

Q4



Quarterly Commentary

31 December 2003

ALLAN GRAY
LONG TERM INVESTMENT MANAGEMENT

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Front cover: Some of the people that contributed to or who are profiled in this issue are, from left to right: Liesel Solomon, Delphine Govender and Lauren Honeyman.

Greg Fury
Chief Operating Officer, Allan Gray Limited

Comments from the Chief Operating Officer



This issue of our Quarterly Commentary is my first after having succeeded Mark Herdman. Mark has left us but is remaining in the broader group in his new role in Australia with our global asset management partner Orbis. I join you in thanking him for his contribution to Allan Gray and wish him well. It is an honour to succeed him and my hope is to assist in building on the foundation he and others have laid while remaining true to the investment philosophy and business principles that have so distinguished Allan Gray.

In 'Investment Perspective' Arjen Lugtenburg provides some insight into that investment philosophy by examining whether the classification of investment managers according to their investment styles makes sense. Allan Gray has always subscribed to the view that an assessment of a company's growth prospects is an integral component of assessing its value and that 'value' and 'growth' are therefore always linked. We therefore do not give much attention to such style distinctions and do not categorise Allan Gray purely as a 'value' manager. Arjen shows, by way of an analysis of the top 15 holdings in the 'value' and 'growth' equity unit trusts, that the distinction between the styles is not all that clear. Also shown in his analysis is that Allan Gray portfolios, while remaining very different from the average manager in either camp, currently have almost equal commonality with both.

Investment Commentary

Delphine Govender illustrates the application of our investment philosophy in a discussion of Tiger Brands - one of South Africa's foremost fast moving consumer goods and pharmaceutical companies - showing why it is a significant holding in our clients' portfolios. She shows why we believe that it continues to trade at a significant discount to its intrinsic

value and that as the underlying value is unlocked, our expectation is that it will prove to be an exceptionally rewarding investment for our clients.

Institutional Update

There has, given some of the abuses uncovered, rightly been much media attention given to corporate governance over the past year. In South Africa much of this attention has focused on the role of shareholders and the extent to which they or their investment managers should involve themselves in the governance of the companies in which they invest. Allan Gray's position on the subject and its experience of action reflects the application of our business principles. In an article recently published in the press, Stephen Mildenhall provides Allan Gray's perspective on an issue that we believe will be of interest to you.

New Product News

It is with pleasure that we announce the registration with the Financial Services Board, three currency versions of the Orbis Japan Equity Fund, all of which have been awarded the highest fund management rating by Standard & Poor's. This adds to the range of offshore investment products managed by our global asset management partner, Orbis and distributed by Allan Gray in South Africa. Craig Bodenstab provides some detail on the funds and Orbis' outlook on Japanese equities.

Gray Matters

I have been surprised and pleased to note the large number of long-serving Allan Gray employees, even more so those who have taken the opportunities this firm provides to further their careers and extended their roles within it. Their professional attitude, work ethic and desire to grow have been an example and have been rewarded by much personal success. In this issue we focus on

six individuals who have displayed such motivation and ambition. A confirmation of the confidence our employees have in our investment team is displayed in a second article in this section.

Investment Performance

We are pleased that the performance of our clients' portfolios for 2003 across all major mandates was once again positive in both absolute and relative terms. This extends our track record of outperformance to 23 of 29 years in equity-only mandates and 22 of 26 years in balanced mandates. This was achieved in spite of performance in the fourth quarter that was poor in relative terms. Our largest client composites, being global and domestic balanced segregated, earned 21.5% and 24.6% respectively in the year and our equity-only segregated clients earned 27.4%. This performance was broadly mirrored in the performance of our pooled retirement fund portfolios and our unit trust funds.

The very strong performance of domestic and international stockmarkets over the past several months has led us to be somewhat cautious of market prospects, but we are still finding good opportunities and remain confident that we can continue to deliver superior long-term returns to our clients.

I hope that you enjoy reading this issue of our Quarterly Commentary.

Kind regards

Greg Fury
Chief Operating Officer

Arjen Lugtenburg

Director, Allan Gray Limited
Equity Portfolio Manager and Analyst

Investment Perspective

Looking at investment styles



Executive Summary

This article examines whether the classification of investment managers according to their investment styles makes sense. At its most basic, two styles are identified: 'value' and 'growth'. The distinction between the two is not always clear. At best, it is tenuous. Allan Gray is typically classified as a value investor. But is it? Not if it means being put in a 'value' box that would restrict it to buying low PE or price to NAV shares. The focus is on earning over time a decent return on clients' money, while minimising the risk of capital loss.

In recent times, investment managers have been classified according to their investment styles, for example value, growth, small cap, large cap. The thinking behind these classifications is that the market moves in cycles and that the market favours different investment styles at different times. Therefore, the argument goes, by having a balance of investment managers representing different styles, one's portfolio is protected against and optimised for these cycles.

At its most basic, two styles - 'value' and 'growth' - are identified. Allan Gray is typically classified as a 'value' investor. Do

these classifications make sense?

To answer this question, let us first determine what is understood by investing. According to Graham & Dodd, "an investment operation is one which, upon thorough analysis, promises safety of capital and a satisfactory return. Operations not meeting these requirements are speculative"¹. In other words, the main objective of investing is to earn over time a satisfactory return on one's capital while minimising the risk of capital loss.

"What is significant about this formula is that growth or the expected growth rate is one of the inputs required to calculate a company's intrinsic value."

In its purest theoretical form, the intrinsic value of a company is the present value of the future cash flows (dividends) that an investment in this company will generate, discounted at an acceptable rate of return. Therefore, by buying assets at or below intrinsic value the objective of investing

will be met. The dividend discount model is a valuation model popularized by John Burr Williams in the 1930s. He held that the value of a share is equal to the present value of all its future dividends². These works by Graham & Dodd and John Burr Williams continue to form the core of the Level II CFA® Program curriculum today. The formula for the constant growth dividend discount model is as follows:

$$P = D / (k - g)$$

Where P = Intrinsic value
D = Dividend
k = Required rate of return
g = Expected growth rate

What is significant about this formula is that growth or the expected growth rate is one of the inputs required to calculate a company's intrinsic value. Indeed, Warren Buffet once commented, "value and growth are joined at the hip". Therefore, the distinction between value and growth investing is tenuous at best.

¹ Security Analysis, Graham & Dodd, 1934

² The Theory of Investment Value, John Burr Williams 1938

Value Unit Trusts	%	Growth Unit Trusts	%	Allan Gray Portfolios
Standard Bank	3.40	Standard Bank	4.69	Altron
Sanlam	3.04	MTN Group	4.34	Anglo American
ABSA	2.95	Anglo American	4.17	Avgold
SABMiller	2.84	FirstRand	2.91	Avmin
Remgro	2.76	ABSA	2.60	Foschini
Afgri	2.46	Netcare	2.47	Harmony
Astral	2.43	Naspers	2.26	Kersaf
Reunert	2.29	BHP Billiton	2.25	MTN Group
Shoprite	2.19	Massmart	1.89	Nampak
Group Five	2.18	Remgro	1.82	Sasol
Implats	2.05	Murray & Roberts	1.72	SISA
ABIL	1.75	Sanlam	1.66	Standard Bank
Truworths	1.72	SABMiller	1.56	Tiger Brands
Anglo American	1.70	Bidvest	1.51	Western Areas
Sasol	1.69	AVIS	1.49	Woolworths
	35.45		37.34	
Size Rm	1741	Size Rm	1799	

■ Common to both 'value' and 'growth' unit trusts top 15.

■ Allan Gray common with 'growth' unit trusts top 15.

■ Allan Gray common with 'value' unit trusts top 15.

In practice, this is illustrated by the large overlap in share exposure between 'value' and 'growth' unit trusts. Above are listed the top 15 holdings, on an unweighted basis, of the 'value' and 'growth' unit trusts as at 30 September 2003.

What is evident from this analysis is that the distinction between a 'value' and a 'growth' share is not all that clear. Furthermore, the market's view of what is a 'value' or a 'growth' share tends to change over time.

