2011 ANNUAL REPORT

UNIT TRUSTS

ALLAN GRAY

Contents

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Edgar Loxton

Chairman's Report

Overview of our funds

The difficult macro environment led to much market volatility in 2011. Over the past 12 months the returns from lump sum investments in the Allan Gray Balanced, Stable and Equity Funds differ by less than 2%, and over the five years since the beginning of the financial crisis, the annualised difference between these three is less than 1%.

Asset allocation funds like Balanced and Stable fulfil their brief by reducing the risk of loss and taking advantage of short-term buying opportunities. This comes from diversifying between different asset classes and, most importantly, by not taking on risk when it is not justified by potential gains. And reduced risk is a real benefit: as our asset allocation funds have managed to smooth over the dips that equity investors have experienced this year, it follows that fewer of these clients will have made a permanent capital loss by selling their investments at a damaging low point.

The Stable Fund had a good year, but this follows two mediocre years. We are pleased that most of the Fund's investors remained patiently invested through the mediocre years, and enjoyed some of the fruits of this patience in 2011. While we believe that disciplined investors should benefit from their fund achieving its objectives over the longer term, we acknowledge that such discipline can be difficult to maintain when the going gets tough.

For valuation-oriented investors, disappointing past equity returns can be a signal to invest. In our view, this is not currently the case: at year-end prices, based on bottom-up stock analysis, the reward on offer relative to the risk of loss in most JSE-listed stocks remains as unexciting as it was a year ago, and we continue to see more opportunity abroad. The positioning of our funds both in terms of the level of equity exposure and the shares we actually own is driven, as always, by our bottom-up views of fundamental value on a case-by-case basis and where the risk of permanently losing money is the lowest.

Our Chief Investment Officer Ian Liddle goes into more detail about the world and the markets in his report on page 2, and information on the performance and portfolios of each individual fund follows thereafter.

Our funds started the year on R116bn. This had increased to R127bn by 31 December 2011 through R1bn of net inflows and R10bn of investment performance. We are pleased to report that the total number of unitholders who entrust us with their investments continues to increase.

People moves

Portfolio manager and director Delphine Govender left Allan Gray in the first quarter of 2012. Delphine made an outstanding contribution to the success of our clients and our company over her more than 10 years with us, and we wish her well in her future endeavours.

Ruan Stander, who has been an equity analyst with us since 2008, has been appointed as portfolio manager designate of our relative risk portfolios (including the Optimal Fund).

Transparency and simplicity are key

We encourage you to invest for the long term, and will do our best to provide you with the information you need to make the best investment decisions. It is very important for us that investors understand our investment philosophy, the funds they are invested in, or considering investing in, and that they are adequately informed. We strive to supply clear, transparent information which focuses on what is important and we encourage you to read our monthly fund factsheets and to use the tools available via our secure website.

Our fund factsheets have been redesigned recently to improve the depth of information, and to make the design more user-friendly and appealing. We have also expanded, and continue to expand, the functionality of our secure website and we invite you to experiment with these features to see how they can add to your investing experience. You can now do almost anything online that you can do in the offline world, with added convenience, along with additional services and tools. We encourage you to register for a secure account if you don't already have one. Simply visit www.allangray.co.za and click on 'Register'.

Although we are passionate about providing you with a range of online tools, this is part of a holistic service offering. We also invite you to call our Client Service Centre on 0860 000 654.

Ian Liddle

Chief Investment Officer's Report

South Africa has thus far been spared the crushing austerity measures affecting Europe. Three important factors have been in our favour so far: a decade of strongly rising commodity prices, capital inflows from foreigners and a less indebted starting point. But one should be careful not to extrapolate these favourable factors indefinitely into the future. Underlying these positive influences are many things to worry about, such as our high levels of unemployment and little discernible progress in employment growth; inefficiency in our ageing deep-level mines; and the relatively high proportion of our public budget spent on wages and social grants, which are not adding to future productive capacity. Our own age of austerity may still lie in wait. In my opinion, South Africans need to save more to properly prepare themselves for this possibility.

