

Investment Management Services

21 September 2010

ALLAN GRAY

Agenda

Introduction

The investment landscape

The funds and their positioning

Locations Allan Gray & Orbis



Hamilton, Bermuda

74 staff
Global Research
Portfolio Management & Trading
Portfolio & Client Administration
Client servicing

London, United Kingdom

139 staff
Global Research, Quantitative Research
Information Technology
Client Servicing

Sydney, Australia

21 staff
Research
Client Servicing & Distribution

Seoul, South Korea

4 staff
Equity Research

San Francisco, United States

14 staff
Equity Research

Vancouver, Canada

40 staff
Fund Operations

Cape Town, South Africa

Allan Gray Limited, 702+ staff
South African Asset Management
Adviser to Orbis Africa Equity Fund

Group profile

- Largest privately owned investment management firm in South Africa
- Established in 1974
- Affiliated to the international Orbis Group (US\$20.9bn)
- Equity Fund inception date was 1 October 1998
- Retirement Products launched in 2002
- LISP platform launched in June 2005
- R285bn assets under management

Culture and ethos

- Driven by performance
- Invest our clients' money as if it were our own
- Investment convictions before business considerations
- Long-term orientation
- Obsession with governance, compliance and ethics
- Intensely focused

Business principles

Focused on asset management	No conflicts of interest 100% of management attention
Performance orientated	Best not the biggest
Highest ethical standards	Subscribe to CFA standards Equal treatment for all clients

Senior South African investment team

Equity Portfolio Managers

Portfolio Managers*	Qualifications	Designation	Investment Experience (yrs)	With Allan Gray (yrs)
Ian Liddle *	BBusSc (Hons), CFA	Portfolio Manager	9	9
Duncan Artus	BBusSc (Hons), PGDA, CFA, CMT	Portfolio Manager	10	9
Delphine Govender	BCom, Dip FMI, CA(SA), CFA	Portfolio Manager	11	9
Andrew Lapping	BSc (Eng), BCom, CFA	Portfolio Manager	9	9
Simon Raubenheimer	BCom (Hons), CFA	Portfolio Manager	8	8

Fixed Interest

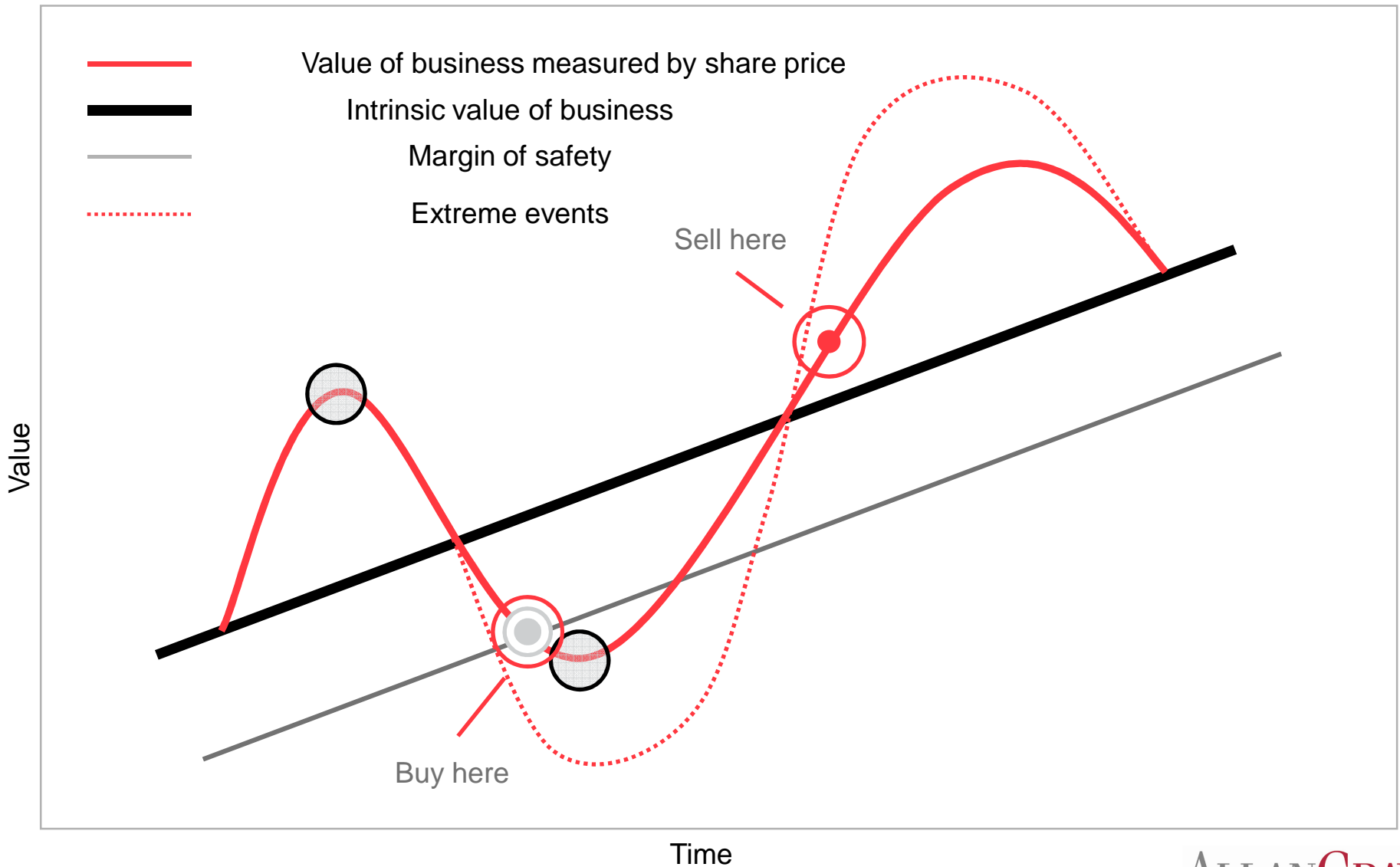
Portfolio Managers*	Qualifications	Designation	Investment Experience (yrs)	With Allan Gray (yrs)
Sandy McGregor	BSc, BA (Hons) (Econ)	Portfolio Manager Private Clients	39	19
Andrew Lapping	BSc (Eng), BCom, CFA	Portfolio Manager	9	9