The 'growth' unit trusts today have large holdings in resource companies such as BHP Billiton, Anglo American, Impala Platinum and Kumba Resources; companies that as little as five years ago were regarded as ex-

growth and commonly referred to as old economy stocks. Similarly, the 'value' unit trusts today have exposure to numerous technology and media shares, which at that time were regarded as having been at the start of significant growth, the so-called new paradigm.

" 'Indeed', Warren Buffet once commented, 'value and growth are joined at the hip'."

At Allan Gray, we do not give too much attention to classifications such as 'value'

or 'growth' and we would certainly not put ourselves in a 'value' box that would restrict us to buying low PE or price to NAV shares. From the above table, it can be seen that our portfolios have almost equal commonality with both the 'growth' and 'value' unit trusts. At the same time, this analysis illustrates that the Allan Gray portfolios are significantly unique. Our investment process focuses on the basic investment intent, which is to earn over time a decent return on our clients' money, while minimising the risk of capital loss. We are value investors only to the extent that we focus on buying shares at discounts to their intrinsic value, which takes into account the underlying companies' ability to grow.

Delphine Govender

Trainee Portfolio Manager and Equity Analyst

Investment Commentary

Unrecognised value in a well-known investment



Executive Summary

Allan Gray continues to favour Tiger Brands as a very attractive company trading at a significant discount to fair value and its shares make up a significant holding in our clients' portfolios. Tiger Brands' spread of businesses is all of good quality which has led to solid long-term earnings and dividends. The company's track record over the past 19 years has shown that it is a significantly better than average company. Yet despite its superior performance, the share trades at an unjustified discount to the FTSE/JSE ALSI, as Delphine Govender points out in this article. More appropriately, she believes a premium rating of approximately 10% versus the market should apply.

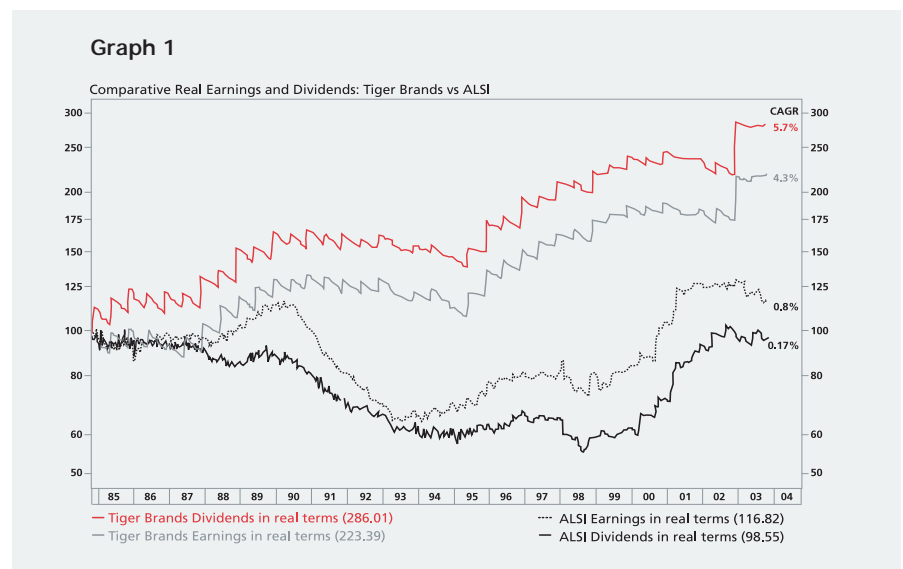
Tiger Brands remains a significant holding in our clients' portfolios. Tiger Brands is one of South Africa's foremost fast moving consumer goods and pharmaceuticals companies with leading market shares within the industries and segments in which it operates. We continue to favour Tiger Brands as a very attractive company trading at a significant discount to our estimate of fair value.

The group of businesses that Tiger Brands comprises is an attractive and good quality

portfolio of assets. The branded consumer goods businesses have strong appeal and presence in the minds of the South African consumer base that they target. This ensures that Tiger Brands is able to exercise above average pricing power on its product base relative to similar products in the market. The pharmaceuticals business also owns certain influential brands that, despite the fluidity in South African pharmaceutical legislation, will enable this division to maintain well above average operating margins into the foreseeable future. Food retailer Spar, which controls approximately 26% of the formal food retail market in

South Africa, continues to exhibit strong organic growth prospects that will sustain the corresponding wholesale distribution revenue and profits earned in Tiger Brands.

The above factors have led to the solid long-term earnings and dividends track record of Tiger Brands. **Graph 1** depicts this long-term track record of Tiger Brands in earnings and dividends growth. The same track record for the All Share Index is also included. To illustrate the growth rate in Tiger Brands versus the market as a whole, earnings and dividends have been based to 100 at the start. The impact of inflation has also been



excluded. Graph 1 on page 4 indicates that over the past 19 years Tiger Brands has been able to grow its real earnings and dividends well ahead of the market. Tiger Brands has demonstrated over this period that it is a significantly better than average company. We believe that Tiger Brands is likely to continue to be a superior company relative to the market in the future.

Graph 2 indicates the Price-Earnings (PE) ratio of Tiger Brands relative to the ALSI. Despite Tiger Brands' superior track record versus the market, the share trades at a discount to the ALSI - a discount that we believe is not justified. Tiger Brands' long-term average rating versus the market has been a premium of approximately 10%. This is the level of relative rating we believe is more applicable to an operation such as Tiger Brands.

" Tiger Brands has demonstrated over the past 19 years that it is a significantly better than average company."

Another way of illustrating the value in a cash generative business like Tiger Brands is to consider how much cash it could return to shareholders through gearing the business, and at what price Tiger Brands would be likely to trade subsequent to the payout. If one were to look through the existing nature of the gearing in Tiger Brands, one would establish that Tiger Brands has a very low level of gearing. A significant portion of the existing long-term debt is currently incurring high levels of fixed interest rates. This fixed-rate debt will be extinguished in 2005. In **Table 1** we illustrate the effect of gearing Tiger Brands and paying out the current share price at 31 December 2003 (R79.00). In performing this exercise we have made the following assumptions:

- Normal earnings per share for Tiger Brands is R8.50.
- Debt of approximately R13 billion is raised at a rate of 10.5% in order to pay out R79.00 per share to existing shareholders.

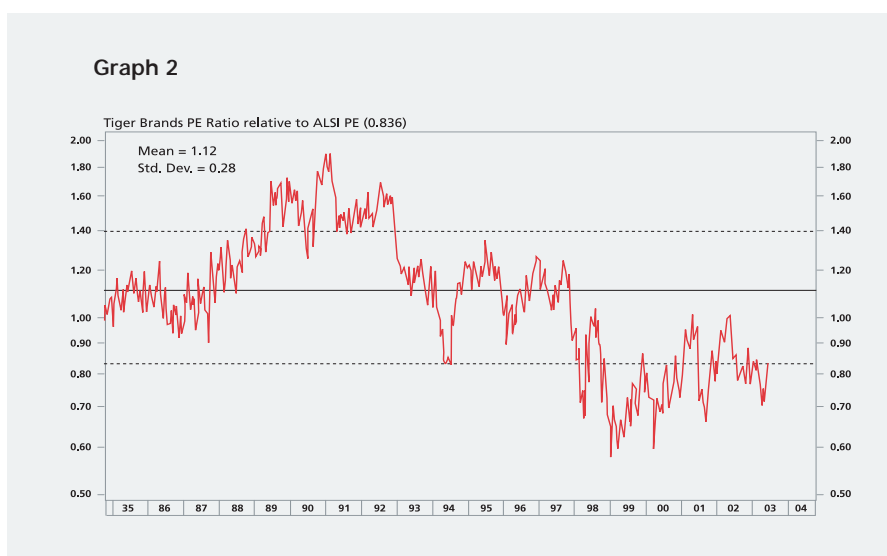


Table 1

	Reported Financial Year 2003 Pre-gearing	Normalised Post-gearing
Revenue (Rm)	23 039	24 458
Operating profit (Rm)	1 898	2 079
Net finance costs (Rm)	221	1 486
Profit before tax (Rm)	1 677	593
Profit after tax (Rm)	1 193	406
Headline earnings (Rm)	1 298	436
Shares in issue (000's)	167 466	167 466
Headline EPS (R)	7.77	2.60
Current PE ratio (x)		10
Share price subsequent to payout		26.00
Current share price = payout		79.00
Total value		105.00

- Existing high fixed-rate debt is extinguished as envisaged in 2005.
- The company remains fully taxed.