Global equity markets

An important feature of 2011 was the underperformance of the emerging markets – the MSCI Emerging Market Index returned a negative 18.2% in dollars, and the FTSE/JSE All Share Index (ALSI) returned a negative 16% in dollars. The MSCI World Index returned a negative 5% in dollars for the year. This was only the third calendar year this millennium in which emerging markets underperformed developed markets (the other two years were 2000 and 2008).

Almost a quarter of the Allan Gray Balanced and Stable Funds are now invested overseas. This lends more scope to these Funds than they previously enjoyed to diversify their country, currency and sector exposures. Orbis is able to access investment opportunities in sectors of the global economy which are under-represented on the JSE.

For example, the biggest sector exposure in the Orbis Global Equity Fund is to the technology sector (33% of the Fund). In contrast, technology sector stocks account for 1.2% of the value of the South African shares in the Allan Gray Equity Fund, and for only 0.3% of the ALSI. Orbis is able to invest in global technology companies such as Cisco, Qualcomm, Google, SAP and Samsung, which are simply not available to us on the local market.

The vast bulk of the exposure in the Orbis Global Equity Fund is to shares listed in the developed markets of North America, Europe and Japan. Many of these companies stand to benefit from potential further growth in demand for their products and services from the emerging markets, but with arguably less downside risk in the event of macroeconomic disturbances. Our research process puts little weight on where a share is listed, and which index it falls into, and places great emphasis on the attractiveness of the share price relative to that individual company's fundamentals.

Investors not constrained by retirement fund regulations, which limit exposure to certain asset classes, are able to further increase their exposure to global markets and currencies by investing in any of our three rand-denominated foreign unit trusts, without the need for foreign investment approval.

South African equity markets

Arguably the toughest issue for our local investment team right now is around the questionable sustainability of commodity prices and mining company profit margins, which are mostly substantially higher than their long-term averages. For example, the 21st century boom in iron ore prices has been of a similar magnitude to the Nasdaq tech bubble in the 1990s, the Japanese stock market bubble in the 1980s and the gold bubble in the 1970s.

We believe that many commodity prices are significantly above their normal levels, which makes some mining company shares not nearly as attractive as suggested by a naive glance at their currently low P/E multiples. At present, we remain underweight the diversified mining companies – this may detract from our relative performance if commodity prices and mining company profit margins stay in the stratosphere for a few more years. However, we have found the most rewarding investment strategy to be one based on an assessment of a company's true long-term value rather than its immediate prospects.

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 Proprietary 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 Proprietary 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 Proprietary Limited from 1997 to 2006.

Simon Raubenheimer
Portfolio manager
B Com (Hons) (Cum Laude) CFA

Simon joined Allan Gray 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 over the long term, without taking on greater risk.	Local	• Seek exposure to JSE-listed equities to provide long-term capital growth • Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility • Are prepared to take on the risk of capital loss • Typically have an investment horizon of more than five years • Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio	Domestic-Equity-General
Allan Gray-Orbis Global Equity Feeder Fund	The Fund aims to outperform global stock markets over the long term, without taking on greater risk.	Offshore	• Seek exposure to diversified international equities to provide long-term capital growth • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with global stock market and currency fluctuation and risk of capital loss • Typically have an investment horizon of more than five years • Wish to use the Fund as a fully invested global equity 'building block' in a diversified multi-asset class portfolio	Foreign-Equity-General
40% - 75% Medium net equity exposure				
Allan Gray Balanced Fund	The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk.	Local	• Seek steady long-term capital growth • Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund • Wish to invest in a unit trust that complies with retirement fund investment limits • Typically have an investment horizon of more than three years	Domestic-Asset Allocation-Prudential Variable Equity
Allan Gray-Orbis Global Fund of Funds	The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk.	Offshore	• Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund • Typically have an investment horizon of more than five years • Wish to use the Fund as a foreign medium equity 'building block' in a diversified multi-asset class portfolio	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 long-term returns that are superior to bank deposits on an after-tax basis.	Local	• Are risk-averse and require a high degree of capital stability • Seek both above-inflation returns over the long term, and capital preservation over any two-year period • Require some income but also some capital growth • Wish to invest in a unit trust that complies with retirement fund investment limits	Domestic-Asset Allocation-Prudential Low Equity

