2010

ABRIDGED ANNUAL REPORT

UNIT TRUSTS

ALLANGRAY

Contents

The Allan Gray Abridged Unit Trusts Annual Report is printed on LumiSilk, a paper made from trees grown specifically for paper manufacturing. The paper is certified by the Forest Stewardship Council (FSC), an organisation which promotes responsible management of the world's forests.

Edgar Loxton

Chairman's Report

2010 delivered a strong rand, declining interest rates, significantly increased foreign ownership of domestic equities and historically high commodity prices. Although we make investment decisions based on individual stock analysis and not on macroeconomic predictions, we do invest against this backdrop and our views are naturally reflected in your portfolios. We have no crystal ball, but we do believe that there is a significant risk that from here things may slow down on the JSE and that the rand may hold up less firmly. We have thus positioned our portfolios to protect you against these risks.

In his commentary (a new addition to this report) on page 2, our chief investment officer Ian Liddle provides a more detailed account of how the markets and regulatory changes have influenced our decisions.

New fund launched

On 1 March 2010 we launched a new offshore fund for investors who want exposure to a low-risk global portfolio in major foreign currencies without using their own offshore investment allowance.

The new Allan Gray-Orbis Global Optimal Fund of Funds provides access to a mix of the Orbis Optimal SA funds, which aim to produce capital appreciation in their respective currencies principally by investing in a focused portfolio of selected global equities believed to offer superior relative value, and by employing stock market hedging to reduce risk of loss. (Based in Bermuda, Orbis is our offshore partner. We share a common founder, investment approach and ethos).

In a low-interest rate environment the Fund provides a compelling alternative to cash for investors looking for superior, low-risk offshore returns.

Stable Fund completes a decade

The Allan Gray Stable Fund celebrated its tenth birthday in July, with a long-term track record showing returns well ahead of its benchmark and satisfactory capital stability. Nevertheless, the Fund has disappointed some investors recently as its offshore positions have languished under the strong rand and its early move to a more cautious local share exposure has allowed more daring funds in the same category to overtake it on the short-term performance tables.

While it would be nice for the Stable Fund to always be on top of the short-term performance tables, we do not aim for this. When we launched the Fund in July 2000, we had a simple goal: to provide investors with a superior long-term return to that which they could earn on a South African bank deposit, while seeking to minimise the risk of capital loss over any two-year period. We remain focused on this today.

Constantly aiming to improve our service

From an operational perspective, we are focused on offering a service that makes dealing with us an easy and satisfying experience. The confidence you place in our ability to deal with your service requests should mirror the confidence you place in our investment team. We constantly assess the knowledge levels of our staff members and how they interact with you. In addition, we keep a tight handle on turnaround times, completeness of information captured and other aspects that could negatively affect service. Finally, we ensure that our systems and processes add to the level of service.

Overview of funds

Net flows into our funds were R4 billion in 2010. Assets under management as at 31 December 2010 were R116 billion. We are pleased to report that the total number of unitholders who entrust us with their investments continues to increase.

While the absolute returns of most of our portfolios have been satisfactory, many of them have lagged their benchmarks over the last year, which we find disappointing. Periods of underperformance are an inherent characteristic of our long-term, contrarian approach to investing. Over the past 36 years, there have been a number of occasions when our stock-picking decisions have caused us to lag the market and our peers. History has shown, however, that those decisions tend to be vindicated over the long run, and clients who have endured the tough periods have been well rewarded for their patience. We encourage you to stay the course.

Our funds had different fortunes over 2010 - specific information on each fund follows after the chief investment officer report.

Ian Liddle

Chief Investment Officer's Report

All over the world, it has become a popular sport to disparage one's regulators. But I wonder how many of us South African investors have thanked our regulators for saving us from undoing ourselves?

Regulations worked in our favour

The rand weakened from just over R6 per dollar in January 2000 to R12 per dollar by the end of December 2001. As the panic out of the rand accelerated in the second half of 2001, many South African investors were scrambling to invest offshore. But the exchange controls in effect at the time fortunately restricted our ability to do so. Of course, these exchange controls were widely hated back then.

Since then the rand has strengthened, commodity prices are up massively and emerging markets have regained their popularity with global investors. The result has been stellar returns for most South African investors. In July 2000, the rand was still below R7 per dollar, and the blow-off to R12 per dollar still lay ahead. Despite what would have been a rocky start, R100 invested in a South African rand bank deposit in July 2000, would have been worth R221 by the end of 2010 if all income had been reinvested. This contrasts starkly with the R126 that one would have ended with in a US dollar bank deposit or the R115 if one had invested in the MSCI World Index. If that R100 had instead been invested in the FTSE/JSE All Share Index, it would have grown to R575 by the end of 2010. South Africa has been a great place for investors to be trapped over the last decade.

Exchange controls loosened

Quite remarkably our regulator has stepped in at what could prove to be a critical juncture by substantially loosening exchange controls for South African individuals to the point where their only remaining bite is on the super-rich. This leaves most South Africans free to take profits on at least some of their South African assets and diversify into foreign assets when prices are in their favour. Could it be that our regulators have given South African investors another reason to be grateful to them in a decade's time?

We certainly think so. The JSE accounts for only about 1.3% of the total world stock market capitalisation, so it is hard to believe that the best value opportunities still lie in the 1.3% of the market that has outperformed the MSCI World Index by a factor of FIVE times over the last decade.

In our Balanced and Stable funds we have increased the exposure to foreign investments to 25%, which is the new regulation 28 maximum binding on the funds. However, fund investors who are not constrained by regulation 28, are of course free to upweight their foreign exposure by investing in one of the three Allan Gray-Orbis foreign funds listed in this report. These funds are fully invested overseas and they give full exposure to the underlying Orbis funds. They are priced daily in rands based on the prevailing market prices and exchange rates. Investors do not even need a tax clearance certificate to invest in these funds. The three funds cover the full range from 100% equity market exposure to low equity market exposure, and investors should choose their equity market exposure carefully. Most stock markets around the world are up substantially off their lows from late 2008/early 2009.

Those investors who prefer to choose from a wider range of foreign alternatives, will need to apply for a tax clearance certificate before investing overseas. Those who are daunted by the 'admin' associated with switching foreign investments and accounting to SARS for capital gains in foreign currencies, may consider holding these investments via an offshore investment platform. You can find out more about the Allan Gray offshore platform at www.allangray.co.za.