As **Table 1** illustrates, even after paying out the entire current share price, Tiger Brands would still earn enough to justify a share price of approximately R26.00, if it were to trade at its current PE ratio of 10 x earnings.

While some might feel that the above scenario is not likely to be executed to this extent in reality, what it does illustrate is unrecognised value within Tiger Brands as an investment. The exceptionally strong cash generation of the underlying operations within Tiger Brands has meant that the group as a whole has consistently generated cash earnings in line with or in

excess of headline earnings, and yet - as with other similar good quality cash-rich South African industrial companies - the business remains relatively ungeared. As we enter a period of what appears to be a structurally and sustainably lower level of interest rates within South Africa, there appears to be an increased likelihood of gearing up Tiger Brands - either to return cash to shareholders or to buy back shares - in the medium-term.

In our opinion, Tiger Brands manifests almost all the critical factors that we require in the investments we make. As the underlying value we see in Tiger Brands is unlocked we believe it will prove to be an exceptionally rewarding investment for our clients.

Stephen Mildenhall

Chief Investment Officer, Allan Gray Limited

Institutional Update

Looking at corporate governance



Executive Summary

Recently, the SRP (Securities Regulation Panel) ruled that no affected transaction occurred when Investec Asset Management, Sanlam Investment Management and Allan Gray called for the reconstitution of the Comparex board in June last year and thus there was no basis for a mandatory offer to Comparex minorities. Allan Gray released a statement to the media in which it said that the decision confirms the legitimate rights of shareholders and will strengthen corporate governance in South Africa. In this opinion piece, that appeared in a leading national daily newspaper but that we thought was worth republishing for the benefit of our clients, Stephen Mildenhall provides an account of the firm's approach to shareholder activism.

The ruling by the SRP in the Comparex matter is a milestone in the history of shareholder activism in this country in that it endorses the rights of shareholders to take action when they believe that management is acting counter to their interests. The only power available to shareholders (who, after all, are the owners of the company) is the power to appoint and remove directors and

this ruling confirms that this power can be exercised without punitive consequences.

Shareholders of a public company should not involve themselves in the direction or day-to-day management of a company and must delegate this function to directors whom they elect and the management that the board appoints. These directors are the guardians of shareholders' interests. However, as recent experience shows, shareholders are sometimes let down by their boards and yet continue to give little attention to the process by which these boards are constituted. Typically, nominations come from the incumbent board and management and are rarely questioned or rejected by shareholders.

" We believe that those placed in a position of trust by investors, and this includes retirement fund trustees and investment managers, have a duty at all times to safeguard their funds' investments."

In the majority of situations, this presents no problems either in general or to Allan Gray in particular as most of the companies in which we invest on behalf of our clients are well run and have sound governance and there is no need for shareholder involvement. However, the high profile corporate failures of recent years such as Leisurennet and Macmed in South Africa and Enron and Worldcom in the USA have highlighted in extreme fashion this fact that shareholders are sometimes let down by their directors and have underscored the importance of shareholders acting to protect their interests where appropriate.

We believe that those placed in a position of trust by investors, and this includes retirement fund trustees and investment managers, have a duty at all times to safeguard their funds' investments. The most obvious way to do this, when they see either value destruction or a failure to unlock value is to sell the shares held or not buy them in the first place. However, in these circumstances, a fair price is unlikely to be realised and opportunities are likely to be missed. Moreover, if all investors adopt this attitude, incompetent or self-interested management teams will never be held

to account. Very seldom, but sometimes, more direct measures are required.

Allan Gray's relationship of trust with its clients and its investment ethics require not only that we make buy and sell decisions with our clients' best interests at heart, but also that we encourage our clients to exercise their rights as shareholders in favour of sound corporate governance. In our opinion, the key components to sound corporate governance are: effective disclosure, which enables investors to make informed decisions; accountability of those entrusted with running the business for their actions, both management to the board and the board to shareholders; and aligning the interests of managers and shareholders so that managers' incentives are designed to reward them for creating value for shareholders. We are aware that sound corporate governance will not guarantee success but it will certainly reduce the risk of investing in equities.

In the ordinary course of business, at annual and special shareholder meetings, Allan Gray will encourage its clients to vote in favour of resolutions that strengthen these principles and against those that weaken them. And occasionally we will encourage our clients to take more direct action to enforce their rights.

I must stress that our policy is to pursue proactive measures such as those employed in the Comparex situation only when we have identified an actual or potential problem. Our history of having acted only in a handful of situations out of the hundreds of companies we have invested in bears this

out. Nevertheless, if the situation warrants it, we will not hesitate to encourage our clients to act or act on their behalf ourselves.

For all these reasons, and with our clients' support, we may decide to nominate one or more directors to the board of a company, as is the right of any shareholder. Ideally, these will be individuals not related to Allan Gray in any way. In practice though, suitably qualified people willing to serve as directors in contentious situations are very difficult to find as the risks typically far outweigh the rewards for the individual concerned and we have sometimes been forced to nominate Allan Gray directors. However, our nominee will be treated no differently from any other candidate and he or she will represent all shareholders and will not accept direction or instruction from us at any stage.

" I must stress that our policy is to pursue proactive measures such as those employed in the Comparex situation only when we have identified an actual or potential problem."

To ensure that no conflicts arise over our involvement in company boards we have instituted a set of rules to govern our behaviour in these situations. These rules reflect our underlying business and investment principles.

Firstly, no benefit will accrue to Allan Gray

or any of our employees as a result of our nominating a director on our clients' behalf. All directors' fees earned (net of direct expenses) are put into trust and distributed fairly among our clients.

Secondly, any costs incurred are borne by Allan Gray itself and not by our clients.

Thirdly, under no circumstances will we influence any company where a person associated with Allan Gray is on the board to give us any preference in business transactions. In none of the four instances where we have, on our clients' behalf, nominated directors to the boards of companies, have we concluded any business transaction with those companies over the period.

Fourthly, we have instituted strict firewall policies to ensure that none of the individuals concerned are involved in the analysis of or investment decision-making process concerning the specific companies and that confidential information is strictly controlled.

Looking the other way when we feel our clients' interests are being neglected would be the easy option for us and would certainly enhance our business in the short-term. However, apart from the ethical issue, the price would be that of lower long-term returns for our clients' funds as, in our view, neglecting shareholder responsibilities has reduced, and will continue to reduce, share returns both in South Africa and abroad.

We therefore believe that the cost of extra vigilance is a price well worth paying.

Craig Bodenstab
Head of Global Trading, Orbis



New Product News

Orbis Japan funds registered for marketing in South Africa



Executive Summary

For South African investors seeking superior long-term returns internationally, Allan Gray recently launched in this country three currency versions of the highly rated (AAA) Orbis Japan equity funds. Investors have a choice of funds managed in yen, euros or dollars. Craig Bodenstab provides the background to the decision to enter the Japanese market.

Local investors seeking international investments with a performance track record of producing superior long-term returns should welcome Allan Gray's recent launch of the highly rated Orbis Japan funds in South Africa. Following registration with the Financial Services Board under the Collective Investment Schemes Control Act, three currency versions of the Orbis Japan Equity Fund have been launched in the local market for offshore funds.

The Japan equity funds were awarded Standard & Poor's highest fund management rating of AAA in May 2003. According to S&P, a fund rated AAA demonstrates the highest standards of quality in its sector, based on its investment process and management's consistency of performance compared with funds with similar objectives.