24 Analysts including the above portfolio managers, 9 are at trainee stage

* Chief Investment Officer

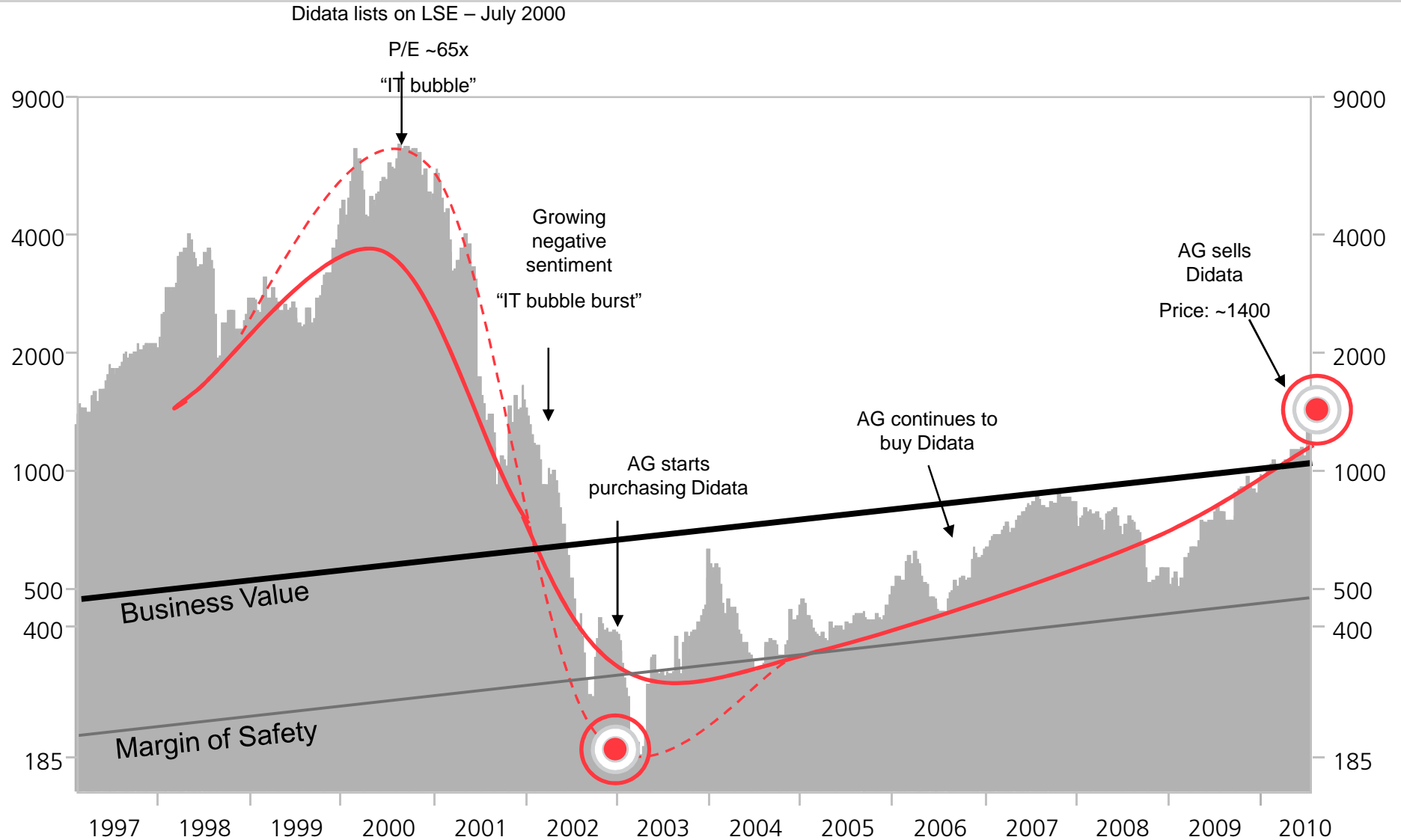
Investment philosophy

Theory of share price and intrinsic value



Allan Gray investment philosophy

In application – Dimension Data



ALLAN GRAY

Our Objective

Long-term wealth creation for our clients

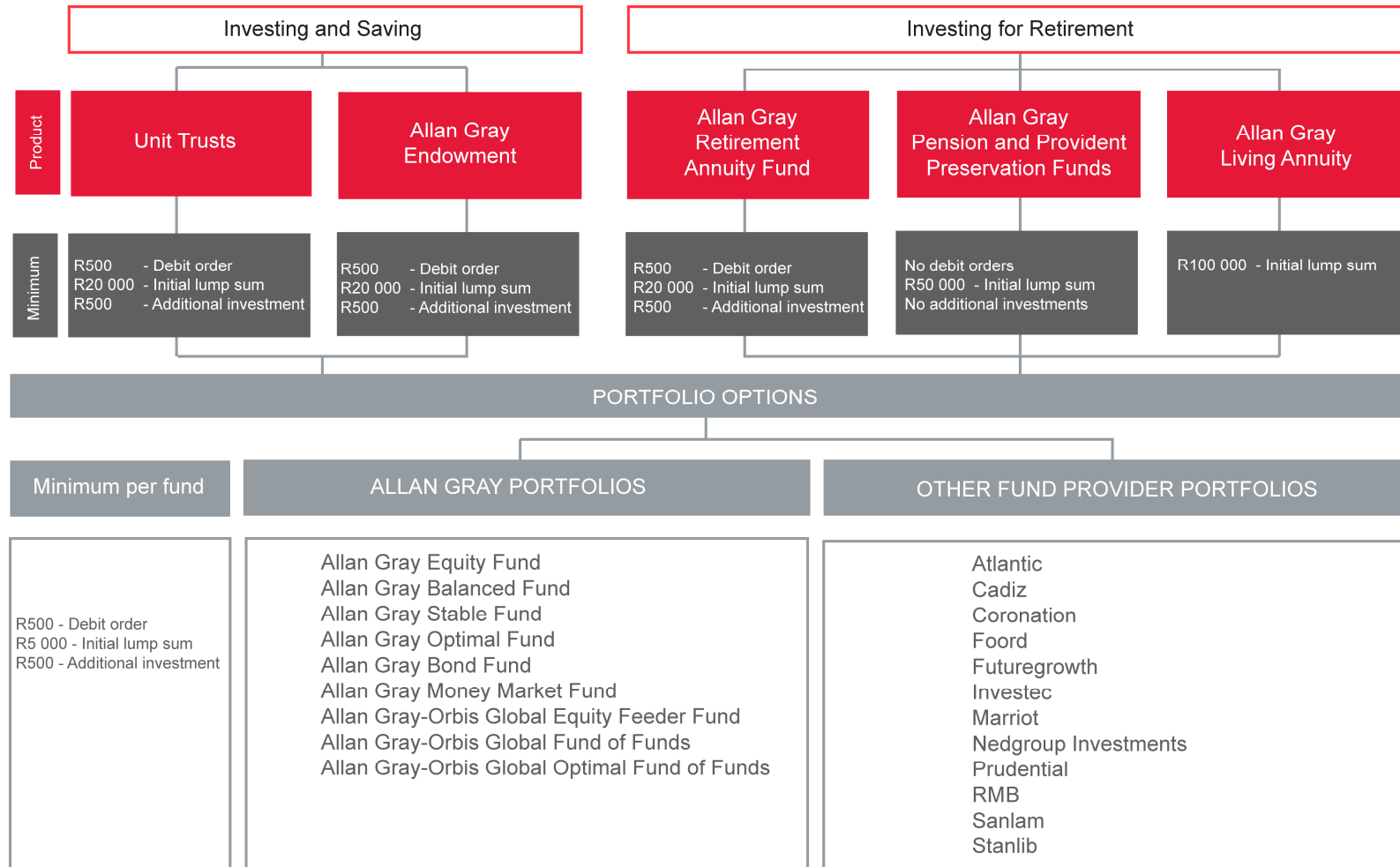
**Over the period 15 June 1974 to 31 August 2010,
R100,000 became:**

Allan Gray – R779.2 million

All Share Index – R 35.7 million

(28.1% p.a. vs 17.6% p.a. as at 31 August 2010)

Domestic investment options



Allan Gray Unit Trusts

	Equity Fund	Balanced Fund	Stable Fund	Optimal Fund	Bond Fund	Money Market Fund
Benchmark	FTSE/JSE All Share Index including income (adjusted for fund expenses and cash flows).	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.	