Focus on the long term

The Balanced and Stable funds have disappointingly lagged many of their peers over the last year. Their foreign holdings suffered under a strong rand, and their relatively lower exposure to equity markets has made it hard to keep pace with the herd. In July 2007, Chuck Prince (former CEO of Citigroup) famously said: "As long as the music is playing, you've got to get up and dance. We're still dancing." As Mr Prince found out, the music can stop quite suddenly. We believe that our clients are best served by a patient, disciplined value-based approach, even if it means that we drop down the performance tables for a while.

Portfolio Managers

Ian Liddle
Chief investment officer
B Bus Sc (Hons) CFA

Ian graduated from UCT and joined Allan Gray in 2001 as an equity analyst after several years as a management consultant. Ian 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 he was appointed as chief investment officer, with overall responsibility for the investment team and portfolio management. He is a director of Allan Gray Limited.

Duncan Artus
Portfolio manager
B Bus Sc (Hons) PGDA CFA CMT

Duncan joined Allan Gray in 2001 as an equity analyst after completing his honours in Business Science and a postgraduate diploma in accounting at UCT. Duncan has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. Duncan holds both the CFA and CMT charters.

Delphine Govender
Portfolio manager
B Com Dip FMI (Cum laude) CA (SA) CFA

Delphine joined Allan Gray as an analyst in July 2001. After completing her articles at Deloitte, she worked as an investment analyst, gaining three years investment experience prior to joining Allan Gray. In January 2005, Delphine was promoted to the position of portfolio manager. She is also the fund manager of the Allan Gray Optimal Fund and is a director of Allan Gray Limited.

Andrew Lapping
Portfolio manager
B Sc (Eng) B Com CFA

Andrew completed his B Sc (Eng) and B Com at UCT. He 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 he is a fund manager for the Allan Gray Bond and Money Market funds. In February 2008 he took on the additional responsibility of managing a portion of client equity and balanced portfolios.

Sandy McGregor
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 Limited in February 2002 as a trainee equity analyst. He completed a B Com (Econometrics) degree at UP and a B Com Honours (Finance) degree at UCT in 2001 and is a CFA charter holder. He was promoted to the position of senior analyst in 2007 and in July 2008 was appointed as an equity portfolio manager.

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 (as represented by the FTSE/JSE All Share Index, including income) without assuming greater risk.	Local	• Seek long-term wealth creation • Are comfortable with market fluctuation i.e. short-term volatility • Typically have an investment horizon of five years plus • Seek an equity 'building block' for a diversified multi-asset class portfolio	Domestic-Equity-General
Allan Gray-Orbis Global Equity Feeder Fund	The Fund aims to outperform global stock markets at no greater-than-average risk of loss in its sector.	Offshore	• Would like to invest in global shares and benefit from offshore exposure • Want to gain exposure to markets and industries that may not be available locally • Would like to hedge their investments against rand depreciation	Foreign-Equity-General
40% - 75% Medium net equity exposure				
Allan Gray Balanced Fund	The Fund aims to earn a higher rate of return than similar balanced funds, without assuming any greater-than-average risk of loss in its sector.	Local	• Seek long-term wealth creation • Have an appetite for risk similar to the average person investing in pension funds • Typically have an investment horizon of three years plus • Wish to delegate their asset allocation decisions to Allan Gray	Domestic Asset Allocation-Prudential-Variable Equity
Allan Gray-Orbis Global Fund of Funds	The Fund aims to earn a higher rate of return than the average global 'balanced' fund, without assuming any greater-than-average risk of loss in its sector.	Offshore	• Wish to hedge their investments against any rand depreciation • Want to gain exposure to markets and industries that may not be available locally • Wish to invest in rands but benefit from offshore exposure • Would like to invest in an offshore balanced fund	Foreign-Asset Allocation-Flexible
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 returns that are superior to bank deposits on an after-tax basis.	Local	• Are risk-averse and require a high degree of capital stability • Require a reasonable income but also some capital growth • Are retired or nearing retirement • Seek to preserve capital over any two-year period	Domestic Asset Allocation-Prudential-Low Equity
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 trends.	Local	• Seek absolute (i.e. positive) returns regardless of stock market trends • Are risk-averse and require a high degree of capital stability • Are retired or nearing retirement • Seek the diversification benefits of uncorrelated returns relative to shares or bonds • Wish to add a product with an alternative investment strategy to their overall portfolio	Domestic Asset Allocation-Targeted Absolute Return
Allan Gray-Orbis Global Optimal Fund of Funds	The Fund seeks capital appreciation on a low risk global portfolio. The Fund aims to earn a higher rate of return than the simple average of the bank deposit rates in the currencies of the underlying Orbis funds.	Offshore	• Wish to invest in a global low risk portfolio • Wish to hedge their investment against rand depreciation • Wish to invest in rands but benefit from offshore exposure • Seek the diversification benefits of uncorrelated returns relative to shares and bonds	Foreign-Asset Allocation-Flexible
No equity exposure				
Allan Gray Bond Fund	The Fund aims to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund seeks to preserve at least the nominal value of investors' capital.	Local	• Are looking for returns in excess of those provided by money market or cash investments • Seek a bond 'building block' for a diversified multi-asset class portfolio • Are prepared to accept some risk of capital depreciation in exchange for the prospect of earning increased returns • Want to draw a regular income stream without consuming capital	Domestic-Fixed Interest-Bond
Allan Gray Money Market Fund	The Fund aims to preserve capital, maintain liquidity and generate a high level of income. While capital losses are unlikely, they can occur if, for example, one of the issuers of the assets underlying the Fund defaults. In this event, losses will be borne by the Fund and its investors.	Local	• Require monthly income distributions • Want to find a short-term safe haven for funds during times of market volatility • Are highly risk-averse • Have retired and have invested in a living annuity product. Underlying growth in the Fund and distributions are not taxed in a living annuity	Domestic-Fixed Interest-Money Market

Performance Summary

Annualised performance to 31 December 2010 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	23.0%	15.0%	6.8%
Benchmark[1]	17.9%	15.2%	6.5%
Allan Gray-Orbis Global Equity Feeder Fund		5.7%	-2.0%
Benchmark[2]		4.9%	-4.3%
Allan Gray Balanced Fund	19.2%	12.7%	7.3%
Benchmark[3]	14.2%	11.1%	5.7%
Allan Gray-Orbis Global Fund of Funds		6.2%	1.0%
Benchmark[4]		6.8%	0.3%
Allan Gray Stable Fund (net of tax)	12.4%	9.7%	6.9%
Benchmark[5]	7.6%	7.4%	7.6%
Allan Gray Optimal Fund		8.3%	7.9%
Benchmark[6]		7.7%	8.0%
Allan Gray Bond Fund		8.5%	10.8%
Benchmark[7]		7.9%	10.0%
Allan Gray Money Market Fund		9.1%	9.5%
Benchmark[8]		8.9%	9.2%
Allan Gray-Orbis Global Optimal Fund of Funds: New Fund - performance information not available			

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.
2. FTSE World Index (Source: Bloomberg), performance calculated by Allan Gray as at 31 December 2010.
3. The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.
4. 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2010.
5. Return of call deposits (for amounts in excess of R5 million) with FirstRand Bank Limited plus 2%; on an after-tax basis at a tax rate of 25% (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.
6. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5 million) (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.
7. All Bond Index (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.
8. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. The current benchmark is the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.

