash equivalents is generally considered to be the amount held on deposit at the relevant institution. When considered necessary a credit spread will be applied. This is considered a level 2 valuation.

The directors are of the opinion that the carrying amount of all remaining financial instruments approximates the fair value in the Statement of financial position as these balances are receivable within 30 days.

15. CAPITAL MANAGEMENT STRATEGY

The Company's capital structure comprises its share capital and share premium. The Company's capital strategy is based on changing economic conditions in order to provide maximum benefit to its equity participant.

The Company does not have any target gearing ratio and instead focuses on determining the most efficient use of surplus funds. Changes in operations are traditionally funded from the Company's retained earnings.

16. RELATED PARTIES

Relationships exist between Allan Gray Unit Trust Management (RF) Proprietary Limited, its holding company Allan Gray Proprietary Limited ('AGL'), its ultimate holding company Allan Gray Group Proprietary Limited, fellow subsidiaries Allan Gray Investment Services Proprietary Limited ('AGIS') and Allan Gray Life Limited, the Funds, the Allan Gray Orbis Foundation and Orbis. All transactions with related parties are conducted at arm's length and terms are not more favourable than those arranged with third parties. Settlement terms are within two weeks of receipt of the invoice.

ALLAN GRAY PROPRIETARY LIMITED

The Company has appointed its holding company as investment manager of the Funds and to undertake certain company administrative and marketing functions and the day to day administration of local unit trusts funds.

Fees charged by AGL for all services rendered during the year amounted to R530.1m (2012: R416.7m). The balance owed by Allan Gray Unit Trust Management (RF) Proprietary Limited to AGL as at 31 December 2013 is R49.1m (2012: R35.9m).

Dividends paid to AGL amounted to R735m during the year (2012: R589m).

ALLAN GRAY INVESTMENT SERVICES PROPRIETARY LIMITED

In May 2005, AGIS launched a retail investment platform with the aim of giving investors direct access to a range of investment funds. This platform supports a focused range of funds, including the Allan Gray suite of unit trust funds. In October 2005, the Allan Gray endowment and retirement products were also migrated onto the platform.

The Company pays AGIS a monthly fee, based on funds invested in bulk by AGIS clients and those investing via the endowment and retirement products administered by the AGIS platform. Total fees incurred during the year amounted to R199.5m (2012: R191.7m). The balance owed by the Company to AGIS at 31 December 2013 was R18.0m (2012: R17.7m).

ALLAN GRAY ORBIS FOUNDATION

The Company has, as part of the Group's initiative to social upliftment and black empowerment, made a commitment to donate up to 10% of its annual taxable income to deserving social causes. To this end the Company made a contribution of R64.5m (2012: R49.9m) to the Allan Gray Orbis Foundation in 2013.

ALLAN GRAY LIFE LIMITED

Living annuity and endowment policies issued by Allan Gray Life Limited invest in the unit trust funds at arm's length.

ALLAN GRAY GROUP PROPRIETARY LIMITED

Cash equivalents at 31 December 2013 include a Group treasury amount due to the Company in respect of funds held in Allan Gray Group Proprietary Limited foreign bank account of R113 499 716 (2012: R154 168 833).

ORBIS INVESTMENT MANAGEMENT LIMITED

A related party relationship exists between the Allan Gray group of companies and Orbis by virtue of a common shareholder with significant influence. The Company earns service fees in respect of the Orbis products approved in terms of Section 65 of CISCA.

Service fees of R235.5m (2012: R157.4m) were earned during the year. The service fees are received by Allan Gray Group Proprietary Limited, the ultimate holding company, in a local US dollar denominated bank account. At 31 December 2013 the outstanding balance due from Allan Gray Group Proprietary Limited was R113.5m (2012: R154.2m) and the balance due from Orbis was R66.3m (2012: R42.6m).

ALLAN GRAY UNIT TRUST FUNDS

The Company earns a management fee for managing and administering the Funds. Management fees per fund may be performance-based or fixed. As a consequence of the performance fee orientation, management fees will typically be higher following periods where the Funds' total investment performance (income plus capital appreciation) has outperformed their respective benchmarks and lower in the case of underperformance.

Below is a summary of the management fees earned by the Company during the year and the amounts owing by the Funds to the Company as at 31 December 2013:

	VAT EXCLUSIVE AMOUNTS			
	MANAGEMENT FEES EARNED		AMOUNTS RECEIVABLE FROM THE FUNDS	
	2013 R	2012 R	2013 R	2012 R
Allan Gray Equity Fund	680 988 831	665 498 073	40 686 132	59 244 489
Allan Gray Balanced Fund	645 452 405	535 835 575	49 740 289	49 841 328
Allan Gray Stable Fund	359 210 135	352 874 629	33 318 298	29 351 772
Allan Gray Optimal Fund	9 378 736	14 099 199	757 024	935 428
Allan Gray Bond Fund	3 681 481	1 677 808	421 827	168 343
Allan Gray Money Market Fund	18 861 584	20 333 521	1 647 972	1 647 743
	1 717 573 172	1 590 318 805	126 571 542	141 189 103

DIRECTORS' FEES

As previously mentioned, the Company has appointed its holding company as investment manager of the Funds and to undertake certain company administrative and marketing functions and the day-to-day administration of the Funds. This service entails having certain of the holding company's employees serving on the board of directors from time to time. The following directors of the Company, J C Marais, R J Formby (executives), E D Loxton and R W Dower (non-executives) are all employed by the holding company. Below is an analysis of attributable amounts paid to them by the holding company, and recovered by the holding company, for time spent on Allan Gray Unit Trust Management (RF) Proprietary Limited's activities during the year:

	2013 R	2012 R
IAS24 DISCLOSURE		
Short-term employee benefits	6 320 666	6 924 001
Post-employment benefits	252 946	236 703
	6 573 612	7 160 704

The listing of the members of the board of directors is shown on the back cover.