Return of call deposits (for amounts in excess of R5m) with FirstRand Bank Limited plus 2%; on an after-tax basis at a rate of 25%.	The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5m).	BEASSA total return All Bond Index (adjusted for fund expenses and cash flows).	The simple average of the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
Max Net Equity Exposure	100%	75%	40%	15%	0%	0%

	Global Equity Feeder Fund	Global Fund of Funds	Global Optimal Fund of Funds
Benchmark	FTSE World Index.	60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index.	The simple average of the bank deposit rates in the currencies of the underlying invested Orbis funds.
Max net Equity Exposure	100%	100%	100%

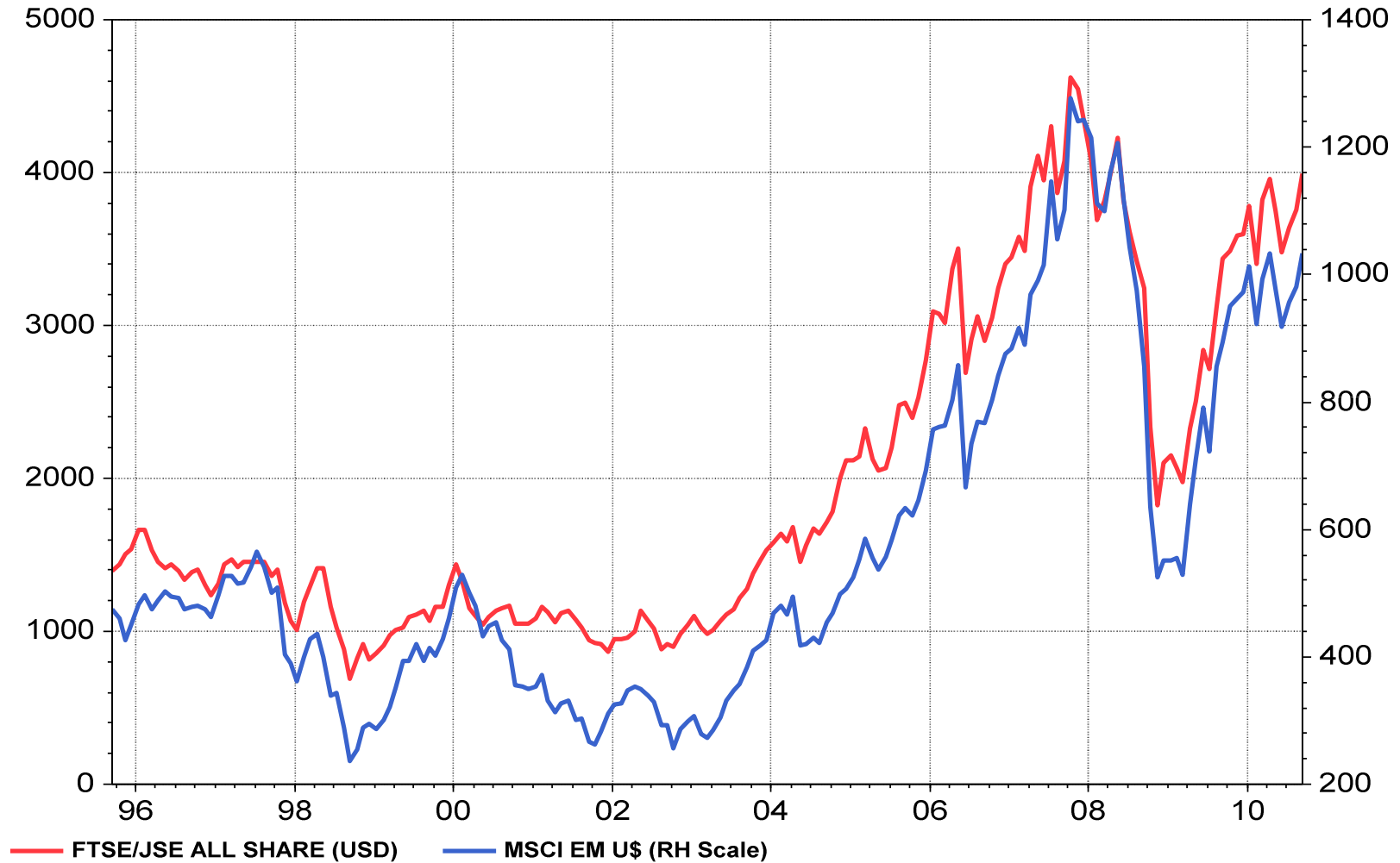
Agenda

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The investment landscape

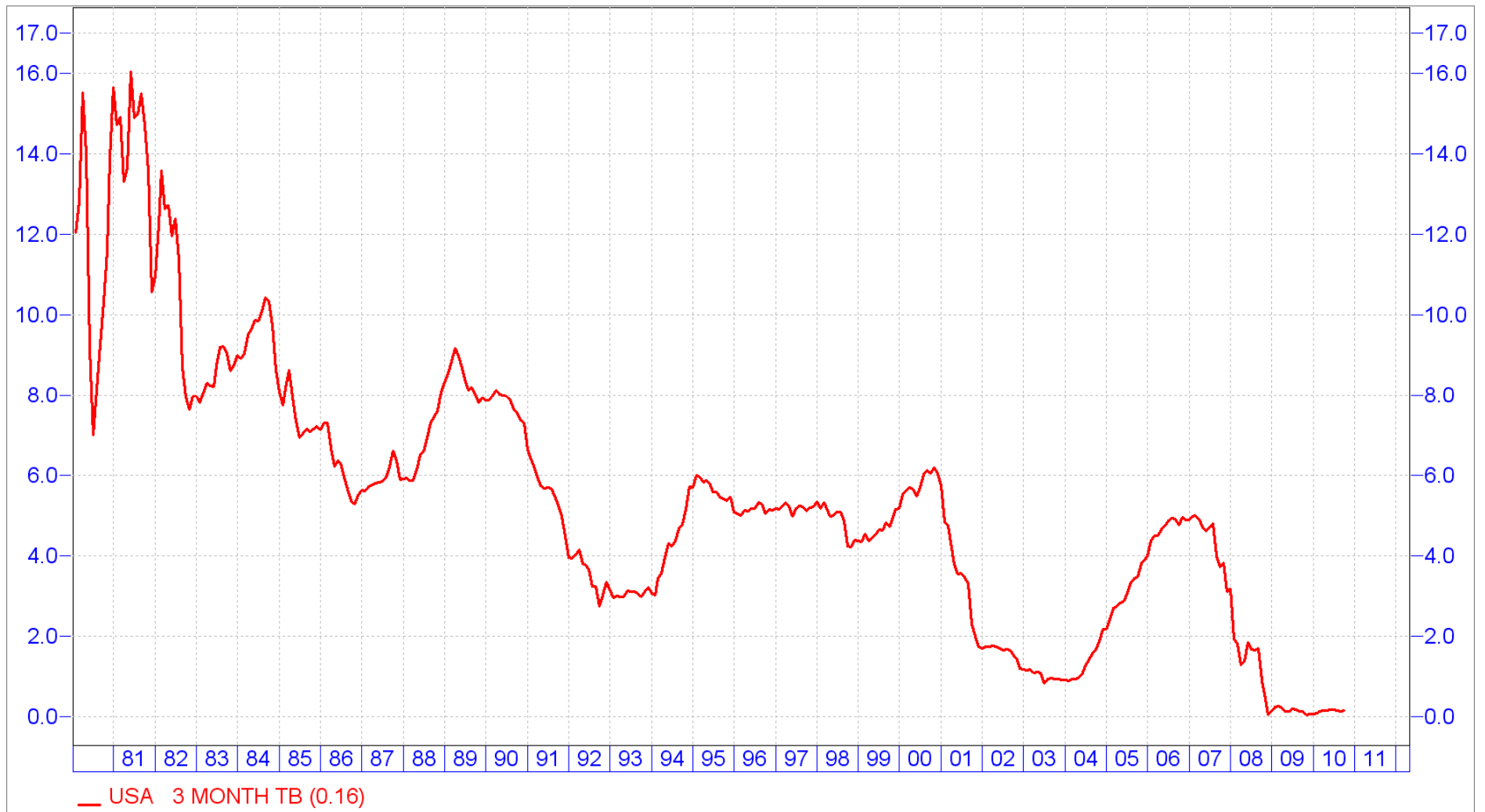
The funds and their positioning

SA All Share Index vs Emerging Market Index (both expressed in \$)