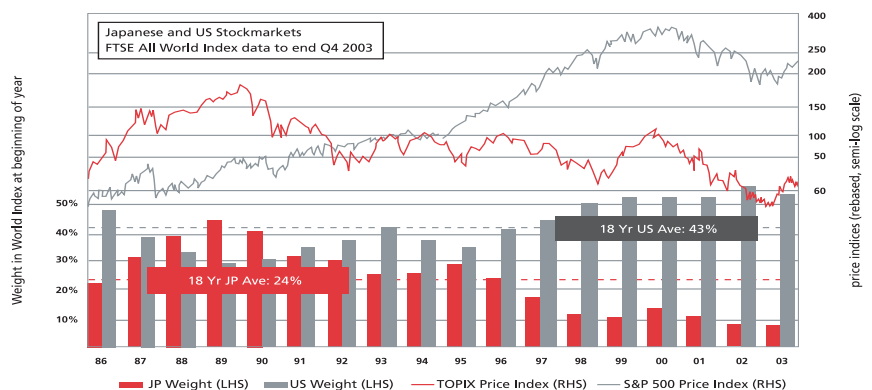
The Orbis Japan Equity Fund, launched internationally in 1998, invests in Japanese equities and is available in yen, euro and US dollar versions. All three funds are benchmarked against the Japanese stockmarket, as measured by the broad Tokyo Stock Price Index including income (TOPIX).

Orbis continues to find attractive opportunities in select Japanese shares. The Japanese stockmarket has been exciting for some time now due to the potential long-term reward for clients that we believe will compensate them adequately for the risk of being invested in that market.

Why a Japan Fund?

In 1997, following seven years of stockmarket declines in Japan, Orbis became aware of an increasing number of shares that we believed were trading at sizeable discounts to their intrinsic worth. We further felt that the prices at which we could buy these shares more than compensated us for the risks we were taking by investing. At the same time, we felt it would be inappropriate to allow the Orbis Global Equity Fund to over-invest in Japanese stocks, despite their attractiveness. The result was the formation of the Orbis Japan Equity Fund, allowing investors to make an investment only in select Japanese stocks,

Graph 1



to the extent that they wanted to increase their exposure over and above that allowed through the Japanese shares already held in the Orbis Global Equity Fund.

Why Japan?

A basic premise of successful investing is to own more when share prices are low and less when prices are high. Buying low and selling high is a time-tested method to successful investing. Ironically, **Graph 1** on page 8 shows how a passive approach to investing through the World Index would have done the opposite. Following a prolonged bear market, Japanese equities now represent less than 10% of the World Index, well below its 18-year average weighting of 24%. The opposite is true for US equities, whose current 54% weighting is well above its 18-year average of 43%. Not surprisingly, we are unable to find a sufficient number of attractive equities in the US to invest anywhere close to the 54% weighting which that market has in the benchmark. Conversely, our research has uncovered enough attractively priced stocks in Japan to justify, in our opinion an overweight position in those shares.

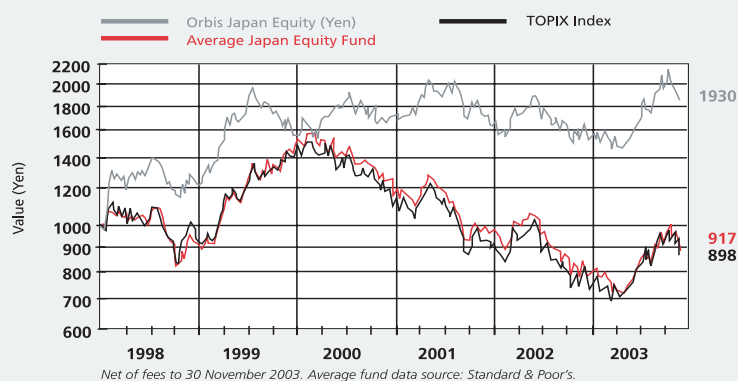
Another consequence of the prolonged bear market in Japan is a commonly held perception that Japanese stocks are very risky investments. While there is real uncertainty in Japan, we believe that the prices of selected Japanese stocks more than compensate investors for this risk.

Summary

The launch of the new Orbis funds brings to six the number of Orbis funds now registered

for marketing to South African investors. The other registered funds include the highly rated Orbis Global Equity Fund and Orbis Optimal US\$ Fund. As with all the Orbis funds, there are no front- or back-end load or transaction charges. The manager's fee is 0.5% to 2.5% per annum depending on performance, and the minimum initial investment for South African investors is the same for all the registered Orbis funds: R100,000 or its equivalent in other currencies.

Graph 2



The Orbis Japan Equity (Yen) Fund seeks higher returns in Japanese yen than the Japanese stockmarket, without greater risk of loss. This Fund invests in a focused portfolio of Japanese equities selected for their perceived superior fundamental value, and does not conduct currency management. The Yen Fund should be considered by those seeking a portfolio that is fully invested in, and exposed to, Japanese equities at all times, and which is therefore sensitive to trends in the Japanese stockmarket and exposed to the Japanese yen.

The Orbis Japan Equity (Euro) Fund seeks higher returns in euro than the Japanese stockmarket hedged into euro, without greater risk of loss. This Fund invests in the same Japanese equities as the Orbis Japan Equity (Yen) Fund and hedges the resulting Japanese yen exposure into euro, with the result that the Fund's returns are managed in euro. The Euro Fund should be considered by those seeking euro returns from a portfolio that is fully invested in, and exposed to, Japanese equities at all times.

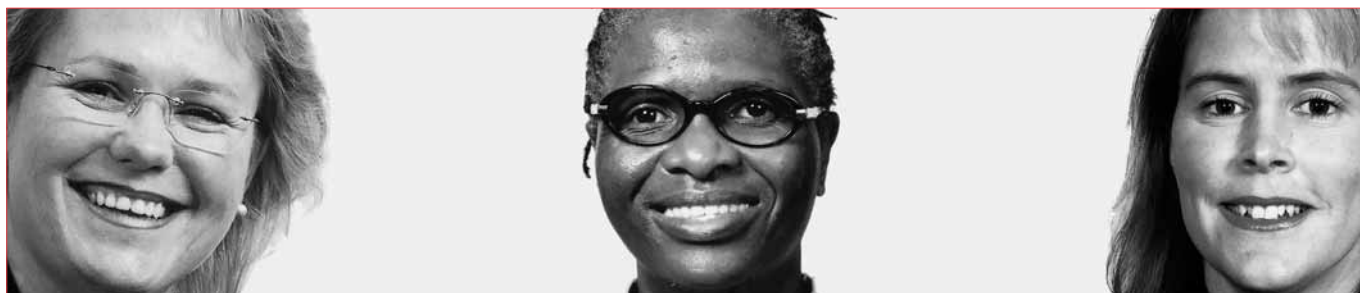
The Orbis Japan Equity (US\$) Fund seeks higher returns in US dollars than the Japanese stockmarket hedged into US dollars, without greater risk of loss. This Fund invests substantially all of its assets in the Orbis Japan Equity (Yen) Fund and hedges the resulting Japanese yen exposure into US dollars, with the result that the Fund's returns are managed in US dollars. The Dollar Fund should be considered by those seeking US dollar returns from a portfolio which is fully invested in, and exposed to, Japanese equities at all times.

Anne Mayers
 Patience Hwlempu
 Lauren Honeyman

Head of Retail Client Services and Administration
 Curator of 'Ilinge' Fund
 Manager of Portfolio Administration

Gray Matters

Training from within



Allan Gray has always focused on employing young people who show potential, providing them with rigorous on-the-job training. We have long since believed that this 'intellectual empowerment from within', and the often consequent improved access to economic opportunities in the job market, is enduring in nature. Understandably, it is difficult to measure the transfer of these intangible skills. However, one way to determine how successful we have been in the training process and the imparting of knowledge is by measuring the success of our employees.

Anne Mayers began her career as a personal assistant. She has no regrets at starting out in that field as the opportunity for further study after high school was not an option for her. In a carefully laid out plan, the first aim of her career was to gain experience and awareness of the business environment. This included completing three six-month diplomas to increase her knowledge in the fields of personnel management, finance and public relations. The next stage was to secure the title of National Secretary of the Year for South Africa (accomplished in September 1997) and to be appointed a manager before her 40th birthday (appointed Client Liaison Manager of Allan Gray Unit Trusts in April 1999). Stage three: to apply all her prior learning to her new role with renewed

vigour, enthusiasm, and hopefully with a deeper sense of maturity and wisdom. Most of all, it was important to Anne that she was seen to be adding strategic value to the business in her role as a manager.

In December 2002, Anne was appointed Head of Retail Client Services and Administration, where "Retail" encompasses the unit trusts and offshore and domestic compulsory products. In February 2003 Anne enrolled at UCT's Graduate School of Business and, at the end of November, graduated with an Associate in Management Certificate.