Allan Gray Equity Fund

Portfolio managers

Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Simon Raubenheimer

Fund objective

The Fund aims to outperform the South African equity market (as represented by the FTSE/JSE All Share Index, including income) without assuming greater risk.

Commentary

The Equity Fund returned 17.1% for 2010. This is substantially better than CPI inflation of 3.5% over the 12-month period. When one takes into account that the rand strengthened from R7.40 to R6.62 per US dollar over the year, the Fund returned 30.9% in US dollars. However, the Fund lagged its benchmark, the FTSE/JSE All Share Index (ALSI), by 1.9% over the same period.

This speaks to just how strongly the South African stock market has performed of late. Since its lows in late 2008, the ALSI has almost tripled in US dollar terms. It is now close to its dollar highs of October 2007. Fund investors should not forget that after peaking in October 2007, this benchmark index lost two-thirds of its dollar value in just under a year. If the overall market continues to rise vigorously as it has done over the last two years, the Fund will probably continue to underperform its benchmark, although absolute returns should be satisfactory in this event. An interesting aspect of Allan Gray's long-term performance track record since 1974 is that the major portion of our alpha has been earned in falling markets.

The Fund's investment universe is restricted to shares on the JSE, which account for only about 1.3% of the world's total stock market capitalisation. South Africa's small fraction of the world's stock markets has performed incredibly well since the bottom of the emerging markets crash in September 1998. R100 invested in this Fund when it was launched on 1 October 1998 would have grown to R2 399 by the end of 2010. The same R100 invested in the benchmark FTSE/JSE All Share Index would have grown to R897, while R100 invested in the MSCI World Index would have grown to only R175 (with all income re-invested).

In light of these outstanding relative returns and the prevailing high prices on the JSE, we would understand if our clients wished to take advantage of the recently relaxed foreign exchange controls to diversify into global markets. This can be done by investing in any of the Allan Gray-Orbis foreign funds, which offer a variety of equity exposures and are detailed on pages 10, 12 and 15 of this report, or by investing directly in any of the Orbis funds available on our offshore platform.

We continue to position the Fund in the JSE-listed shares which we believe offer the best relative value, based on our assessment of the intrinsic value of their underlying business operations. The Fund's biggest positions are currently Sasol, SABMiller, British American Tobacco and Remgro.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	2298.9	797.3
Latest 10 years (annualised)	23.0	17.9
Latest 5 years (annualised)	15.0	15.2
Latest 3 years (annualised)	6.8	6.5
Latest 1 year	17.1	19.0

1. Fund performance to 31 December 2010 shown net of all management fees and expenses.
2. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.

Sector allocation at 31 December 2010

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

Sector	% of portfolio	ALSI
Oil & gas	10.9	4.9
Basic materials	22.0	38.0
Industrials	11.0	6.2
Consumer goods	25.5	13.6
Healthcare	1.8	2.0
Consumer services	2.3	9.5
Telecommunications	5.7	6.8
Financials	11.8	18.8
Technology	1.1	0.3
Fixed interest/Liquidity	5.6	-
Other	2.5	-

Income yield and income distribution

The Fund has a low income yield and distributes income biannually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	-	-	47.57

Allan Gray-Orbis Global Equity Feeder Fund

Portfolio manager

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

Fund objective

The Fund aims to outperform global stock markets at no greater than average risk of loss in its sector.

Commentary

In 2010, the Orbis Global Equity Fund meaningfully underperformed its benchmark. A number of macro factors swayed markets this year, but none fully explains the poor performance. Put simply, there were fewer winners than losers and few big winners. Orbis' timing over the period was also disappointing.

SanDisk is a classic example of good stock picking but poor timing. Orbis began purchasing shares in November 2008 at around US$10, and continued buying as the price fell below US$7. At the time, SanDisk was trading below half its tangible net asset value and Orbis believed its licensing business alone was worth US$6 to US$9 a share. After bottoming out around US$5, SanDisk rose steadily. Orbis started selling in April 2009 at US$13 and exited the position by May 2010, when it was trading at US$40. Today the stock trades above US$50. In hindsight, Orbis could have produced better returns by keeping the whole position and letting its profits run.

Over the long term, however, we believe it is more important to maintain a disciplined, value-oriented approach, even at the cost of poor short-term performance. Often, this makes Orbis early to buy - and to sell.

Performance to 31 December 2010 in US dollars

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	52.8	35.8
Latest 5 years (annualised)	4.7	3.9
Latest 3 years (annualised)	(1.3)	(3.6)
Latest 1 year	5.8	12.7

Performance to 31 December 2010 in rands

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	63.7	45.4
Latest 5 years (annualised)	5.7	4.9
Latest 3 years (annualised)	(2.0)	(4.3)
Latest 1 year	(4.6)	1.7

1. Fund performance to 31 December 2010 in US dollars or rands as indicated shown net of all fees and expenses.
2. FTSE World Index (Source: Bloomberg), performance calculated by Allan Gray as at 31 December 2010.

Geographical deployment at 31 December 2010

This Fund invests solely into the Orbis Global Equity Fund

Region	Fund's % exposure to:		% of World index
	Equities	Currencies	
United States	42	46	44
Canada	2	2	5
North America	**44**	**48**	**49**
United Kingdom	7	9	9
Continental Europe	10	13	18
Europe	**17**	**22**	**27**
Japan	**20**	**9**	**9**
Korea	6	6	2
Greater China	10	12	4
Other	0	0	1
Asia ex-Japan	**16**	**18**	**7**
South Africa and other	**3**	**3**	**8**
Total	**100**	**100**	**100**

Income yield and income distribution

The Fund has a low income yield and distributes income annually. To the extent that the total expenses exceeded the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	0.44	-	0.11

Allan Gray Balanced Fund

Portfolio managers

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

Fund objective

The Fund aims to earn a higher rate of return than similar balanced funds, without assuming any greater risk of loss.