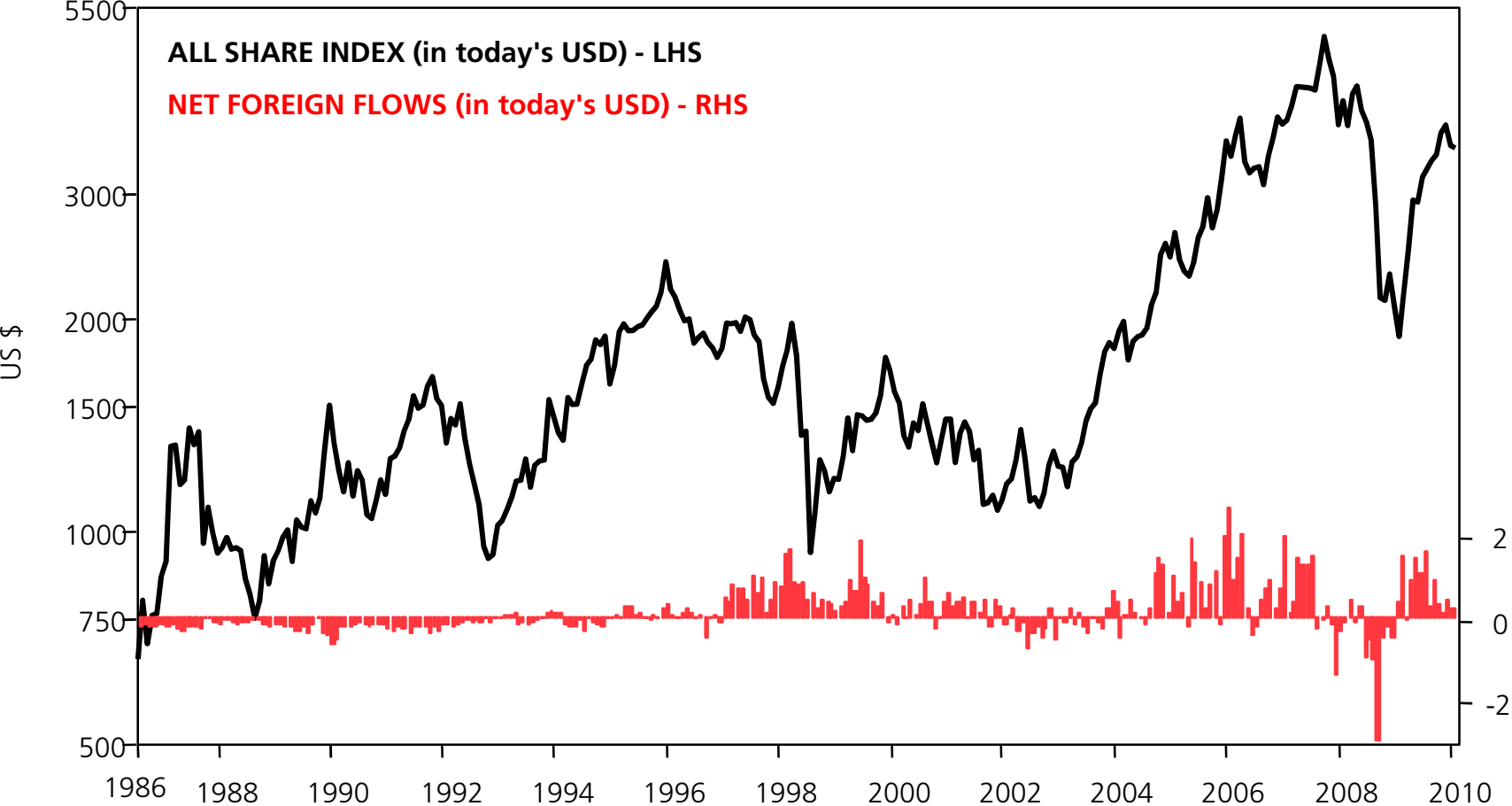


Source: Thomson Reuters Datastream

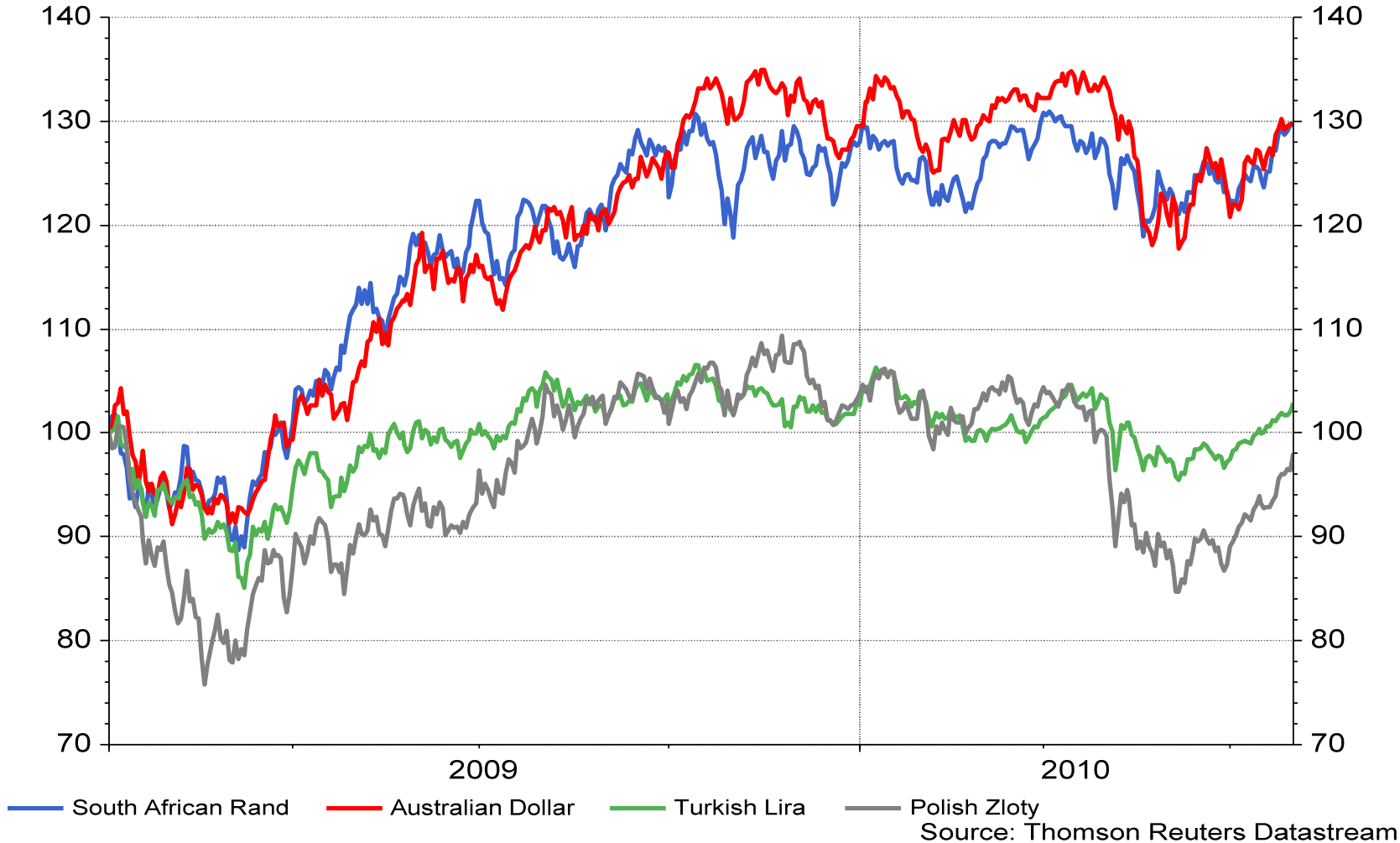
USA 3 Month TB



Growing impact of foreign flows on JSE



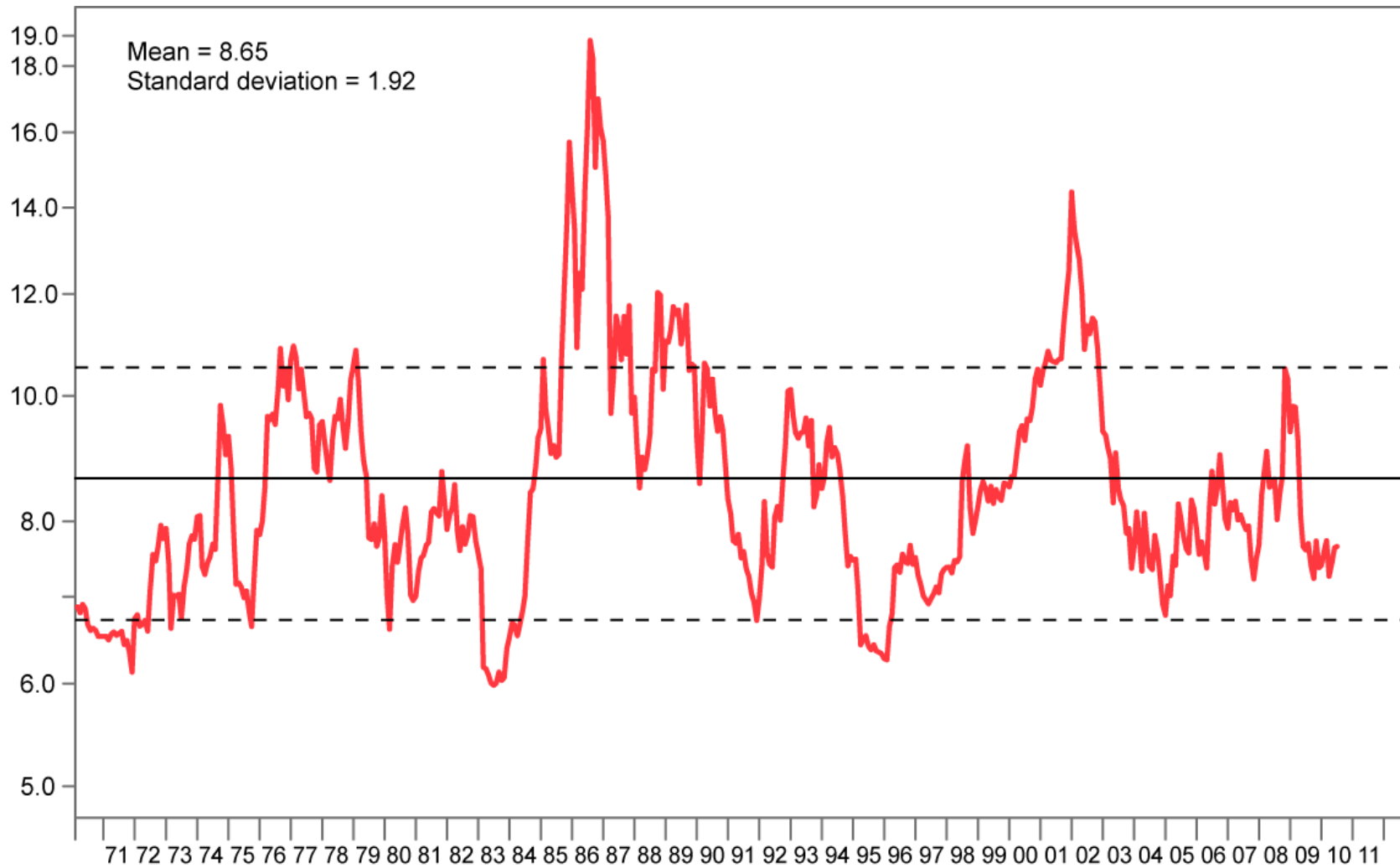
Rand the best performing currency



Index rebased to Jan 2009 = 100



Real rand/dollar



Source: I-Net Bridge

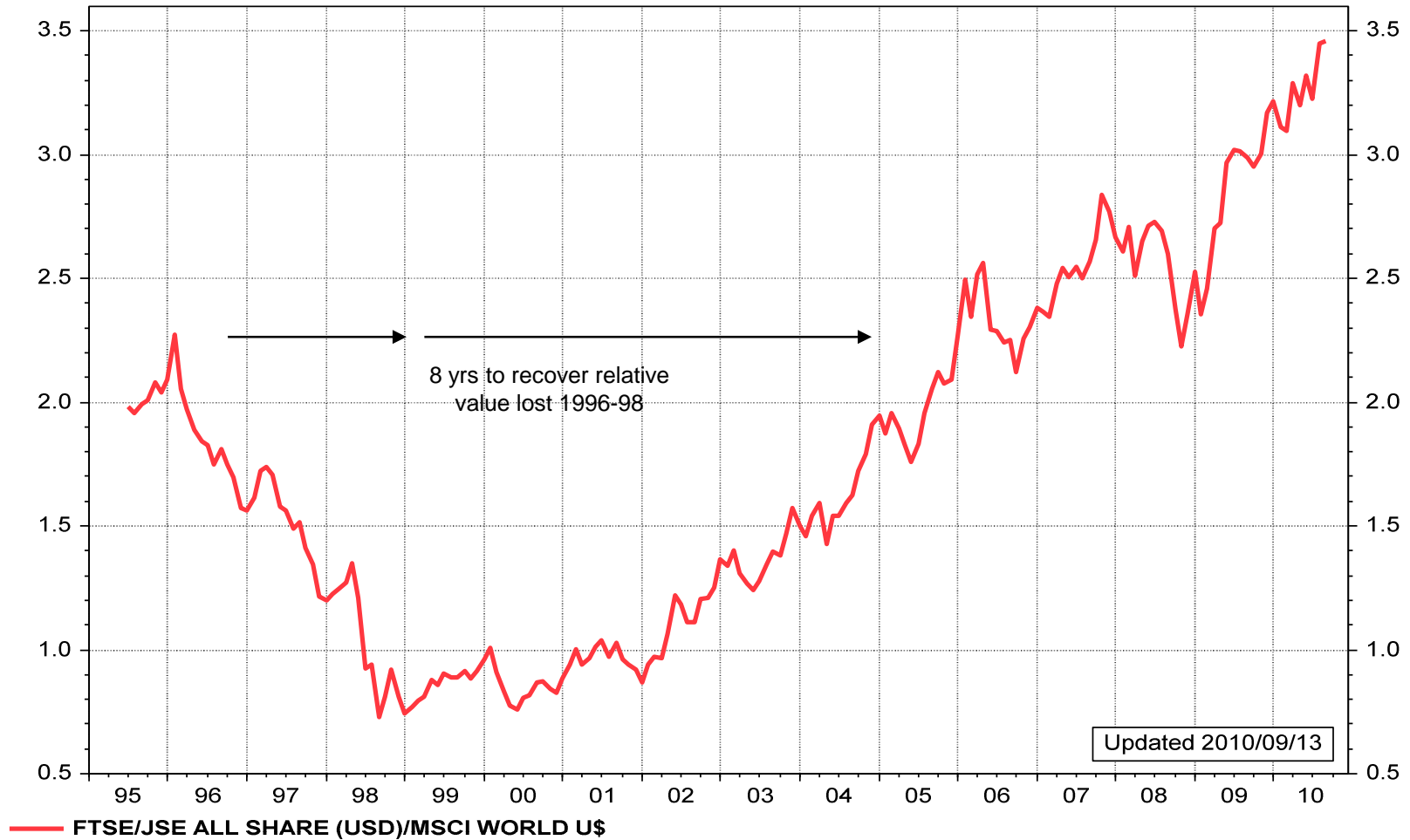
SA has been the place to be

in Rands	1 year	3 years	5 years	10 years
FTSE/JSE All Share TR	11.66	3.28	102.22	339.51
MSCI World USD	-5.73	-28.83	3.49	-17.15
S&P 500 TR (Official)	-0.65	-21.63	9.31	-11.9

in US\$	1 year	3 years	5 years	10 years
FTSE/JSE All Share TR	17.92	0.44	76.73	315.45
MSCI World USD	-0.45	-30.79	-9.55	-21.68
S&P 500 TR (Official)	4.91	-23.79	-4.47	-16.72