Marlene Stofberg has been with Allan Gray since May 1994. She has a Medical Secretarial Diploma and initially joined as a secretary to the Managing Director of Allan Gray, later moving to managing the in-house database (including the capturing of financial data on listed shares and the updating of reports). In 1998, Marlene joined the trading department as the equity allocator with responsibility for the allocation of all equity trades to various clients' portfolios and the alignment of those that are new. This responsibility includes ensuring that the portfolios are as closely aligned as possible to that of our average client in terms of asset allocation, sector allocation and at an individual share level. As a result, she ensures

that deviation in performance between client portfolios is minimised.

At an institutional level, regular and ongoing contact is maintained with private clients, retirement fund principal officers and their appointed asset consultants, and custodian banks. Accounting for the instruments bought and sold, and the composition of the portfolio at monthly and quarterly intervals, is therefore required. Our dedicated Portfolio Administration department headed up by Lauren Honeyman performs this important role. Lauren joined Allan Gray in April 1992 as Client Administration Coordinator and was appointed Manager of the Portfolio Administration Department in 1997. Over the past 11 years, she has helped develop a client focused portfolio administration capability. She has taken the Allan Gray ethos of superior client communication to its natural conclusion, helping to engender the professional service for which Allan Gray is renowned. We pride ourselves on a quick response to administration queries and other requests.

Antoinette Watkins' role has changed quite substantially since she joined in 1982 as the twelfth employee. Her first job description was to be Personal Assistant to Allan W B Gray. With no computers, she had a varied role, including hand-drawing graphs,

and calculating and maintaining large spreadsheets manually. She then fulfilled the role of Client Liaison Officer for the few international clients that the Allan Gray International division had. This involved sitting up late at night to take down closing prices from Boston with no e-mail or fax facility. Since 1994, she has been Personal Assistant to two Directors and the Chairman, secretary to the analyst team, maintained the investment research database and been involved in the preparation of institutional client presentations.

“ ... if it is worth doing, then it is worth doing properly - a service-oriented attitude for which Allan Gray strives.”

Allison Harrison studied for a three-year

national executive secretarial diploma and worked in the insurance, and paints and plastics industries before joining Allan Gray in 1991. She was appointed as a secretary to the trading department and supported several analysts. She soon became involved in the preparing of presentations for the analysts and within a year was the support person in this field as well as their secretary. In 1993, an opportunity arose for her to work for one of the partners and senior management at Allan Gray in the Property Department. As this was a new field, she enrolled in a basic property course. In 1998, she was asked to work exclusively for the Chief Operating Officer of Allan Gray Limited, focusing on the running of the firm. In preparation, she enrolled with the SAIFM and completed her Registered Persons Exams in 2000.

In 2002, a position arose within the group

for a retail internal business consultant to the Independent Financial Advisers. Thereafter, she soon became one of the two retail Business Development Managers for the Western Cape region.

After matric, Liesel Solomon completed a self-funded secretarial diploma, finishing as the top student of the year in 1991. In March of the following year, at the age of 19, she joined Allan Gray as a junior receptionist and was offered the position of creditors clerk nine months later. After studying accounting modules at Intec College, her responsibilities gradually increased and with the growth of the Group, she was soon promoted to the supervisory position of Financial Accountant. Funded by Allan Gray, she attends payroll and tax conferences at least once a year and, in 2000, registered with UNISA for a B Com degree and is currently studying 2nd year subjects.

Being investment-wise

Whilst marketing campaigns that build and solidify the Allan Gray brand are integral to the sustainability of the company, we never discount the importance of 'referrals'. Who better to be such a point of reference than our very own employees?

In 2000 **Patience Hlwempu**, an employee of Allan Gray (joined November 1994) decided that the most appropriate investment vehicle to manage the funds of the investment club 'llinge', of which she is a member, was none other than her very own employer. A respected member of her community, Patience did not need to do much to persuade the other club members that their funds should be invested in Allan Gray's Equity Fund which she felt would yield a better return than keeping the money in the bank.

Originally established in 1975, 'llinge's' sole

purpose is to encourage forced savings for families within the community who do not possess the investment literacy to grow wealth on their own. 'llinge' translated is 'Try' which in turn means to 'encourage, uplift and enrich'. The club started with a membership of 60 people, mostly retired individuals who each contributed R25.00 per month. All contributions were safely deposited in a savings account with Allied Bank (now ABSA).

Following the death of the founder, curatorship of the club's investment portfolio is shared jointly by Wilfred Silingile and Patience Hlwempu. Withdrawals from the fund occur in December, usually to purchase new clothes for the children of members and, in January, to pay for that year's school fees. The club's membership currently stands at 25 as many of the

original members are now deceased. Patience and Wilfred confirm that their decision to move the funds to Allan Gray was a great move for the club as the returns generated by their investment portfolio have more than met their expectations.

Watching their funds grow at a substantially higher rate than they would have otherwise has generated much excitement amongst the club's members, encouraging them not only to increase their own regular savings amount but also to inspire others to consider an alternative form of investment. More important, says Patience, is the bond of mutual trust now firmly established between Allan Gray and the investment club. This speaks clearly to the Allan Gray mission of 'superior long-term wealth creation for our clients', resulting ultimately in long-term quality client relationships.

Performance

ALLAN GRAY LIMITED SHARE RETURNS vs FTSE/JSE ALL SHARE INDEX

Period	Allan Gray *	FTSE/JSE All Share Index	Out/(Under) Performance
1974 (from 15.6)	-0.8	-0.8	0.0
1975	23.7	-18.9	42.6
1976	2.7	-10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	-0.3
1979	86.9	94.4	-7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	-4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	-4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	-5.1	9.6
1991	30.0	31.1	-1.1
1992	-13.0	-2.0	-11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	-17.4	-4.5	-12.9
1998	1.5	-10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	-8.1	33.7
2003	29.4	16.1	13.3
Annualised to 31.12.2003			
From 1.1.2001 (3 year)	31.0	11.3	19.7
From 1.1.1999 (5 years)	41.4	17.4	24.0
From 1.1.1994 (10 years)	24.8	10.8	14.0
Since 1.1.78	30.6	20.6	10.0
Since 15.6.74	28.9	17.4	11.5
Average outperformance			11.5
No. of calendar years outperformed			23
No. of calendar years underperformed			6

*Note: Allan Gray commenced managing pension funds on 1.1.78. The returns prior to 1.1.78 are of individuals managed by Allan Gray. These returns exclude income.

Note: Listed Property included from 1 July 2002.

An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R17 995 595 by 31 December 2003. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R1 132 181.

ALLAN GRAY LIMITED GLOBAL MANDATE RETURNS vs AVERAGE OF THE CONSULTING ACTUARIES SURVEY (CAS)

Period	Allan Gray	CAS*	Out/(Under) Performance
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	-0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	-5.5
1992	1.2	7.6	-6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	-1.8	9.5	-11.3
1998	6.9	-0.6	7.5
1999	79.7	41.2	38.5
2000	21.6	6.6	15.0
2001	43.9	22.3	21.6
2002	13.4	-2.2	15.6
2003	21.5	18.7	2.8
Annualised to 31.12.2003			
From 1.1.2001 (3 years)	25.7	12.4	13.3
From 1.1.1999 (5 years)	34.1	16.4	17.7
From 1.1.1994 (10 years)	22.8	13.6	9.2
Since 1.1.78	24.3	18.0	6.3
Average outperformance			6.3
No. of calendar years outperformed			22
No. of calendar years underperformed			4

* The return from 1 October 2003 is an estimate.

An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R2 887 809 by 31 December 2003. The returns generated by the average of the Consulting Actuaries Survey over the same period would have grown a similar investment to R735 197.