Commentary

The Fund returned 10.4% for 2010. This is substantially better than CPI inflation of 3.5% over the 12-month period. When one takes into account that the rand strengthened from R7.40 to R6.62 per US dollar over the year, the Fund returned 23.4%% in US dollars. However, the Fund lagged its benchmark by 2.1% over the same period.

A portion of the Fund's portfolio has been invested outside South Africa since June 2004. The bulk of this foreign exposure is obtained by investing in the funds managed by Orbis, with a smaller portion attributable to the Fund's current holding in British American Tobacco. For most of this period, the performance of the Fund's foreign holdings has been disappointing when compared with the outstanding returns from the South African stock market and even rand bank deposits. This is especially true over the last two years. The strengthening of the rand has detracted significantly from the Fund's recent returns.

So in light of this disappointing past performance, why has the Fund taken advantage of the higher prudential limit on foreign investments (now 25%) to increase its foreign exposure to 24.6%?

Money-flows into emerging markets, rising commodity prices and the strong rand may seem to have unstoppable momentum right now, but investors would do well to remember that they probably cannot last forever, and that the foreign portion of the Fund may play a valuable role in the event of these trends reversing - just as it did in 2008. The disappointing relative performance of the Fund's foreign investments to date makes us more optimistic about their potential to add value to the Fund from this day on, because today they start from a lower relative price.

The JSE accounts for about 1.3% of the world's stock market capitalisation. In US dollar terms, the FTSE/JSE All Share Index has almost tripled since its lows in late 2008, and at the time of writing is back at its US dollar highs of October 2007. One should not forget that after peaking in October 2007 this index lost two-thirds of its dollar value in just under a year. Most stock markets around the world are up substantially from their lows, but not to the same extent as the JSE. At current prices, there must be a very strong probability that Orbis is now able to find better opportunities globally than we can find in the limited investment universe on the JSE.

Of course, a 25% foreign exposure means that three-quarters of the Fund is still invested domestically in JSE-listed stocks, rand-denominated bonds and money market instruments and the Newgold debenture.

We continue to position the Fund in the JSE-listed shares which we believe offer the best relative value, based on our assessment of the intrinsic value of their underlying business operations. The Fund's biggest positions are currently Sasol, SABMiller, British American Tobacco and Remgro. The Fund's overall effective equity exposure of just less than 60% is lower than its historical average.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	727.2	351.2
Latest 10 years (annualised)	19.2	14.2
Latest 5 years (annualised)	12.7	11.1
Latest 3 years (annualised)	7.3	5.7
Latest 1 year	10.4	12.5

1. Fund performance to 31 December 2010 shown net of all management fees and expenses.
2. The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.

Asset allocation at 31 December 2010

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

	% of portfolio		
Asset class	Total	SA	Foreign
Net equities	59.8	45.0	14.8
Hedged equities	8.0	1.4	6.6
Property	0.2	0.2	-
Commodities (gold)	3.3	3.3	-
Bonds	10.0	10.0	-
Money market and bank deposits	18.7	15.5	3.2
Total	**100.0**	**75.4**	**24.6**

Income yield and income distribution

The Fund has an average income yield and distributes income biannually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	55.21	-	67.64

Allan Gray-Orbis Global Fund of Funds

Portfolio manager

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

Fund objective

The Fund aims to earn a higher rate of return than the average global 'balanced' fund at no greater risk of loss.

Commentary

In 2010, the portion of the Fund invested in the Orbis Global Equity Fund meaningfully underperformed its benchmark, owing to poor stock picking and market timing. Orbis had fewer winners than losers, and few big winners. In some cases, one might produce better returns by letting winners run, but in the long term, we think it is more important to maintain a disciplined, value-oriented approach. Often, this makes Orbis early to buy - and to sell.

Japan faces a number of entrenched structural challenges: an ageing population, bloated government debt, persistent deflation, and indecisive political leadership. Performance for the portion of the Fund invested in the Orbis Japan Equity Fund has been underwhelming, but Orbis continues to find attractive long-term investment opportunities in Japan.

The Fund invested in the Orbis Asia ex-Japan Fund in the latter part of the year. Over this period, the Fund has performed well in absolute terms but performance relative to the benchmark has been poor. In our view, this speaks to the volatility of investing in emerging markets, but we believe that Orbis' disciplined approach will produce pleasing results in the long term.

The Orbis Optimal SA Fund underperformed US dollar bank deposits and had negative returns in 2010. This disappointing performance comes largely from stock selections in the Global Equity Fund, which accounts for over 70% of Optimal SA's portfolio. Though returns over the past five years have been modest, the Optimal SA strategy is designed for the long term, and we remain confident in its potential going forward.

2010 began with the Fund overweight the yen; as the year went on, the Fund's exposure shifted toward the US dollar, euro, and Asia ex-Japan currencies. At 31 December, the Fund of Funds was overweight the US dollar and substantially overweight Asia ex-Japan currencies. The Fund was underweight the euro and slightly underweight the Japanese yen.

Performance to 31 December 2010 in US dollars

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	54.7	54.2
Latest 5 years (annualised)	5.1	5.7
Latest 3 years (annualised)	1.7	1.0
Latest 1 year	0.7	10.6

Performance to 31 December 2010 in rands

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	46.7	46.2
Latest 5 years (annualised)	6.2	6.8
Latest 3 years (annualised)	1.0	0.3
Latest 1 year	(9.2)	(0.2)

1. Fund performance to 31 December 2010 in US dollars or rands as indicated shown net of all fees and expenses.
2. 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index. (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2010.

Geographical exposure of funds as at 31 December 2010

Region	Net equity exposure (%)	Hedged equity exposure (%)	Fund currency exposure (%)
North America	12	17	48
Europe	5	9	18
Japan	29	5	16
Asia ex-Japan	10	6	16
South Africa & other	1	1	2
Total	**57**	**38**	**100**

Income yield and income distribution

The Fund has a low income yield and distributes income annually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	0.29	-	0.08

Allan Gray Stable Fund

Portfolio manager

Ian Liddle (Most foreign assets are invested in Orbis funds)

Fund objective

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 returns that are superior to bank deposits on an after-tax basis.

Commentary

The Fund returned 4% for 2010. This is marginally better than CPI inflation of 3.5% over the 12-month period. However, the Fund lagged its benchmark by 1.7% over the year.

Although the Fund achieved its objective of capital stability in spite of the remarkable volatility in global investment markets over the last three years, it has disappointingly underperformed its benchmark over the last three years.