ALSI vs World Index in US\$

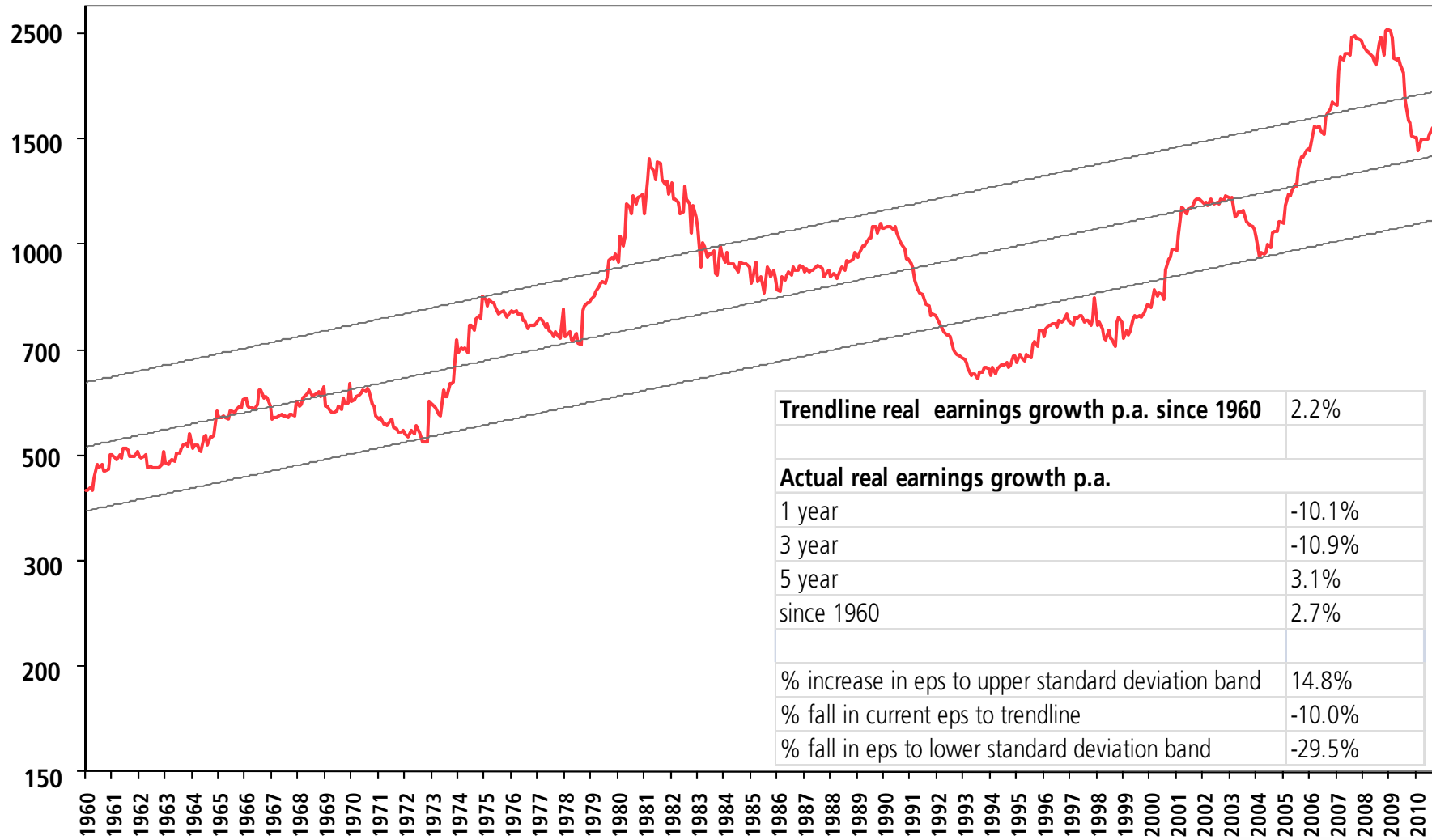
ALSI vs MSCI World Index in \$



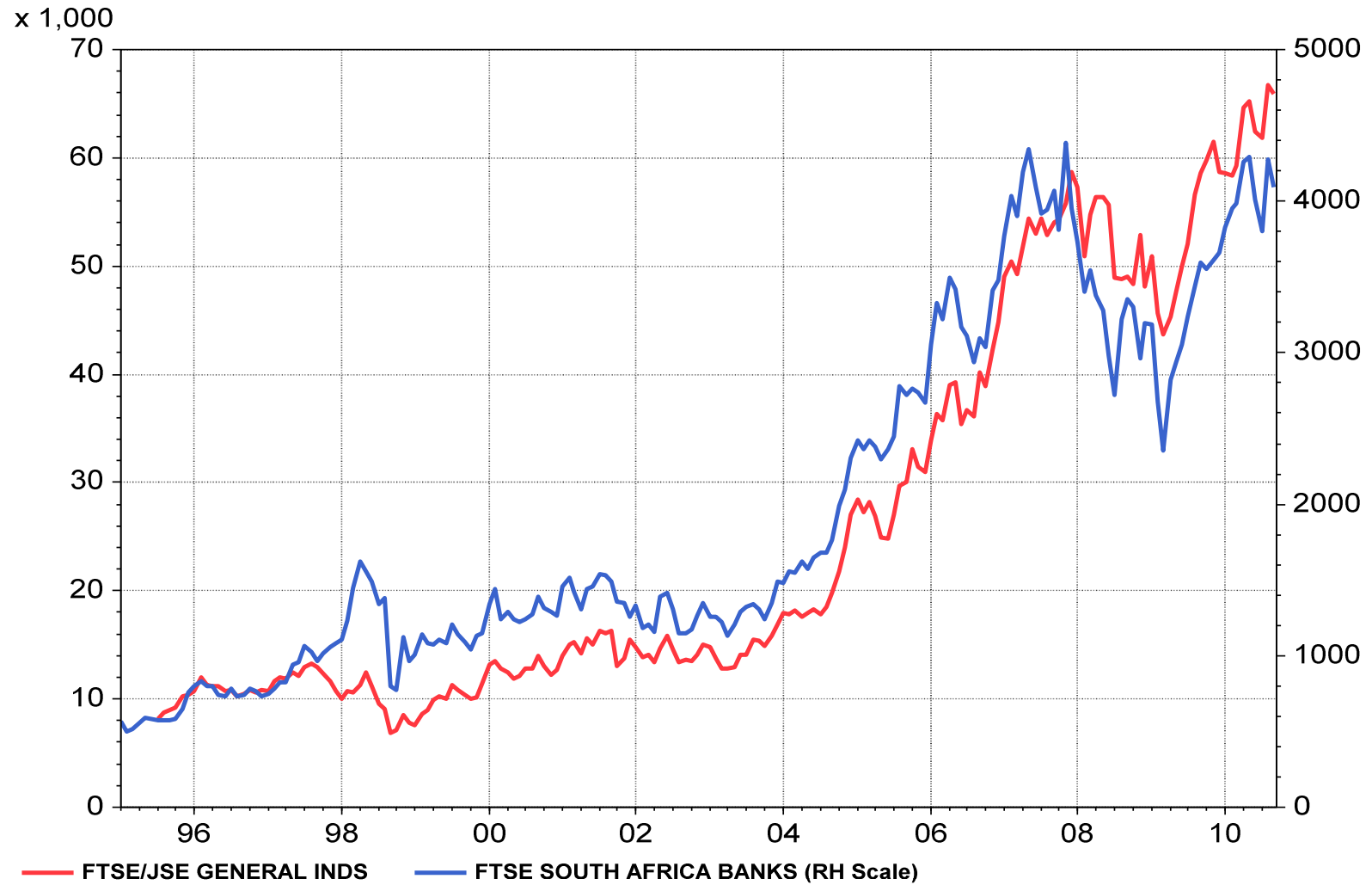
Source: Thomson Reuters Datastream

ALSI Real Earnings

ALSI real earnings

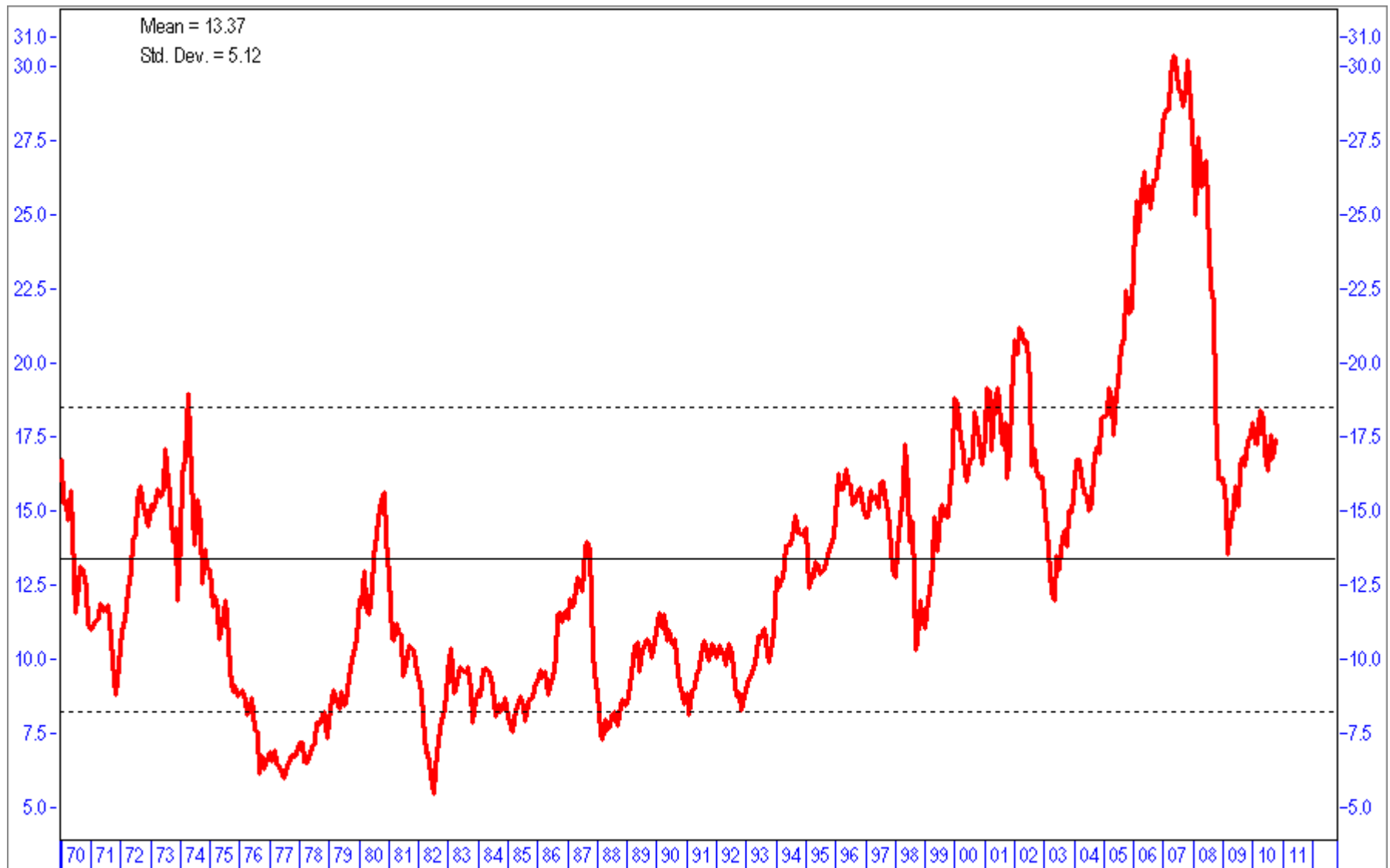


SA Industrials and Banks



Source: Thomson Reuters Datastream

Graham and Dodd P/E = Real ALSI / trailing 10-year average real profits



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“Global Financial market returns stand on the
threshold of mediocrity“

Bill Gross, PIMCO, July 2010

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The investment landscape

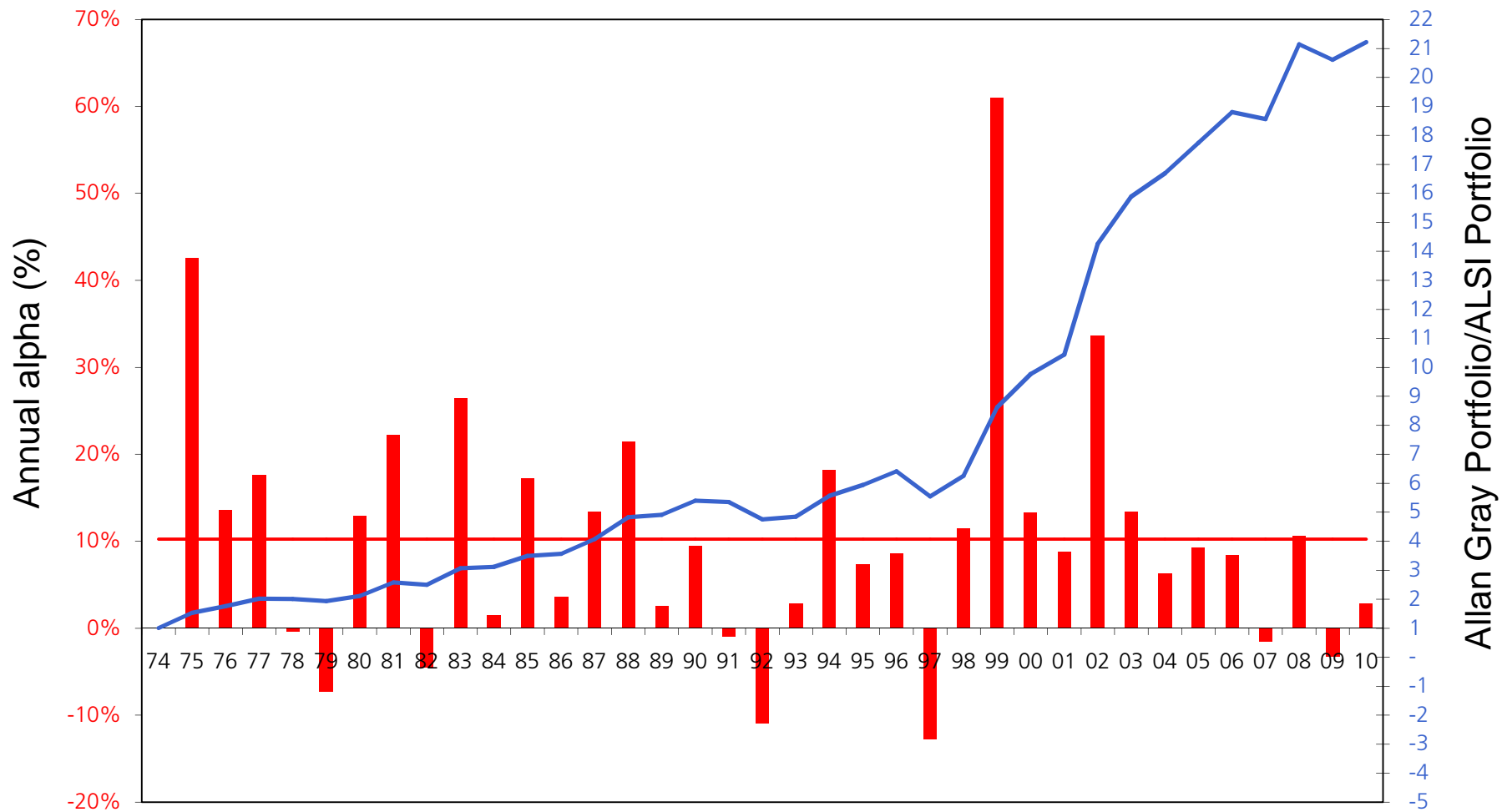
The funds and their positioning

Allan Gray unit trusts

Allan Gray Fund	Typical net equity	Size
Equity Fund	100%	R21.9bn
Balanced Fund	40% - 75%	R35.7bn
Stable Fund	0% - 40%	R31.3bn
Optimal Fund	0%-20%	R3.1bn
Money Market Fund	0%	R8.3bn
Bond Fund	0%	R0.8bn
Global Equity Feeder Fund	100%	R3.6bn
Global Fund of Funds	40% - 75%	R6.5bn
Global Optimal Fund of Funds	0%-20%	R0.3bn