ALLAN GRAY LIMITED PERFORMANCE PROFILE
Annualised performance in percent per annum to 31 December 2003

	Fourth quarter (not annualised)	1 year	3 years	5 years	Since inception	Assets under management R millions	Inception Date
SEGREGATED RETIREMENT FUNDS							
Global Balanced Mandate Mean of Consulting Actuaries Fund Survey*	11.1 13.0	21.5 18.6	25.7 12.4	34.1 16.4	24.3 18.0	14,300.9	1.1.78
Domestic Balanced Mandate Mean of Alexander Forbes Domestic Manager Watch*	12.8 14.2	24.6 21.7	25.6 14.1	35.1 17.7	24.7 18.2	14,762.7	1.1.78
Equity-only Mandate FTSE/JSE All Share Index	16.4 17.1	27.4 16.1	29.2 11.3	38.6 17.4	21.4 12.6	13,572.0	1.1.90
Global Namibia Balanced Mandate Mean of Alexander Forbes Namibia Average Manager*	11.0 13.1	22.9 19.6	25.5 12.4	32.0 16.0	21.4 12.9	2,088.2	1.1.94
POOLED RETIREMENT FUNDS							
Allan Gray Life Global Balanced Portfolio Mean of Alexander Forbes Large Manager Watch*	11.2 13.0	21.9 17.7	25.1 11.8	- -	25.8 11.1	1,842.3	1.9.00
Allan Gray Life Domestic Balanced Portfolio Mean of Alexander Forbes Domestic Manager Watch*	13.7 14.2	25.2 21.7	- -	- -	23.2 13.5	4,289.1	1.9.01
Allan Gray Life Domestic Equity Portfolio FTSE/JSE All Share Index	16.8 17.1	27.3 16.1	- -	- -	27.8 8.3	916.8	1.2.01
Allan Gray Life Domestic Absolute Portfolio Mean of Alexander Forbes Domestic Manager Watch*	15.1 14.1	30.5 21.6	- -	- -	35.8 12.3	490.6	6.7.01
Allan Gray Life Domestic Stable Portfolio Alexander Forbes Three Month Deposit Index plus 2%	6.6 2.7	17.1 14.5	- -	- -	18.2 14.1	125.9	1.12.01
RELATIVE RISK							
Equity-only Mandate Resource adjusted FTSE/JSE All Share Index	17.2 17.9	21.1 17.5	18.5 7.1	- -	22.6 9.9	2,385.4	19.4.00
FOREIGN-ONLY (RANDS)							
Orbis Global Equity Fund (Rands) Morgan Stanley Capital Index (Rands)	10.8 9.2	12.1 3.4	10.5 -7.6	19.2 2.2	22.6 14.1	1,057.0	1.1.90
Global Balanced Mandate (Rands) - Foreign Component Mean of Consulting Actuaries Fund Survey (Rands) - Foreign Component*	3.9 5.5	2.4 -2.8	21.3 0.2	27.1 8.1	20.4 13.3	2,135.0	1.7.96
UNIT TRUSTS **							
Equity Fund (AGEF) FTSE/JSE All Share Index	***	26.1 16.1	27.6 11.3	37.6 17.4	529.5 139.1	4,699.2	1.10.98
Balanced Fund (AGBF) Average Prudential Fund (excl. AGBF)	***	23.2 16.1	23.6 10.6	- -	170.4 62.3	3,876.0	1.10.99
Stable Fund (AGSF) After-tax return of call deposits plus two percentage points	***	13.1 9.5	15.0 9.2	- -	68.1 35.7	1,394.9	1.7.00
Money Market Fund (AGMF) Domestic fixed interest money market unit trust sector (excl. AGMF)	***	11.7 12.0	- -	- -	30.3 31.1	285.8	3.7.01
Global Fund of Funds (AGGF) Morgan Stanley Capital International Index (Rands)	***	5.8 3.4	- -	- -	-21.9 -29.8	26.0	1.12.01
Optimal Fund (AGOF) Daily call rate of FirstRand Bank Ltd	***	12.5 10.6	- -	- -	21.6 13.9	1,317.3	1.10.02

* The returns for Quarter 4, 2003 are estimated from various indices as the relevant survey results have not yet been released.

** The returns for the unit trusts and their respective benchmarks are net of investment management fees.

*** Unavailable due to ACI Regulations.

Unit trusts are medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. 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 from the management company/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Allan Gray Unit Trust Management Limited is a member of the ACI. Performance data is based on a lump sum investment calculated on a sell-to-sell basis with distributions reinvested for the Class A units. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. The source of the figures quoted is the University of Pretoria's Unit Trust Survey for the period ending 31 December 2003.

The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Securities Exchange South Africa ('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.

Products

SEGREGATED PORTFOLIOS

RETIREMENT FUND INVESTMENT MANAGEMENT IN SOUTH AFRICA
Allan Gray manages large retirement funds on a segregated basis where the minimum portfolio size is R200 million. These mandates are exclusively of a balanced or asset class specific nature. Portfolios can be managed on the preference of an absolute or relative risk basis.

RETIREMENT FUND INVESTMENT MANAGEMENT IN NAMIBIA
Allan Gray Namibia manages large retirement funds on a segregated basis.

PRIVATE CLIENTS
Allan Gray manages segregated portfolios for individuals where the minimum portfolio size is R20 million.

NAMIBIAN POOLED PORTFOLIO - ALLAN GRAY NAMIBIA INVESTMENT TRUST

This fund provides investment management for Namibian retirement funds in a pooled vehicle that is identical to that for segregated Namibian retirement fund portfolios. The minimum portfolio size is N\$5 million.

POOLED PORTFOLIOS - LIFE COMPANY

(The minimum investment per Life Company client is R20 million.
Institutional clients below R20 million are accommodated by our Regulation 28 compliant Unit Trusts.)
Characteristics and objectives of Allan Gray's Pooled Portfolios.

RISK-PROFILED PORTFOLIOS

	STABLE PORTFOLIO	BALANCED PORTFOLIO	ABSOLUTE PORTFOLIO
Investor Profile	<ul style="list-style-type: none"> Highly risk-averse institutional investors, e.g. investors in money market funds. 	<ul style="list-style-type: none"> Institutional investors with an average risk tolerance. 	<ul style="list-style-type: none"> Institutional investors seeking superior absolute returns (in excess of inflation) over the long-term with a higher than average short-term risk tolerance.
Product Profile	<ul style="list-style-type: none"> Conservatively managed pooled portfolio. Investments selected from all asset classes. Shares selected with limited downside and a low correlation to the stockmarket. Modified duration of the bond portfolio will be conservative. Choice of global or domestic-only mandate. 	<ul style="list-style-type: none"> Actively managed pooled portfolio. Investments selected from all asset classes. Represents Allan Gray's houseview for a balanced mandate. Choice of global or domestic-only mandate. 	<ul style="list-style-type: none"> Aggressively managed pooled portfolio. Investments selected from all asset classes. Will fully reflect the manager's strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio. Choice of global or domestic-only mandate.
Return Characteristics/ Risk of Monetary Loss	<ul style="list-style-type: none"> Superior returns to money market investments. Limited capital volatility. Strives for capital preservation over any two-year period. 	<ul style="list-style-type: none"> Superior long-term returns. Risk will be higher than Stable Portfolio but less than the Absolute Portfolio. 	<ul style="list-style-type: none"> Superior absolute returns (in excess of inflation) over the long-term. Risk of higher short-term volatility than the Balanced Portfolio.
Benchmark	<ul style="list-style-type: none"> Alexander Forbes three-month Deposit Index plus 2%. 	<ul style="list-style-type: none"> Mean performance of the large managers as surveyed by consulting actuaries. 	<ul style="list-style-type: none"> Mean performance of the large managers as surveyed by consulting actuaries.
Fee Principles	<ul style="list-style-type: none"> Fixed fee, or performance fee based on outperformance of the benchmark and the sliding asset size scale. 	<ul style="list-style-type: none"> Fixed fee, or performance fee based on outperformance of the benchmark. 	<ul style="list-style-type: none"> Performance fee based on outperformance of the benchmark, 0.5% p.a. plus (or minus) 25% of the out/underperformance of the portfolio relative to the benchmark, subject to an overall minimum of 0% p.a.

Note The above risk-profiled portfolios comply with Regulation 28 of the Pension Funds Act.