The primary reason for this underperformance (especially over the last two years) has been the disappointing performance of the Fund's foreign investments. This disappointing performance can be ascribed to a few important factors including a strengthening rand, low developed market interest rates, developed stock markets underperforming emerging markets such as South Africa, and disappointing relative performance from Orbis' stock picks.

So when the South African Reserve Bank (SARB) and the Financial Services Board (FSB) recently announced an increase in the prudential limit on foreign investments, why did we increase the Fund's foreign exposure to 25%?

Money flows into emerging markets, rising commodity prices and the strong rand may seem to have unstoppable momentum right now, but investors would do well to remember that they probably can't last forever, and that the foreign portion of the Fund may play a valuable role in the event of these trends reversing just as it did in 2008. The disappointing relative performance of the Fund's foreign investments to date makes us more optimistic about their potential to add value to the Fund from this day on, because today they start from a lower relative price.

The JSE accounts for about 1.3% of the world's stock market capitalisation. In US dollar terms the FTSE/JSE All Share Index has almost tripled since its lows in late 2008, and at the time of writing is back at its dollar highs of October 2007. One should not forget that after peaking in October 2007 this index lost two-thirds of its dollar value in just under a year. Of course, most stock markets around the world are up substantially from their lows, but not to the same extent as the JSE. At current prices, there must be a very strong probability that Orbis is now able to find better opportunities globally than we can find in the very limited investment universe on the JSE.

The Fund's most significant exposure is still to high quality rand-denominated interest-bearing investments. Effective exposure to South African equities has been lowered substantially, and the bulk of the Fund's net equity exposure now derives from its foreign investments. Overall domestic and foreign effective equity exposure is currently a relatively low 16.6%.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	257.2	117.4
Latest 10 years (annualised)	12.4	7.6
Latest 5 years (annualised)	9.7	7.4
Latest 3 years (annualised)	6.9	7.6
Latest 1 year	4.0	5.7

1. Fund and benchmark performance adjusted for income tax at a rate of 25%. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. Return of call deposits (for amounts in excess of R5 million) with FirstRand Bank Limited plus 2%; on an after-tax basis at a tax rate of 25% (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.

Asset allocation at 31 December 2010

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

	% of portfolio		
Asset class	Total	SA	Foreign
Net equities	16.6	5.5	11.1
Hedged equities	27.1	17.7	9.5
Property	0.1	0.1	-
Commodities (gold)	4.5	4.5	-
Bonds	8.2	8.2	-
Money market and bank deposits	43.6	39.4	4.2
Total	**100.0**	**75.4**	**24.8**

Income yield and income distribution

The Fund has a high income yield and distributes income quarterly. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
21.65	21.93	19.36	18.47

Allan Gray Optimal Fund

Portfolio manager

Delphine Govender

Fund objective

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market trends. The Fund aims to exceed the return of the daily call rate of FirstRand Bank Limited.

Commentary

The Optimal Fund invests in a portfolio of equities and substantially reduces stock market risk and exposure by selling equity derivatives against the equity portfolio. As a result, the Fund's return should not be correlated with equity markets, but it is dependent rather on the level of short-term interest rates and the ability of the Fund's equity portfolio to outperform the underlying benchmark equity index. In essence, therefore, the Fund's return comprises two components: (1) the cash return implicit in the pricing of the sold futures contracts +/- (2) the out/underperformance of the equity portfolio versus the index (i.e. the alpha).

Since inception the Fund has returned 106.3%, outperforming the benchmark return of 85.7%. For the 12 months ended 31 December 2010, the Fund has delivered 5.2%, marginally below the benchmark return of 5.5%.

Following the sharp rally in the FTSE/JSE All Share Index (ALSI) in 2009, we witnessed further strength in the overall equity market in 2010, albeit with considerably more volatility in monthly returns during the past year. The Optimal Fund, with its very low net equity exposure of just over 3%, has as a result naturally lagged in the context of rising equity prices. In addition, the equity component of the Fund is invested in more defensive shares which have underperformed the index as a whole. At the same time, interest rates in South Africa have fallen to 30-year lows, which also negatively impacted the level of absolute cash return that is implicitly earned on futures contracts used to hedge the Fund's equity exposure.

The current positioning of the Optimal Fund is reflective of our view of equities, which we are presently finding expensive on average. With current valuations in historically expensive territory on most measures, there is little margin of safety (if any) in share prices. Given this Fund's explicit mandate to minimise volatility; preserve capital (i.e. limit loss) and deliver uncorrelated returns versus equity markets, we feel the Optimal Fund is appropriately positioned in an environment where we hold the view that the risk of loss from the equity market as a whole is now higher than average.

While the Optimal Fund's performance has been disappointing in 2010, we are clearly aware of the reasons for this, and we continue to remain confident about the relevance of this Fund as a component of an investor's overall portfolio.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	106.3	85.7
Latest 5 years (annualised)	8.3	7.7
Latest 3 years (annualised)	7.9	8.0
Latest 1 year	5.2	5.5

1. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5 million) (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.

Asset allocation at 31 December 2010

	% of portfolio
Asset class	**Total**
Net SA equities	3.3
Foreign inward listing on the JSE	0.4
Hedged SA equities	82.7
Property	0.3
Money market and bank deposits	13.3
Total	**100.0**

Income yield and income distribution

The Fund has a low income yield and distributes income biannually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	9.46	-	14.39

Allan Gray-Orbis Global Optimal Fund of Funds

Portfolio manager

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

Fund objective

The Fund seeks capital appreciation on a low risk global portfolio. The Fund aims to earn a higher rate of return than the simple average of the bank deposit rates in the currencies of the underlying Orbis funds.

Commentary

2010 was a disappointing year for the Orbis Optimal SA Fund: the Fund underperformed US dollar bank deposits, and returns were negative. This poor performance comes largely from poor stock selection and market timing in the Orbis Global Equity Fund. The Global Equity Fund accounts for more than 70% of Optimal SA's portfolio, and it had negative alpha in 2010. Returns on cash were also underwhelming. Historically, cash returns have accounted for a significant portion of Optimal SA's absolute return; in 2010, this contribution was miniscule.

Like all investments, Optimal SA's performance should be judged over long periods. Although performance over the past five years has been modest, returns have been positive and on par with US dollar bank deposits, despite the turmoil caused by the global financial crisis.

Going forward, we and Orbis remain confident in the Optimal SA strategy's soundness, transparency, and time-tested investment strategy.