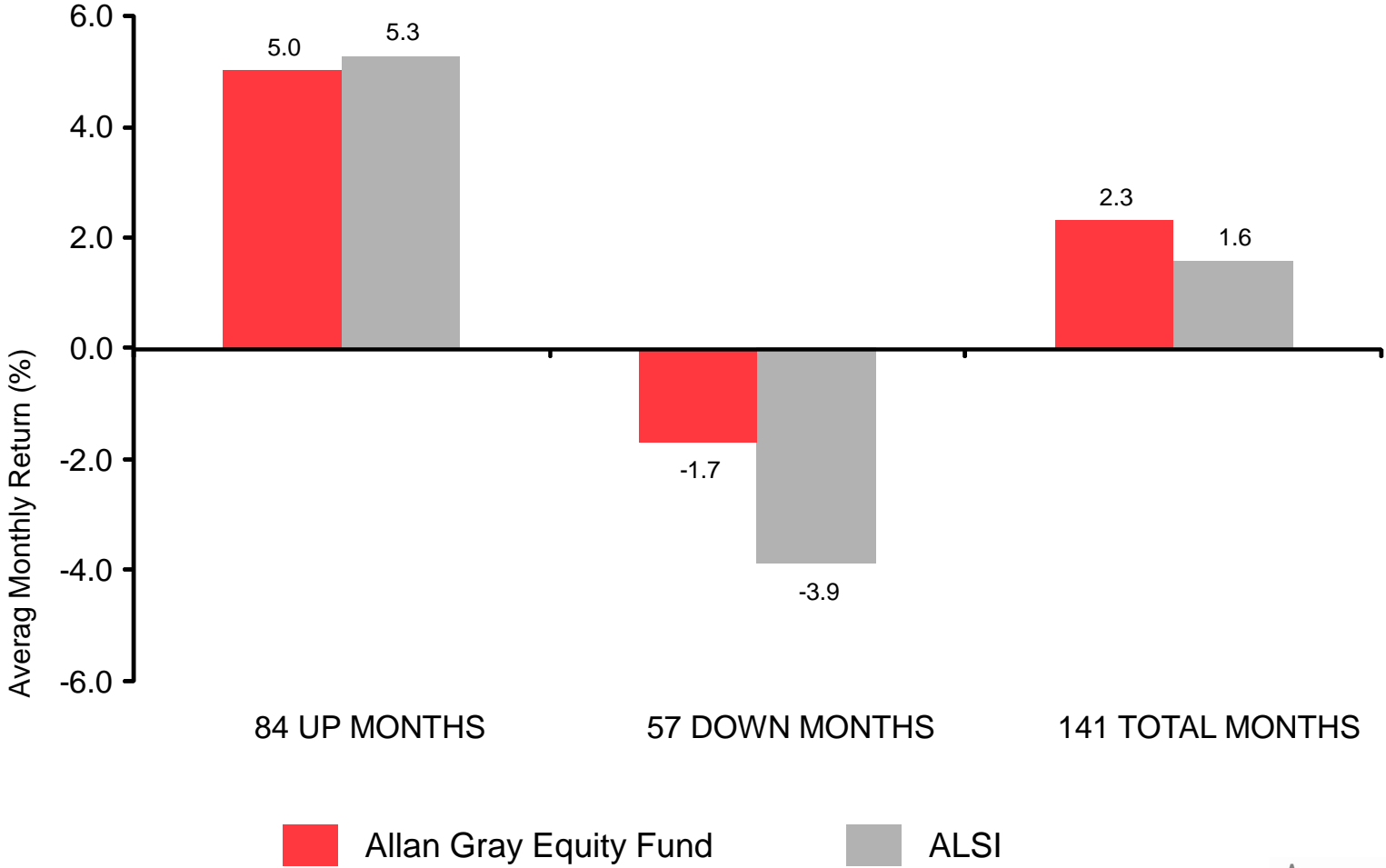
Allan Gray equity returns versus ALSI

to 30/06/2010

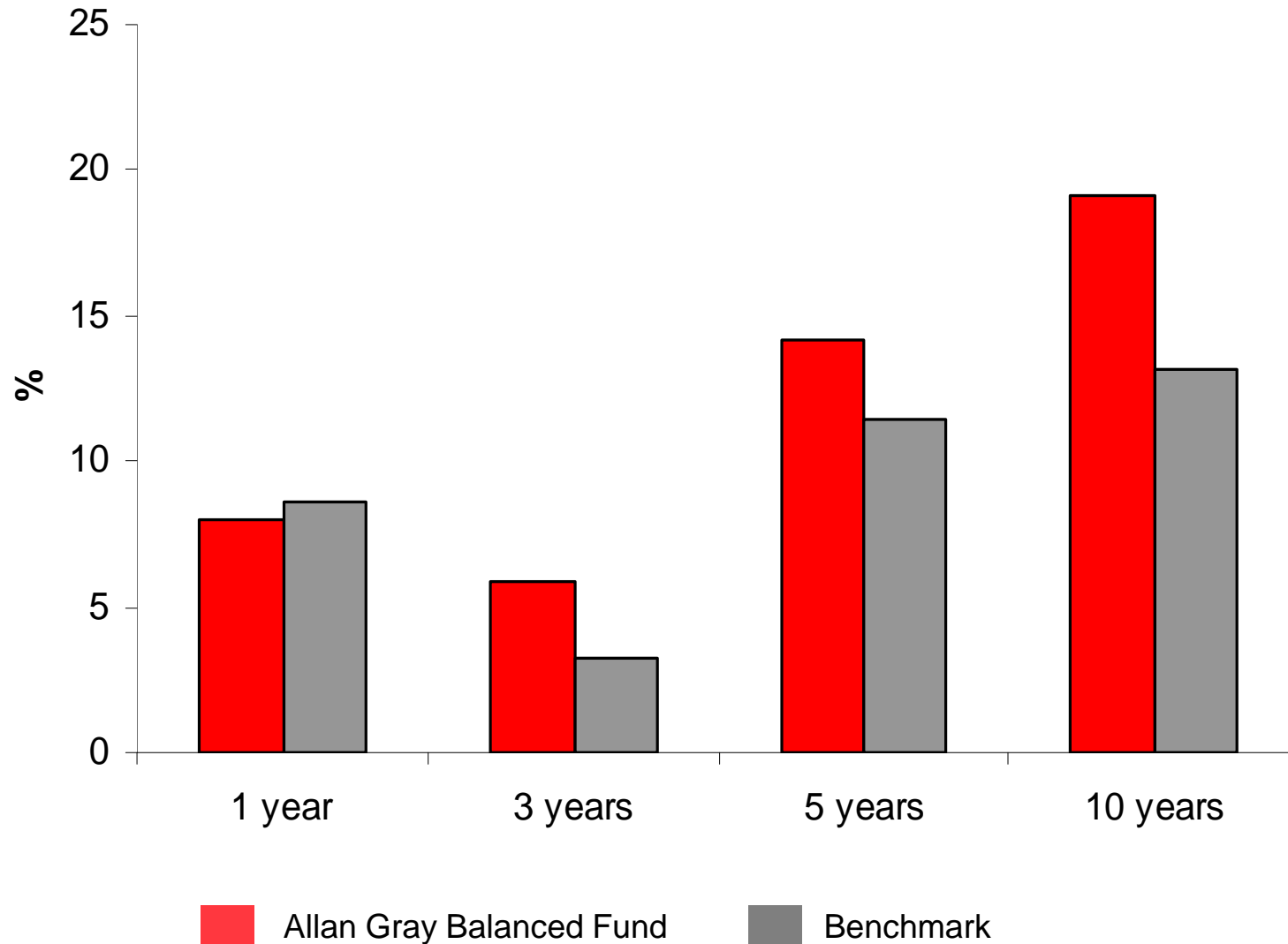


Monthly returns in bull and bear markets

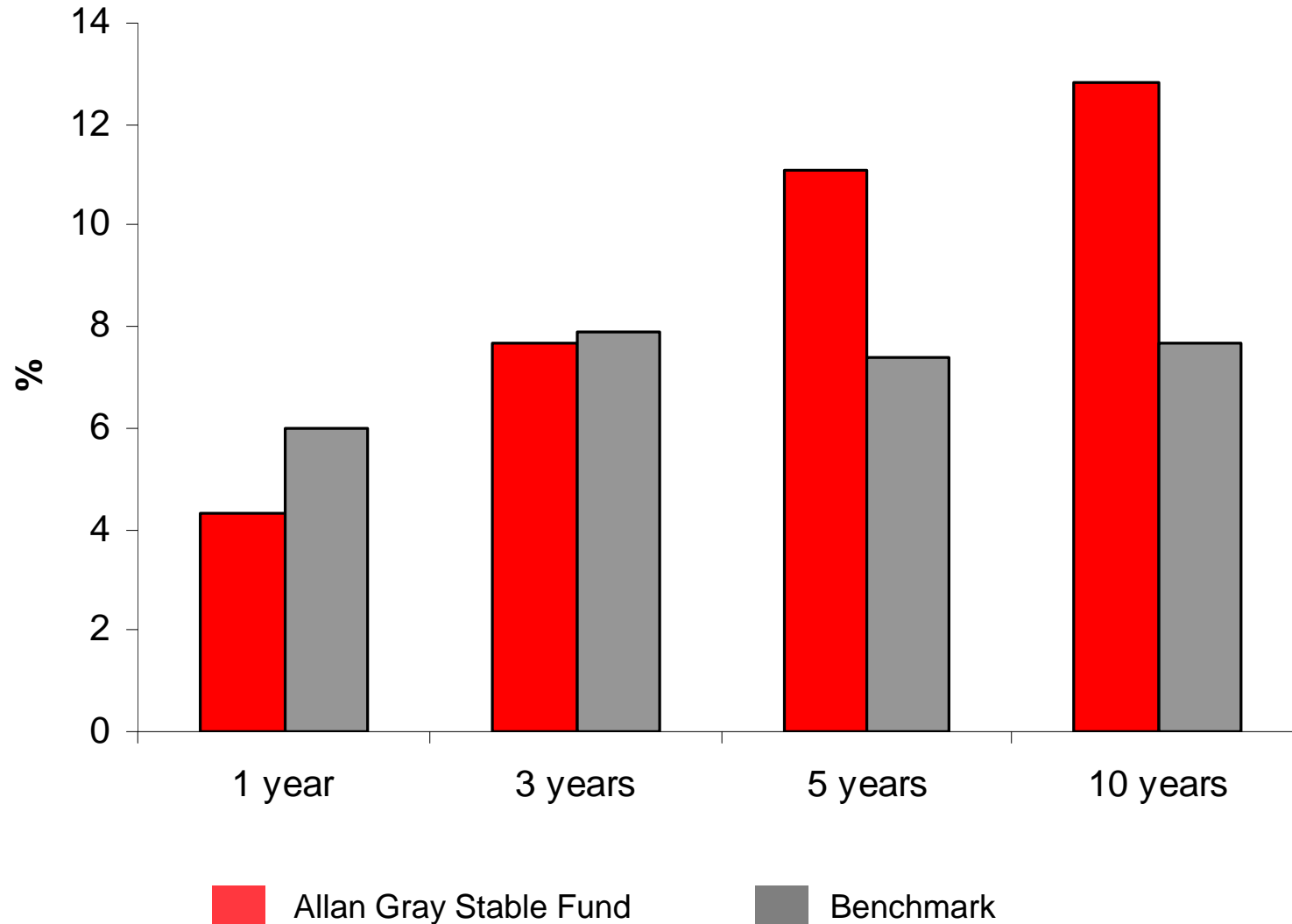
October 1998 – June 2010



Allan Gray Balanced unit trust performance: to 31/08/2010



Allan Gray Stable unit trust performance: to 31/08/2010



Unit trust funds

Balanced Fund

Stable Fund

Asset Allocation as at 31 August 2010

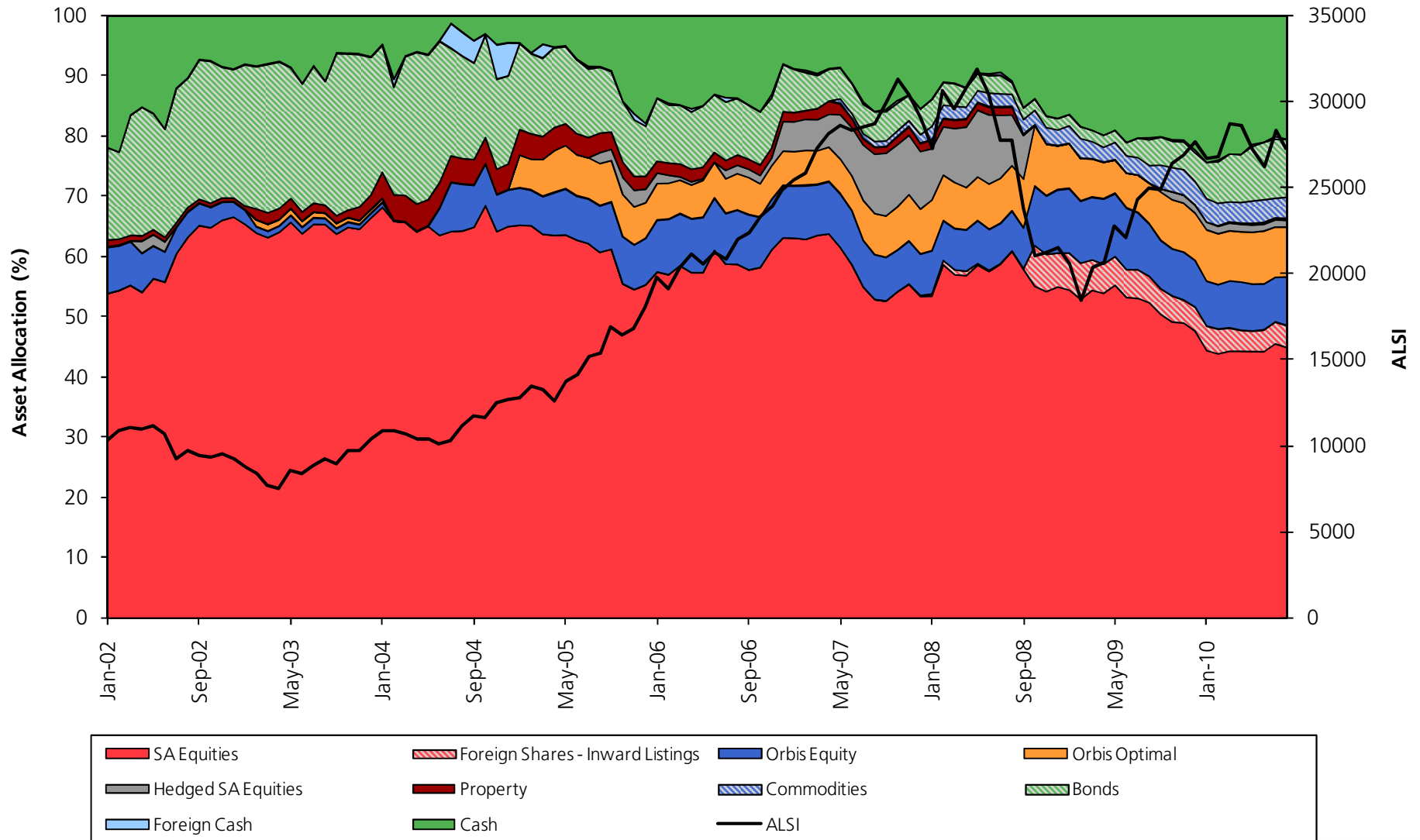
	Allan Gray Balanced Fund %	Mean Pension Fund %*
Gross SA Shares	46.3	
Less: Derivatives	<u>-1.1</u>	
Net SA Shares	45.2	50.0
Property	0.3	2.0
Commodities – Gold	3.5	0.0
Fixed Interest	31.1	26.0
Bonds	9.7	
Cash	20.3	
Hedging	1.1	
Foreign	19.9	20.0
Orbis Equity Funds	8.1	