Allan Gray Unit Trusts

Fund	Fund objective (specific benchmarks are shown on the performance pages that follow)	Local/ offshore	Suitable for investors who:	Category
0% - 20% Very low net equity exposure				
Allan Gray Optimal Fund	The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns.	Local	• Seek steady absolute (i.e. positive) returns regardless of stock market trends • Require a high degree of capital stability • Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a 'building block' in a diversified multi-asset class portfolio	Domestic-Asset Allocation-Targeted Absolute and Real Return
Allan Gray-Orbis Global Optimal Fund of Funds	The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits.	Offshore	• Seek steady absolute returns ahead of those of cash measured in global currencies • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk • Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio	Foreign-Asset Allocation-Flexible
No equity exposure				
Allan Gray Bond Fund	The Fund aims to provide investors with a real return over the long-term and outperform the All Bond Index at no greater risk.	Local	• Seek a bond 'building block' for a diversified multi-asset class portfolio • Are looking for returns in excess of those provided by money market or cash investments • Are prepared to accept more risk of capital depreciation than in a money market or cash investment	Domestic-Fixed Interest-Bond
Allan Gray Money Market Fund	The Fund aims to preserve capital, maintain liquidity and generate a sound level of income.	Local	• Require monthly income distributions • Are highly risk-averse but seek returns higher than bank deposits • Need a short-term investment account	Domestic-Fixed Interest-Money Market

Performance Summary

Annualised performance to 31 December 2011 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	20.7%	9.0%	16.2%
Benchmark[1]	15.2%	8.1%	17.3%
Allan Gray-Orbis Global Equity Feeder Fund		2.6%	5.6%
Benchmark[2]		1.6%	7.0%
Allan Gray Balanced Fund	17.4%	9.4%	12.1%
Benchmark[3]	13.1%	7.2%	11.7%
Allan Gray-Orbis Global Fund of Funds		5.6%	0.6%
Benchmark[4]		5.8%	4.7%
Allan Gray Stable Fund (after tax)	12.1%	8.5%	7.2%
Benchmark[5]	7.3%	7.1%	6.0%
Allan Gray Optimal Fund		7.6%	5.5%
Benchmark[6]		7.4%	5.9%
Allan Gray Bond Fund		9.4%	9.6%
Benchmark[7]		8.6%	7.4%
Allan Gray Money Market Fund	8.9%	8.7%	7.3%
Benchmark[8]	8.8%	8.5%	7.2%

Allan Gray-Orbis Global Optimal Fund of Funds: This Fund was launched on 1 March 2010 and therefore there is no performance data available for these periods.

All benchmark performance is calculated by Allan Gray as at 31 December 2011.

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge).
2. FTSE World Index including income (Source: Bloomberg).
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).
4. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg).
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).
6. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5 million) (Source: FirstRand Bank).
7. All Bond Index (Source: I-Net Bridge).
8. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.

Allan Gray Equity Fund

Portfolio managers

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

Fund objective and benchmark

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

Commentary

The benchmark FTSE/JSE All Share Index (ALSI) returned 2.6% for the 2011 calendar year. The ALSI closed the year a fraction below 32 000 points, which was slightly down on its January 2011 opening level of just above 32 000 points. The total return of the ALSI for the year was thus entirely derived from dividends. Overall South African stock market returns for 2011 were disappointing relative to those of domestic bonds (8.8% for the All Bond Index) and cash (5.7%), but especially disappointing relative to global equities (15.9% in rands for the MSCI World Index) and global bonds (29.6% in rands for the JP Morgan Global Bond Index). The lacklustre returns from the South African stock market are not surprising given the relatively full valuations on South African shares at the start of the year.

The Fund had a good year, outperforming the ALSI by 7.5 percentage points. Notable contributors to this outperformance were the Fund's substantial holdings in British American Tobacco, Sasol and SABMiller. The biggest detractor from the Fund's performance was Sappi.