Collective Investment Schemes ('unit trusts') are generally medium- to long-term investments. The value of participatory interests ('units') may change in line with market movements. Past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may also cause the value of underlying international investments to change.

Performance data is based on a lump sum investment calculated on a net asset value ('NAV') to NAV basis where distributions may be reinvested for certain classes of funds.

Collective Investment Schemes may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists in a portfolio, or where assets cannot be realised to repurchase, or cancel participatory interests.

Minimum investment amounts may be raised in the future at the discretion of the Manager.

UNITS ARE PRICED USING THE FORWARD PRICING METHOD

Investment, withdrawals and switching instructions received after 14:00 on any day shall be processed on the following day (excluding weekends and public holidays) at the value of the units on the day that the instruction is processed. Please refer to the relevant Terms and Conditions on the relevant application form. Collective Investment Schemes valuations take place at approximately 16:00 each business day.

Units will be repurchased by the Manager at the ruling price, according to the requirements of the Collective Investment Schemes Control Act No. 45 of 2002 and in line with the Terms and Conditions set out in the relevant deed, and paid to the investor.

The Allan Gray Money Market Fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this will have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the fund, it can have the effect of a capital loss. Such losses will be borne by the Allan Gray Money Market Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses.

DIFFERENT CLASSES OF UNITS ARE SUBJECT TO DIFFERENT FEES AND CHARGES

Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commissions may be paid and if so, would be included in the overall costs. Different classes of units apply to the Allan Gray Equity, Balanced, Stable and Optimal Funds only and are subject to different fees and charges. A detailed schedule of fees and charges and maximum commissions is available on request from the management company. A fund of funds unit trust may only invest in other unit trusts, which levy their own charges. A feeder fund is a unit trust fund that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme. This could result in a higher fee structure for these Funds. Permissible deductions from the total portfolio may include bank charges, trustee/custodian fees, auditor's fees, manager's annual management fee, securities transfer tax ('STT') and brokerage fees.

LEGAL NOTES

UNIT TRUSTS MAY BE CAPPED TO ALLOW THEM TO STICK TO THEIR MANDATES

All of the unit trusts except the Allan Gray Money Market Fund may be closed to new investments at any time. This is to allow them to be managed according to their mandates.

INITIAL ADVISER FEES

The buying price of units may include an initial adviser fee of up to a maximum of 3.42% (3% plus VAT) of the investment amount. This fee is not compulsory and is negotiated independently between the unitholder and the financial adviser.

FTSE/JSE

The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. The FTSE/JSE Africa Index Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Africa Index Series index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

Allan Gray Unit Trust Management (RF) Proprietary Limited is a member of the Association for Savings and Investment SA ('ASISA') in South Africa. Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of Allan Gray Unit Trust Management (RF) Proprietary Limited.

TAX NOTES

Institutional investors should note that, compared to retirement funds, unit trusts operate under different tax rules. While unit trusts are in practice not taxed, they do not enjoy automatic tax exemption and any taxable income earned is taxable in the hands of investors.

On 1 April 2012 Dividend Withholding Tax ('DWT') replaced Secondary Tax on Companies ('STC'), shifting the tax liability on dividend distributions from the company paying the dividend to the investor.

A transfer of units to another legal entity or natural person may result in a payment of Capital Gains Tax (excluding transfers from the Allan Gray Money Market Fund).

COMMUNICATION WITH INVESTORS

Statements are sent to all unitholders on a quarterly basis. In addition, confirmations are sent on a transaction basis (excluding debit orders).

NOTES

Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited
Reg. No. 1998/007756/07
1 Silo Square V&A Waterfront Cape Town 8001

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Directors

Executive Directors

R J Formby	B Sc (Eng) MBA
J C Marais	B Sc

Non-executive Directors

V A Christian	B Com CA (SA) (Independent)
R W Dower	B Sc (Eng) MBA
E D Loxton	B Com (Hons) MBA (Chairman)
J W T Mort	BA LLB (Independent)

Company Secretary

T Pickering B Bus Sc (Hons) CA (SA)

Details of the individual who supervised the preparation of the Annual Financial Statements

C E Solomon B Bus Sc (Hons) CA (SA)

Investment Manager

Allan Gray Proprietary Limited

Trustee

First National Bank, a division of FirstRand Bank Limited
PO Box 7713 Johannesburg 2000
South Africa

Auditors

Ernst & Young Inc.

Allan Gray Unit Trust Management (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).
Allan Gray Proprietary Limited is an authorised financial services provider.