Performance to 31 December 2010

% Returns (unannualised)	Fund[1]	Benchmark[2]
Since inception in rands	(13.5)	(13.5)
Since inception in US dollars	(0.1)	(0.1)

1. Fund performance to 31 December 2010 in US dollars or rands as indicated shown net of all fees and expenses.
2. The simple average of the benchmarks of the underlying portfolios (Source: Orbis website), performance as calculated by Allan Gray as at 31 December 2010.

Allocation of offshore funds at 31 December 2010

Foreign absolute return funds	%
Orbis Optimal SA (US dollar)	70
Orbis Optimal SA (euro)	30
Total	**100**

Income yield and income distribution

The Fund distributes annually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

The Fund is less than one-year old and therefore no distribution has been made to date.

Allan Gray Bond Fund

Portfolio managers

Sandy McGregor, Andrew Lapping

Fund objective

The Fund aims to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund seeks to preserve at least the nominal value of investors' capital.

Commentary

2010 was a good year for bond investors. The yield curve rallied by about 100 points during July and August after a very stable first six months of the year. Towards the later part of the year the South African bond market weakened in sympathy with international bond markets. This weakness was caused by inflation fears and the pure weight of issuance brought to the market in the US and EU.

The Allan Gray Bond Fund unfortunately underperformed for the year as the Fund was underweight duration compared to the All Bond Index (ALBI). The underperformance was mitigated by the Fund benefiting from the long end of the curve selling off slightly relative to the middle area of the curve.

South African fixed interest investors are fairly sanguine about the inflation outlook. We are more cautious on long-term inflation. One of the reasons for caution is that the tailwind of a strengthening rand cannot last forever. The rand has strengthened 10% against the US dollar over the past 10 years, despite a cumulative inflation differential of 40%. If the rand begins to weaken, recently higher international food prices will impact the local market and cause consumer goods to appreciate in price. This will add to the already substantial pressure of administered prices, such as electricity and municipal rates, on the consumer price index (CPI).

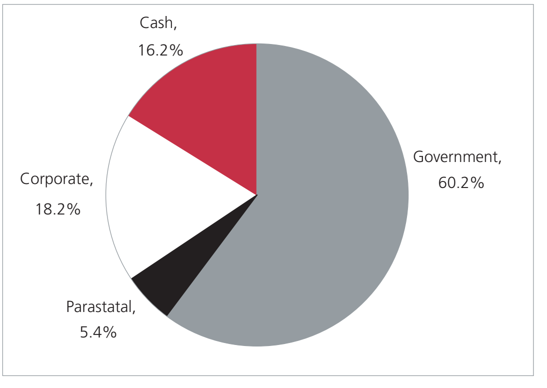
Taking these factors into account when calculating what we believe is a long-term normal inflation rate for South Africa, in our view long bonds are slightly overvalued. Accordingly, we believe a cautious investment stance is appropriate and the Fund's duration remains below that of its ALBI benchmark.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	78.4	74.8
Latest 5 years (annualised)	8.5	7.9
Latest 3 years (annualised)	10.8	10.0
Latest 1 year	13.8	15.0

1. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. All Bond Index (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.

Sector allocation at 31 December 2010



Income yield and income distribution

The Fund has a high income yield and distributes income quarterly.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
20.86	20.90	21.33	21.23

Allan Gray Money Market Fund

Portfolio manager

Andrew Lapping

Fund objective

The Fund aims to preserve capital, maintain liquidity and generate a high level of income.

Commentary

2010 was an interesting year for investors and demonstrated how difficult it is to forecast the future, even over relatively short periods. The consensus in January was that the interest rate cutting cycle had come to an end and rates would remain flat for some time. As it turned out rates were cut a further three times during 2010 as the inflation rate fell.

South African short-term interest rates are now at 30-year lows, however real interest rates are closer to the 20-year average. The reason for this is the low inflation rate of 3.5%, which is a result of the strong rand. The rand, which has strengthened consistently over the past two years, is the key inflation driver in South Africa. We believe the local currency is overvalued at current levels and is more likely to weaken rather than strengthen further. A weaker rand, together with the already-higher international food prices, may cause inflation to surprise on the upside.

The consensus expectation is for slightly higher inflation, but nothing material, and similar to last year, the general expectation is for interest rates to remain unchanged for some time. This may turn out to be the case, but the shape of the money market yield curve means the potential upside of investing with this view is relatively small compared to the downside risk of this view being wrong. As noted above, we believe inflation may surprise on the upside; consequently we believe interest rates may increase sooner than anticipated, and have positioned the Money Market Fund accordingly.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	132.0	131.0
Latest 5 years (annualised)	9.1	8.9
Latest 3 years (annualised)	9.5	9.2
Latest 1 year	7.1	6.8

1. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. The current benchmark is the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.

Exposure by issuer at 31 December 2010

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

Government and parastatals	
RSA	18.9
Denel	3.0
Transnet	1.1
Total	23.0
Corporates	
Sanlam	2.9
Toyota	0.9
MTN	0.3
Total	4.1
Banks[3]	
Nedbank	17.6
FirstRand Bank	17.0
Standard Bank	16.5
ABSA	14.1
Investec	7.8
Total	73.0
Total	**100.0**

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

Income yield and income distribution

The Fund has a high income yield and distributes income daily and pays monthly.