We are mindful that this good year follows underperformance in 2009 and 2010. Investment managers can never afford to rest on their laurels, and we continue to work hard to identify the South African shares offering the best relative value for inclusion in the Fund. Our success in this task will determine the Fund's future long-term returns relative to its benchmark.

In our experience, our investment actions are often 'early', which means that shares can continue to fall after we have established a full position, or continue to rise after we have sold out. We accept this as an inevitable consequence of our investing style if it happens when the momentum of irrational markets drives share prices far past their intrinsic value. But it can also occur if we misestimate a company's intrinsic value. Obviously we strive to minimise such errors.

Less frequently, a share price can rise suddenly before we have established a full position. Old Mutual is a good example of this. By the end of 2011, 2% of the Fund was invested in Old Mutual. We had been accumulating shares in Old Mutual through the year. We were attracted by its substantial discount to embedded value, but more importantly by the resolve of the new management team to de-risk the business, allocate capital sensibly and unlock value for shareholders. Old Mutual traded in a range of R13 to R15 per share for most of the year, before rocketing to over R17 per share in December on the news that the company would be selling its Scandinavian business for a great price. Clearly the market was just as surprised by this announcement as we were.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	2540.3	820.3	104.6
Annualised:			
Since inception	28.0	18.2	5.6
Latest 10 years	20.7	15.2	5.9
Latest 5 years	9.0	8.1	6.9
Latest 3 years	16.2	17.3	5.3
Latest 2 years	13.5	10.5	4.8
Latest 1 year	10.1	2.6	6.1

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Sector allocation on 31 December 2011

Sector	% of portfolio	% of ALSI
Oil & gas	11.3	5.4
Basic materials	21.7	33.2
Industrials	11.2	5.8
Consumer goods	25.4	17.0
Health care	2.4	2.0
Consumer services	2.6	9.6
Telecommunications	2.6	7.2
Financials	17.4	19.6
Technology	1.2	0.3
Other	0.7	-
Money Market and Bank Deposits	3.6	-
Total	100.0	100.0

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2011	31 Dec 2011
Cents per unit	179.2718	62.9228

Allan Gray-Orbis Global Equity Feeder Fund

Portfolio manager

Ian Liddle (The underlying Orbis Global Equity Fund is managed by Orbis)

Fund objective and benchmark

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

Commentary

Globally, the big picture has been tough to ignore as of late. Whether it is Europe's sovereign debt crisis, political gridlock in Japan, or government intervention in the US, there is plenty to worry about. This has made markets volatile and highly correlated – but does it make stock picking harder?

The consensus view is 'yes', and it has even become fashionable to argue that stock picking is dead. Unsurprisingly, Orbis has a different view. When correlations are unusually high, investors are effectively tarring all companies with the same brush. This creates significant mispricings and can present attractive opportunities to patient investors.

Nowhere is this more apparent than in the technology sector. In the 'lost decade' since the technology, media, and telecom bust, there has been a prolonged consolidation. What has emerged is a roster of companies that have built world-class franchises with unmatched scale and distribution, particularly in emerging markets.

Just look at Apple. Its success in the US needs no introduction. But Apple also has substantial exposure to emerging markets, many of which remain relatively untapped. And globally, despite the high profile of the iPhone, Apple accounted for just 17% of smartphones shipped in Q4 2011, and a mere 5% of all mobile phones sold. As consumers continue to ditch traditional mobile phones for smartphones, Orbis believes Apple's iOS and Google's Android will become the dominant smartphone platforms.

At its recent US$405 share price, Orbis estimates that Apple offers a 14% free cash flow yield after adjusting for net cash and investments of US$87 per share. This valuation implies that Apple is worth about seven and a half times its current annual cash flow. We view this scenario as unlikely given Apple's strong product pipeline. At its current valuation, investors effectively pay nothing for a 'call option' on Apple's future product innovations.