Orbis Absolute Return Funds	8.2	
Inward Listed Shares	3.6	
Other	0.0	2.0
Total	<u>100.0</u>	<u>100.0</u>

Total Net Share Exposure 56.9

*Source: Alexander Forbes Large Manager Watch at 30 June 2010

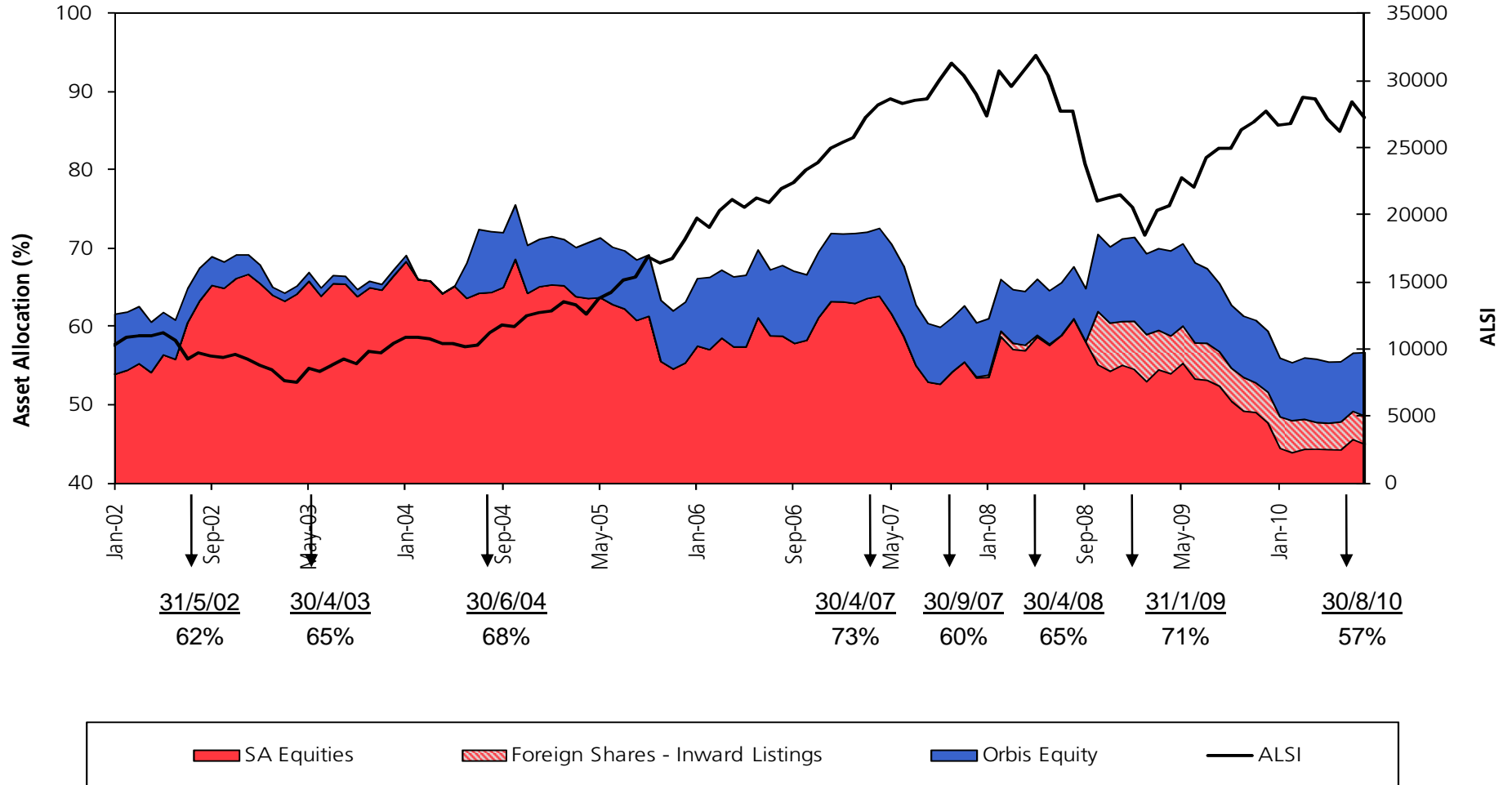
Allan Gray Balanced Fund

Asset Allocation to 31 August 2010



Allan Gray Balanced Fund

Asset Allocation to 31 August 2010



Unit trust funds

Balanced Fund

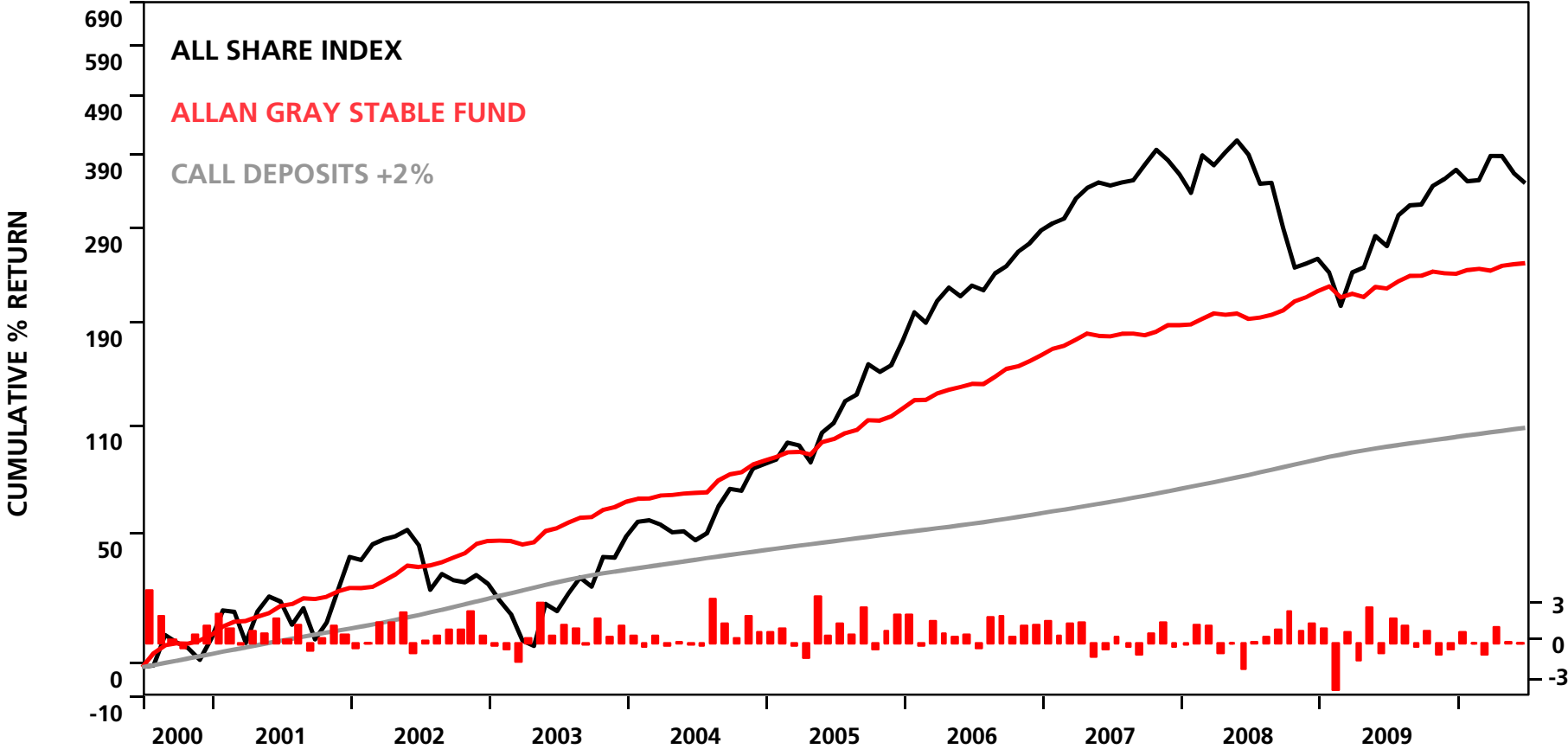
Stable Fund

Allan Gray Stable portfolio characteristics

- Product profile
 - Conservative selection of investments from all asset classes (maximum of 40% net equities)
- Return objectives
 - Returns superior to inflation/cash
- Risk profile
 - Limited volatility
 - Strives for capital preservation