ASSET CLASS PORTFOLIOS

	MONEY MARKET	BOND MARKET	LISTED PROPERTY	EQUITY	FOREIGN
Investor Profile	<ul style="list-style-type: none"> Institutional investors requiring management of a specific money market portfolio. 	<ul style="list-style-type: none"> Institutional investors requiring management of a specific bond market portfolio. 	<ul style="list-style-type: none"> Institutional investors requiring management of a specific listed property portfolio. 	<ul style="list-style-type: none"> Institutional investors requiring management of a specific equity portfolio. 	<ul style="list-style-type: none"> Institutional investors requiring management of a specific foreign portfolio.
Product Profile	<ul style="list-style-type: none"> Actively managed pooled portfolio. Investment risk is managed using modified duration and term to maturity of the instruments in the portfolio. Credit risk is controlled by limiting the exposure to individual institutions and investments. 	<ul style="list-style-type: none"> Actively managed pooled portfolio. Modified duration will vary according to interest rate outlook and is not restricted. Credit risk is controlled by limiting the exposure to individual institutions and investments. 	<ul style="list-style-type: none"> Actively managed pooled portfolio. Portfolio risk is controlled by limiting the exposure to individual counters. 	<ul style="list-style-type: none"> Actively managed pooled portfolio. Represents Allan Gray's houseview for a specialist equity-only mandate. Portfolio risk is controlled by limiting the exposure to individual counters. 	<ul style="list-style-type: none"> Actively managed pooled portfolio. Investments are made in equity and absolute return foreign mutual funds managed by Orbis. Represents Allan Gray's houseview for a foreign balanced mandate.
Return Characteristics/ Risk of Monetary Loss	<ul style="list-style-type: none"> Superior returns to the Alexander Forbes three-month Deposit Index. Low capital risk. High flexibility. Capital preservation. High level of income. 	<ul style="list-style-type: none"> Superior returns to that of the FTSE/JSE All Bond Index plus coupon payments. Risk will be higher than the Money Market Portfolio but less than the Equity Portfolio. High level of income. 	<ul style="list-style-type: none"> Superior returns to that of the Alexander Forbes Listed Property Index (adjusted). Risk will be no greater than that of the benchmark and will be lower than the Equity Portfolio. High level of income. 	<ul style="list-style-type: none"> Superior returns to that of the FTSE/JSE All Share Index including dividends. Risk will be no greater than that of the benchmark. Higher than average returns at no greater than average risk for an equity portfolio. 	<ul style="list-style-type: none"> Superior returns to that of the benchmark at no greater than average absolute risk of loss.
Benchmark	<ul style="list-style-type: none"> Alexander Forbes three-month Deposit Index. 	<ul style="list-style-type: none"> FTSE/JSE All Bond Index plus coupon payments. 	<ul style="list-style-type: none"> Alexander Forbes Listed Property Index (adjusted). 	<ul style="list-style-type: none"> FTSE/JSE All Share Index including dividends. 	<ul style="list-style-type: none"> 60% Morgan Stanley Capital International Index, 40% JP Morgan Global Government Bond Index.
Fee Principles	<ul style="list-style-type: none"> Fixed fee of 0.2% p.a. 	<ul style="list-style-type: none"> Fixed fee of 0.35% p.a. 	<ul style="list-style-type: none"> Fixed fee of 0.75% p.a. 	<ul style="list-style-type: none"> Performance fee based on outperformance of the benchmark. 	<ul style="list-style-type: none"> No fee charged by Allan Gray. Unit prices of underlying mutual funds reflected net of performance fees charged by foreign manager (a portion of which is rebated to Allan Gray).

Note The above asset class portfolios comply with the asset class requirements of Regulation 28 of the Pension Funds Act.

OTHER PORTFOLIOS

OPTIMAL PORTFOLIO

Investor Profile	<ul style="list-style-type: none"> Institutional investors wishing to diversify their existing investments with a portfolio that not only has no/low correlation to stock or bond market movements, but also strives to provide a return in excess of that offered by money market investments. Institutional investors with a high aversion to the risk of capital loss.
Product Profile	<ul style="list-style-type: none"> Seeks absolute returns. Actively managed pooled portfolio consisting of shares and derivative instruments. Shares selected that offer superior fundamental value. Risk of shares underperforming the market is carefully managed. Stockmarket risk reduced by using derivative instruments.
Return Characteristics/ Risk of Monetary Loss	<ul style="list-style-type: none"> Superior returns to bank deposits. Little or no correlation to stock or bond markets. Low risk of capital loss. Low level of income.
Benchmark	<ul style="list-style-type: none"> Daily call rate of Nedcor Bank Limited.
Fee Principles	<ul style="list-style-type: none"> Fixed fee of 0.5% plus 20% of the outperformance of the benchmark.

Products (continued)

POOLED PORTFOLIOS - INTERNATIONAL			
	ORBIS GLOBAL EQUITY FUND	ORBIS OPTIMAL US\$ FUND	ORBIS JAPAN FUNDS (YEN, EURO AND US\$ FUND CLASSES)
Type of fund	US\$ denominated Equity Fund which remains fully invested in global equities.	US\$ denominated Fund, which invests in selected Orbis Equity Funds, by seeking absolute (i.e. positive) returns regardless of stockmarket trends.	Orbis Japan Equity (Yen) Fund - invests in a relatively focused portfolio of Japanese equities. Orbis Japan Equity (Euro) Fund - invests in the same Japanese equities as the Orbis Japan Equity (Yen) and hedges the resulting Japanese yen exposure into euro with the result that the Fund's returns are managed in euro. Orbis Japan Equity (US\$) Fund - invests substantially all of its assets in the Orbis Japan Equity (Yen) and hedges the resulting Japanese yen exposure into US\$, with the result that the Fund's returns are managed in US\$.
Investment objective	Aims to earn higher returns than world stockmarkets. Its benchmark is the FTSE World Index, including income. The Fund's currency exposure is managed relative to that of the benchmark.	This Fund seeks capital appreciation in its base currency, the US\$, while offering a low risk global portfolio. The risk of loss of the Fund is reduced with stockmarket hedging. The Fund's currency benchmark is 100% US\$.	Orbis Japan Equity (Yen) Fund – seeks higher returns in yen than the Japanese stockmarkets, without greater risk of loss. Orbis Japan Equity (Euro) Fund - seeks higher returns in euro than the Japanese stockmarkets hedged into euro, without greater risk of loss. Orbis Japan Equity (US\$) Fund - seeks higher returns in US\$ than the Japanese stockmarkets hedged into US\$, without greater risk of loss.
Structure	Open-ended Bermuda mutual fund company (similar to unit trusts in South Africa).	Open-ended Bermuda mutual fund company (similar to unit trusts in South Africa).	Open-ended collective investment schemes.
Dealing costs	None. No front-end fee (initial charge) or transaction charges (compulsory charge). Please note that this is not a Rand-denominated unit trust so a prospective investor is required to have funds offshore.	None. No front- or back-end load. No bid-to-offer spread.	None. No front- or back-end load. No bid-to-offer spread.
Manager's fee	0.5% - 2.5% per annum depending on performance.	0.5% - 3.0% per annum depending on performance.	0.5% - 2.5% per annum depending on performance.
Subscriptions/redemptions	Weekly each Thursday.	Weekly each Thursday.	Weekly each Thursday.
Reporting	Comprehensive reports are distributed to members each quarter.	Comprehensive reports are distributed to members each quarter.	Comprehensive reports are distributed to members each quarter.
Client Service Centre	Allan Gray client service desk on 0860 000 654.	Allan Gray client service desk on 0860 000 654.	Allan Gray client service desk on 0860 000 654.