Allan Gray Unit Trusts Annual Fees and Total Expense Ratios

Fund	Annual investment management fee (excl. VAT)		Total expense ratio[1] (incl. VAT)				
			Total expense ratio (TER)	Included in TER			
				Performance component	Fee at benchmark	Trading costs	Other expenses
Allan Gray Equity Fund (JSE code: AGEF)	Performance fee on the out/underperformance of the benchmark (adjusted for fund expenses and cash flows) over a two-year rolling period. Minimum fee: Fee at benchmark: Sharing rate (of two-year outperformance): Maximum fee:	 0.00% 1.50% 10.00% 3.00%	2.76%	0.94%	1.71%	0.10%	0.01%
Allan Gray-Orbis Global Equity Feeder Fund[3] (JSE code: AGOE)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.		2.27%	0.60%	1.49%	0.13%	0.05%
Allan Gray Balanced Fund (JSE code: AGBF)	Performance fee on the out/underperformance of the benchmark over a two-year rolling period.[2] Minimum fee: Fee at benchmark: Sharing rate (of two-year outperformance): Maximum fee:	 0.50% 1.00% 10.00% 1.50%	1.59%	0.31%	1.17%	0.09%	0.02%
Allan Gray-Orbis Global Fund of Funds[3] (JSE code: AGGF)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.		1.81%	0.34%	1.24%	0.16%	0.07%
Allan Gray Stable Fund (JSE code: AGSF)	Performance fee on the out/underperformance of the benchmark over a two-year rolling period.[2] Minimum fee: Fee at benchmark: Sharing rate (of two-year outperformance): Maximum fee: No fee is charged if the Fund's cumulative return over a two-year period is equal to or less than 0%.	 0.50% 1.00% 10.00% 1.50%	1.29%	0.06%	1.15%	0.06%	0.02%
Allan Gray Optimal Fund (JSE code: AGOF)	Performance fee on the outperformance of the benchmark. A high watermark structure applies. Minimum fee: Fee at benchmark: Sharing rate: Maximum fee:	 1.00% 1.00% 20.00% uncapped	1.29%	0.00%	1.14%	0.14%	0.01%
Allan Gray-Orbis Global Optimal Fund of Funds[3] (JSE code: AGOO)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.		1.28%	0.06%	0.96%	0.18%	0.08%
Allan Gray Bond Fund (JSE code: AGBD)	Performance fee on the outperformance of the benchmark (adjusted for fund expenses and cash flows) over a one-year rolling period. Minimum fee: Fee at benchmark: Sharing rate: Maximum fee:	 0.25% 0.25% 25.00% 0.75%	0.53%	0.20%	0.29%	0.00%	0.04%
Allan Gray Money Market Fund (JSE code: AGMF)	Fixed fee:	0.25%	0.30%	0.00%	0.29%	0.00%	0.01%

1. 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 to the end of December 2010. 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.
2. The annual management fee is calculated on the daily value of the Fund excluding any assets invested in the Orbis funds. Assets invested in the Orbis funds incur a management fee. These, along with other expenses are included in the total expense ratio.
3. Due to foreign exchange control regulations, the Fund may be closed from time to time. Unitholders can contact our Client Service Centre to confirm whether or not the Fund is open.

Compliance with Prudential Investment Guidelines for retirement funds:

Allan Gray Balanced and Stable funds

The Funds are managed to comply with Regulation 28 of the Pension Funds Act (with total foreign exposure limit of 25% as per FSB Circular 6 of 2010). Exposures in excess of the limits will be corrected immediately except where due to market value fluctuations or capital withdrawals in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 9 of Annexure A to Regulation 28).

Allan Gray Bond and Money Market funds

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

Income Statements

For the year ended 31 December 2010

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND		MONEY MARKET FUND	
		2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	**2010**	2009	**2010**	2009
		R	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	**R**	R	**R**	R
REVENUE		**620 119 050**	443 745 441	**1 491 183**	1 425 318	**1 289 520 417**	932 887 920	**2 204 017**	5 819 025	**1 413 893 848**	1 448 934 847	**81 321 800**	70 525 994	**233 094**	**18 275 511**	10 959 300	**599 754 318**	882 092 608
Dividends		**545 894 677**	404 670 698	-	-	**440 670 706**	376 068 590	-	3 765 326	**171 242 195**	158 052 076	**55 167 380**	38 880 393	-	-	-	-	-
Interest - Local		**74 224 373**	37 747 297	**1 491 183**	1 425 318	**848 849 711**	554 288 933	**2 204 017**	2 053 699	**1 242 651 653**	1 290 537 708	**26 154 420**	31 571 841	**233 094**	**18 275 511**	10 959 300	**599 754 318**	882 092 608
Sundry income		-	1 327 446	-	-	-	2 530 397	-	-	-	345 063	-	73 760	-	-	-	-	-
OPERATING EXPENSES		**621 321 966**	522 807 962	**257 111**	220 873	**468 600 102**	407 650 457	**409 432**	406 852	**326 099 174**	268 257 853	**36 266 871**	27 676 845	**61 061**	**1 139 279**	722 801	**24 326 343**	28 067 823
Audit fee		**82 267**	83 852	**32 631**	33 262	**95 560**	97 400	**33 816**	34 464	**84 289**	85 914	**82 536**	84 128	**33 815**	**59 951**	61 104	**70 053**	71 329
Bank charges		**160 352**	137 497	**6 427**	16 282	**258 306**	169 190	**3 642**	31 465	**243 640**	190 675	**61 400**	76 885	**12 383**	**18 878**	21 700	**78 791**	76 160
Trustee fees		**1 312 020**	993 376	**218 053**	171 329	**2 083 590**	1 531 051	**371 974**	340 923	**1 737 185**	1 475 227	**174 546**	127 928	**14 863**	**12 688**	6 828	**474 220**	546 733
Management fee		**619 767 327**	521 593 237	-	-	**466 162 646**	405 852 816	-	-	**324 034 060**	266 506 037	**35 948 389**	27 387 904	-	**1 047 762**	633 169	**23 703 279**	27 373 601
Operating (loss)/profit before income adjustments		**(1 202 916)**	(79 062 521)	**1 234 072**	1 204 445	**820 920 315**	525 237 463	**1 794 585**	5 412 173	**1 087 794 674**	1 180 676 994	**45 054 929**	42 849 149	**172 033**	**17 136 232**	10 236 499	**575 427 975**	854 024 785
Income adjustments on creation and cancellation of units		**633 006**	641 140	**46 873**	202 333	**24 270 446**	32 102 633	**13 784**	778 335	**(15 599 386)**	45 177 069	**(1 737 696)**	10 738 826	**(258 659)**	**977 586**	855 321	-	-
Distributable (deficit[1])/profit[2]	1	**(569 910)**	(78 421 381)	**1 280 945**	1 406 778	**845 190 761**	557 340 096	**1 808 369**	6 190 508	**1 072 195 288**	1 225 854 063	**43 317 233**	53 587 975	**(86 626)**	**18 113 818**	11 091 820	**575 427 975**	854 024 785

*The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

1. See page 24 for a note on shortfalls of distributable profits and the treatment thereof.
2. Distributable profit was distributed in full to unitholders in both years.