Objective: capital stability

Unit trust performance



Asset Allocation as at 31 August 2010

	Allan Gray Stable Fund %	Mean Pension Fund %*
Gross SA Shares	20.5	
Less: Derivatives	<u>-13.3</u>	
Net SA Shares	7.2	50.0
Property	0.2	2.0
Commodities – Gold	4.0	0.0
Fixed Interest	68.7	26.0
Bonds	7.5	
Cash	47.9	
Hedging	13.3	
Foreign	19.9	20.0
Orbis Equity Funds	5.0	
Orbis Absolute Return Funds	13.0	
Inward Listed Shares	1.9	
Other	0.0	2.0
Total	<u>100.0</u>	<u>100.0</u>

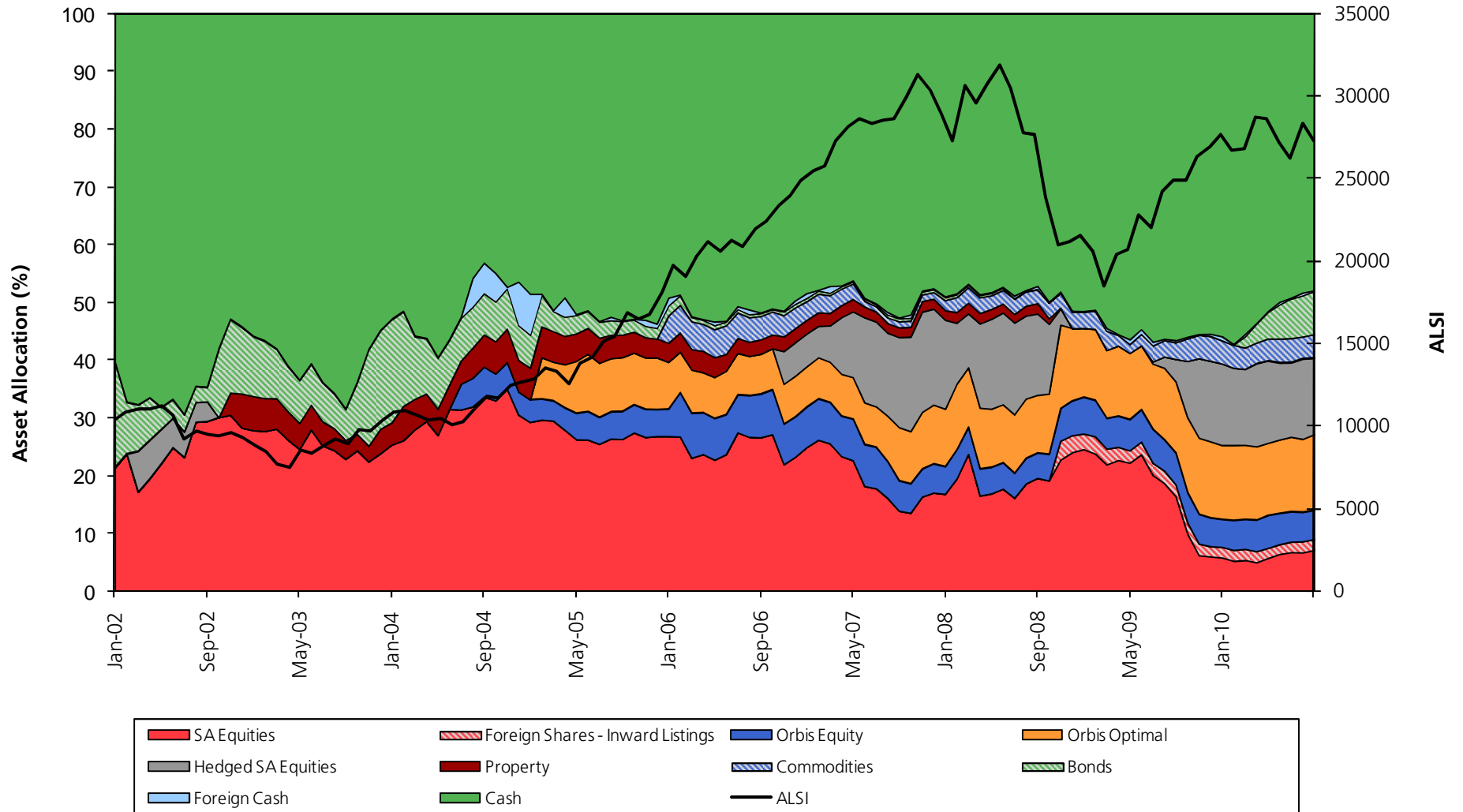
Total Net Share Exposure

14.1

*Source: Alexander Forbes Large Manager Watch at 30 June 2010

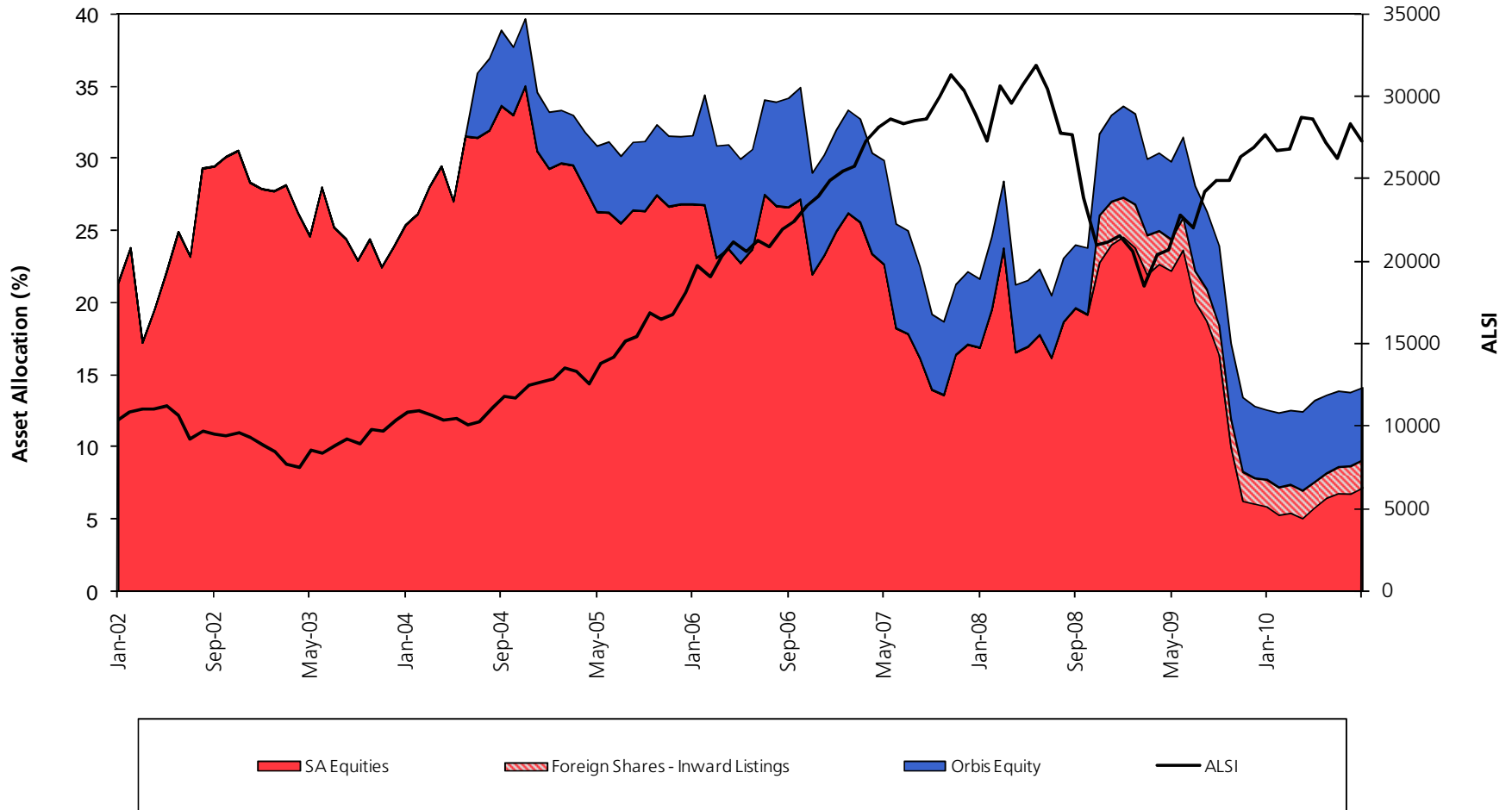
Allan Gray Stable Fund

Asset Allocation to 31 August 2010



Allan Gray Stable Fund

Asset Allocation to 31 August 2010



Sectoral Allocation

Allan Gray Equity Fund

	Allan Gray Equity Fund		Average Manager*		ALSI	
	<u>30/06/10</u>	<u>31/12/07</u>	<u>30/06/10</u>	<u>31/12/07</u>	<u>30/06/10</u>	<u>31/12/07</u>
Financials	13	20	25	21	17	16
Banks	4	11	14	15	10	8
Insurers & Others	9	9	11	6	7	8
Industrials	62	61	52	55	42	40
SABMiller	11	10	4	1	8	5
British American Tobacco	11	0	3	0	0	0
Remgro	8	10	1	4	1	2
Other	32	41	44	50	33	33
Resources	25	19	23	24	41	44
Sasol	10	7	6	6	5	5
Gold Mining	12	8	2	2	7	5
Platinum Mining	0	1	2	5	6	7
Other	3	3	13	11	23	27
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

* Latest available data at 31/05/2010 for Investment Solutions Spectrum (excluding Allan Gray) updated for price movements

Top 10 holdings as at 30 June 2010

Allan Gray Equity Fund	% of Shares
British American Tobacco	11.3
SABMiller	11.0
Sasol	9.3
Anglogold Ashanti	8.0
Remgro	7.7
Sanlam	5.3
MTN	4.5
Mondi	4.2
Harmony	3.3
Dimension Data	<u>2.8</u>
Total	<u>67.4</u>

In conclusion

- Company **earnings are almost back at trend-line** but not low compared to longer term.
- South African equities are pricing-in considerable earnings growth and there is **not a significant margin of safety** or room for disappointment in prices.
- Our asset allocation is focused on **capital preservation**.
- **Global equities have lagged** South African equities over the past decade and look more attractively priced (especially for ZAR-based investors).
- In expensive markets **wealth creation = wealth preservation** in real terms.

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