INDIVIDUAL RETIREMENT PRODUCTS			
	RETIREMENT ANNUITY	PENSION OR PROVIDENT PRESERVATION FUND	LIVING ANNUITY*
Description	<ul style="list-style-type: none"> Enables saving for retirement with pre-tax money. Contributions can be at regular intervals or as single lump sums. Ideal for the self-employed or employees who want to make additional contributions to an approved retirement vehicle. 	<ul style="list-style-type: none"> Preserves the pre-tax status of a cash lump sum that becomes payable from a pension (or provident) fund at termination of employment. A single cash withdrawal can be made from the Preservation Fund prior to retirement. 	<ul style="list-style-type: none"> Provides a regular income from the investment proceeds of a cash lump sum that becomes available as a pension benefit at retirement. A regular income of between 5% and 20% per year of the value of the lump sum can be selected. Ownership of the annuity goes to the investor's beneficiaries on his/her death.
Investment Options The contribution(s) to any one of these products can be invested in any combination of Allan Gray unit trust funds as indicated.	<ul style="list-style-type: none"> Allan Gray Equity Fund Allan Gray Balanced Fund Allan Gray Stable Fund Allan Gray Optimal Fund Allan Gray Money Market Fund Allan Gray Global Fund of Funds 	<ul style="list-style-type: none"> Allan Gray Equity Fund Allan Gray Balanced Fund Allan Gray Stable Fund Allan Gray Optimal Fund Allan Gray Money Market Fund Allan Gray Global Fund of Funds 	<ul style="list-style-type: none"> Allan Gray Equity Fund Allan Gray Balanced Fund Allan Gray Stable Fund Allan Gray Optimal Fund Allan Gray Money Market Fund Allan Gray Global Fund of Funds
Minimum Investment Size	R 50 000 lump sum R 1 500 monthly	R 100 000	R 250 000
Initial Fee	None	None	None
Annual Administration Fee	0.4% (VAT included)	0.4% (VAT included)	0.4% (VAT included)
Investment Management Fee**	Depends on the combination of unit trusts selected as investment options.	Depends on the combination of unit trusts selected as investment options.	Depends on the combination of unit trusts selected as investment options.
Switching Fee	0.12% (VAT included)	0.12% (VAT included)	0.12% (VAT included)
Financial Adviser Fees (if applicable)	Option A: Initial Fee 0.0% - 3.0% Annual Fee 0.0% - 0.5% OR Option B: Initial Fee 0.0% - 1.5% Annual Fee 0.0% - 1.0%	Option A: Initial Fee 0.0% - 3.0% Annual Fee 0.0% - 0.5% OR Option B: Initial Fee 0.0% - 1.5% Annual Fee 0.0% - 1.0%	Option A: Initial Fee 0.0% - 3.0% Annual Fee 0.0% - 0.5% OR Option B: Initial Fee 0.0% - 1.5% Annual Fee 0.0% - 1.0%

* The Allan Gray Living Annuity is underwritten by Allan Gray Life Limited.

** For annual investment management fees of Allan Gray unit trusts, please refer to page 5 of the unit trust application form, which can be downloaded from the website www.allangray.co.za

DISCRETIONARY PRODUCTS - RETAIL

ENDOWMENT POLICY*

Description	<ul style="list-style-type: none"> An investment policy ideally suited to investors with medium- to long-term investment objectives who want capital growth with after-tax returns. Ideal for investors interested in a 5-year savings plan. 	
Investment Options	<ul style="list-style-type: none"> Allan Gray Equity Fund Allan Gray Balanced Fund Allan Gray Stable Fund Allan Gray Optimal Fund Allan Gray Money Market Fund Allan Gray Global Fund of Funds 	
Minimum Investment Size	R 50 000 lump sum R 1 500 monthly recurring investment	
Initial Fee	None	
Annual Administration Fee	0.4% (VAT Included)	
Investment Management Fee	Depends on the combination of unit trusts selected as investment options.	
Switching Fee	0.12% (VAT included)	
Financial Adviser Fees (if applicable)	Option A: Initial Fee 0.0% - 3.0% Annual Fee 0.0% - 0.5 %	Option B: Initial Fee 0.0% - 1.5% Annual Fee 0.0% - 1.0%

*The Endowment Policy is underwritten by Allan Gray Life Limited.

UNIT TRUSTS

	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	MONEY MARKET FUND	GLOBAL FUND OF FUNDS
Benchmark	FTSE/JSE All Share Index including income.	The average (market value-weighted) of the Domestic Prudential Unit Trust Sector excluding the Allan Gray Balanced Fund.	After-tax return of call deposits with one of the large banks plus two percentage points.	The daily call rate of FirstRand Bank Limited.	The simple average of the Domestic Fixed Interest Money Market Unit Trust sector excluding Allan Gray Money Market Fund.	Morgan Stanley Capital International World Index.
Maximum net equity exposure	100%	75%	60%	15%	0%	100%
Portfolio orientation	A portfolio selected for superior long-term returns.	A portfolio which can include all asset classes selected for superior long-term returns.	A portfolio which can include all asset classes chosen for its high income yielding potential.	A portfolio of carefully selected equities. The stockmarket risk inherent in these share investments will be substantially reduced by using equity derivatives.	Invested in selected money market instruments providing a high income yield.	Invested in the Orbis funds and the Allan Gray Money Market Fund. The Fund will always hold 85% offshore.
Return objectives	Superior long-term returns.	Superior long-term returns.	Superior after-tax returns to bank deposits.	Superior returns to bank deposits.	Superior money market returns.	Superior long-term returns.
Risk of monetary loss	Risk higher than Balanced Fund but less than average General Equity Fund due to low risk investment style.	Risk will be higher than the Stable Fund but less than the Equity Fund.	<ul style="list-style-type: none"> Limited capital volatility. Seeks to preserve capital over any two-year period. 	<ul style="list-style-type: none"> Low risk. Little or no correlation to stock or bond markets. 	<ul style="list-style-type: none"> Low risk. High degree of capital stability. 	Risk higher than Balanced Fund but less than average foreign fund.
Target market	Investors seeking long-term wealth-creation who have delegated the equity selection function to Allan Gray.	Investors seeking long-term wealth-creation who have delegated the asset allocation decision to Allan Gray.	Risk-averse investors eg. investors in bank deposits or money market funds.	<ul style="list-style-type: none"> Risk averse investors. Retired investors. Investors who wish to diversify a portfolio of equities or bonds. Retirement schemes and Multi-Managers who wish to add a product with an alternative investment strategy to their overall portfolio. Individuals who have lump sum contractual savings (like Living Annuities, Preservation Funds, and Retirement Annuities). 	<ul style="list-style-type: none"> Highly risk-averse investors. Investors seeking a short-term parking place for their funds. 	<ul style="list-style-type: none"> Investors seeking to invest locally in Rands and benefit from offshore exposure. wanting to gain exposure to markets and industries that are not available locally. who desire to hedge their investments against any Rand depreciation.
Income	Lowest income yield in the Allan Gray suite of funds.	Average income yield in the Allan Gray suite of funds.	Higher income yield than the Allan Gray Balanced Fund.	Low income yield.	Highest income yield in the Allan Gray suite of funds.	Low income yield.
Income distribution	Distributed bi-annually.	Distributed bi-annually.	Distributed quarterly.	Distributed bi-annually.	Distributed monthly.	None.
Compliance with Pension Fund Investment Regulations	Does not comply.	Complies.	Complies.	Does not comply.	Complies.	Does not comply.
Pricing	Prices are calculated on a net asset value basis.	Prices are calculated on a net asset value basis.	Prices are calculated on a net asset value basis.	Prices are calculated on a net asset value basis.	Prices are calculated on a net asset value basis.	Prices are calculated on a net asset value basis.
Fee principles	Performance-fee orientated to outperformance of the FTSE/JSE All Share Index.	Performance-fee orientated to outperformance of the average Prudential Sector Fund.	Performance-fee orientated to outperformance of taxed bank deposits. No fees if there is a negative return experienced over a two-year rolling period.	Fixed fee of 1.0% (excl VAT) per annum. Performance-fee of 20% of the daily outperformance of the benchmark. In times of underperformance no performance fees are charged until the underperformance is recovered.	Fixed fee of 0.5% (excluding VAT) per annum.	Fixed fee of 1.25% (excluding VAT) per annum. The underlying funds also have their own fee structure.
Minimum lump sum investment requirement	R10 000 lump sum and/or R500 per month debit order.	R5 000 lump sum and/or R500 per month debit order.	R5 000 lump sum and/or R500 per month debit order.	R25 000 lump sum and/or R2 500 per month debit order.	R50 000 lump sum and/or R5 000 per month debit order.	R25 000 lump sum. No debit orders are permitted.
Portfolio Manager	Stephen Mildenhall	Arjen Lugtenburg	Stephen Mildenhall	Stephen Mildenhall	Michael Moyle	Stephen Mildenhall

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ALLAN GRAY
LONG TERM INVESTMENT MANAGEMENT