Statements of Financial Position

As at 31 December 2010

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND		MONEY MARKET FUND	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	**2010**	2009	**2010**	2009
	R	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	**R**	R	**R**	R
ASSETS																	
Investments	**25 844 983 649**	21 500 779 237	**4 046 280 784**	3 703 126 210	**40 658 269 718**	32 668 418 984	**6 157 784 361**	6 692 022 430	**28 197 211 165**	30 930 941 628	**2 974 743 482**	2 762 051 660	**380 573 765**	**312 635 422**	160 988 334	**8 244 402 500**	8 726 962 159
Current assets	**44 566 365**	53 689 262	**28 408 463**	17 531 028	**47 956 965**	96 766 923	**21 746 186**	48 112 712	**21 939 551**	104 175 203	**11 681 118**	35 223 412	**4 467 075**	**1 054 170**	1 085 809	**8 740 878**	10 405 883
Total assets	**25 889 550 014**	21 554 468 499	**4 074 689 247**	3 720 657 238	**40 706 226 683**	32 765 185 907	**6 179 530 547**	6 740 135 142	**28 219 150 716**	31 035 116 831	**2 986 424 600**	2 797 275 072	**385 040 840**	**313 689 592**	162 074 143	**8 253 143 378**	8 737 368 042
LIABILITIES																	
Current liabilities	**133 805 240**	117 035 613	**300 687**	13 381 753	**677 143 217**	652 177 146	**438 275**	37 773 955	**362 889 933**	788 669 717	**28 694 464**	46 153 693	**738 681**	**8 222 832**	3 450 036	**44 009 794**	246 197 484
Net assets attributable to unitholders	**25 755 744 774**	21 437 432 886	**4 074 388 560**	3 707 275 485	**40 029 083 466**	32 113 008 761	**6 179 092 272**	6 702 361 187	**27 856 260 783**	30 246 447 114	**2 957 730 136**	2 751 121 379	**384 302 159**	**305 466 760**	158 624 107	**8 209 133 584**	8 491 170 558

*The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

Distribution to Unitholders

As at 31 December 2010

1. Distribution schedules

	Notes	2010 Cents per unit	2010 Distribution R	2009 Cents per unit	2009 Distribution R
Allan Gray Equity Fund					
30 June					
Class A		-	-	6.6661	7 752 091
31 December					
Class A		47.5663	63 194 692	-	-
Total distribution for the year			63 194 692		7 752 091
Shortfall of income funded by net assets attributed to unitholders	2		(63 764 602)		(86 173 472)
Distributable (deficit)/profit for the year			(569 910)		(78 421 381)
Allan Gray-Orbis Global Equity Feeder Fund					
30 June					
Class A		0.4361	1 016 589	-	-
31 December					
Class A		0.1058	264 356	0.6487	1 406 778
Total distribution for the year			1 280 945		1 406 778
Allan Gray Balanced Fund					
30 June					
Class A		55.2117	357 132 316	53.0709	272 665 774
Class B		23.1177	9 158 585	25.1265	9 826 474
31 December					
Class A		67.6430	465 931 522	45.5988	269 068 645
Class B		33.8799	12 968 338	14.5126	5 779 203
Total distribution for the year			845 190 761		557 340 096
Allan Gray-Orbis Global Fund of Funds					
30 June					
Class A		0.2850	1 416 950	-	-
31 December					
Class A		0.0787	391 419	1.2635	6 190 508
Total distribution for the year			1 808 369		6 190 508
Allan Gray Stable Fund					
31 March					
Class A		21.6542	275 525 994	32.5863	308 917 290
Class B		14.8120	17 886 834	25.9407	32 392 632
30 June					
Class A		21.9314	279 099 539	27.6436	282 963 485
Class B		14.9594	17 194 434	20.9592	26 674 301
30 September					
Class A		19.3605	243 617 459	24.5761	283 845 106
Class B		12.3239	13 405 197	17.6592	22 743 551
31 December					
Class A		18.4692	214 484 407	20.0864	251 785 641
Class B		11.4523	10 981 424	13.1124	16 532 057
Total distribution for the year			1 072 195 288		1 225 854 063

	Notes	2010 Cents per unit	2010 Distribution R	2009 Cents per unit	2009 Distribution R
Allan Gray Optimal Fund					
30 June					
Class A		9.4560	17 667 723	22.0876	32 465 319
Class B		-	-	12.4797	740 049
31 December					
Class A		14.3938	25 482 936	11.9762	20 254 655
Class B		3.7398	166 574	2.1524	127 952
Total distribution for the year			43 317 233		53 587 975
Allan Gray-Orbis Global Optimal Fund of Funds					
31 December					
Class A		0.2683	119 314	-	-
Total distribution for the year			119 314		-
Shortfall of income funded by net assets attributed to unitholders	2		(205 940)		-
Distributable (deficit)/profit for the year			(86 626)		-
Allan Gray Bond Fund					
31 March					
Class A		20.8577	3 264 390	25.1050	2 446 633
30 June					
Class A		20.8956	3 525 432	23.2748	2 560 802
30 September					
Class A		21.3259	5 294 271	22.1317	2 865 201
31 December					
Class A		21.2260	6 029 725	20.7282	3 219 184
Total distribution for the year			18 113 818		11 091 820

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 on this note due to the frequency of the distribution.

2. 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 Deed.

	2010 R	2009 R
Allan Gray Equity Fund A & B Class (June)	61 329 995	3 638 445
Allan Gray Equity Fund A & B Class (December)	2 434 607	82 535 027
Allan Gray-Orbis Global Optimal Fund of Funds (June)	205 940	-
Total shortfalls for the year	63 970 542	86 173 472

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 therefore confirm that for the period 1 January 2010 to 31 December 2010 the Scheme has been administered:

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

There were no material instances of compliance contraventions, and no losses incurred by any funds as a result thereof, during the year.

Nelia de Beer
Trustee Manager: Unit Trusts
FNB Custody Services
First National Bank, a division of FirstRand Bank Limited

Johannesburg
15 February 2011

Legal Notes

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. 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.

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 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 Limited

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

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).

Copies of the audited annual financial statements of the Manager and of the unit trusts it manages are available, free of charge, on request by any investor.

MANAGEMENT COMPANY

Allan Gray Unit Trust Management Limited
Reg. No. 1998/007756/06
Granger Bay Court Beach Road
V&A Waterfront Cape Town 8001

CONTACT DETAILS

Portswood Square Dock Road
V&A Waterfront Cape Town 8001
PO Box 51605 V&A Waterfront
Cape Town 8002 South Africa

Client Service Centre
Tel 0860 000 654 / +27 (0)21 415 2301
Fax 0860 000 655/ +27 (0)21 415 2492
Email info@allangray.co.za
Adviser Service Centre
Tel 0860 000 653 / +27 (0)21 415 2690
Fax 0860 000 655/ +27 (0)21 415 2492
Email ifa@allangray.co.za
www.allangray.co.za

DIRECTORS

Executive Directors
R Formby B Sc (Eng) MBA
J C Marais BSc

Non-executive Directors
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 J W Molloy B Com (Hons) CA (SA)

INVESTMENT MANAGER

Allan Gray Limited is an authorised financial services provider.

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 Limited is a member of the Association for Savings & Investment SA (ASISA)