When macroeconomic concerns drag on good and bad companies alike, there are often opportunities to buy exceptional companies at a substantial discount to intrinsic value. Waiting for the market to recognise that value can be frustrating, but contrarian investors have historically been rewarded for their patience.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	ZAR	ZAR	ZAR
Unannualised:			
Since inception	80.5	65.6	50.4
Annualised:			
Since inception	9.1	7.8	6.2
Latest 5 years	2.6	1.6	6.9
Latest 3 years	5.6	7.0	5.3
Latest 2 years	2.6	7.6	4.8
Latest 1 year	10.2	13.9	6.1

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	US$	US$	US$
Unannualised:			
Since inception	38.6	27.2	17.4
Annualised:			
Since inception	4.9	3.7	2.4
Latest 5 years	-0.4	-1.4	2.2
Latest 3 years	10.8	12.3	2.4
Latest 2 years	-2.1	2.7	2.2
Latest 1 year	-9.5	-6.5	3.0

1. FTSE World Index including income (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Geographical exposure on 31 December 2011
This Fund invests solely into the Orbis Global Equity Fund

Region	Fund's % exposure to:		% of World Index
	Equities	Currencies	
United States	47	50	47
Canada	2	2	4
North America	**49**	**52**	**51**
United Kingdom	9	13	9
Continental Europe	7	14	17
Europe	**16**	**27**	**26**
Japan	**17**	**2**	**8**
Greater China	10	12	4
Korea	5	5	2
Other	0	0	1
Asia ex-Japan	**15**	**17**	**7**
Other	**2**	**2**	**8**
Current assets	**1**	**0**	**0**
Total	**100**	**100**	**100**

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2011
Cents per unit	0.2114

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 and benchmark

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

Commentary

Despite the shaky performance of most global equity markets in 2011 (the MSCI World Index returned a negative 5% in dollars for the year), the Fund's foreign holdings contributed substantially to its returns as the rand weakened from R6.62 per dollar at the beginning of January to R8.07 per dollar by year-end.

The Fund's holding in British American Tobacco (BAT) is now classified as domestic, and it is included with the Fund's other South African shares in the asset allocation table alongside this commentary. This reclassification, which was enacted by the authorities in December, had the effect of reducing the Fund's measured foreign exposure. We increased the Fund's foreign exposure back towards the 25% limit opportunistically over December, as we continue to see more attractive value in global stocks than those listed on the JSE, and we continue to see more long-term downside risk than upside potential for the rand.

An important feature of 2011 was the underperformance of the emerging markets – the MSCI Emerging Market Index returned a negative 18.2% in dollars, and the FTSE/JSE All Share Index (ALSI) returned a negative 16% in dollars. This was only the third calendar year this millennium in which emerging markets underperformed developed markets (the other two years were 2000 and 2008).

The publishers of stock market indices tend to focus on a company's country of incorporation or market of primary listing when determining its eligibility for an index. But this can be a poor approximation of the underlying exposures which drive a company's performance. For example, we estimate that more than half of BAT's profits originate from emerging market countries, but there is no place for it in the MSCI Emerging Markets Index because it is listed in London.

Similarly, many of the US technology stocks currently held in the Orbis funds such as Cisco, Google, Qualcomm and Apple, are classified as developed market stocks, but they undoubtedly benefit from the rapid adoption of technology in the developing world. Investors who slavishly track the 'official' emerging markets stocks may be missing out on some relatively attractively priced companies, which stand to benefit at least as much from long-term progress in the developing world, but with arguably less downside in the event of macroeconomic disturbances.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	825.2	380.1	100.8
Annualised:			
Since inception	19.9	13.7	5.9
Latest 10 years	17.4	13.1	5.9
Latest 5 years	9.4	7.2	6.9
Latest 3 years	12.1	11.7	5.3
Latest 2 years	11.1	9.4	4.8
Latest 1 year	11.9	6.4	6.1

1. 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 as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Asset allocation on 31 December 2011

Asset class	Total	SA	Foreign
Net Equity	57.0	46.1	10.9
Hedged Equity	10.6	3.1	7.6
Property	0.4	0.4	-
Commodities (Gold)	2.9	2.9	-
Bonds	9.6	9.6	-
Money Market and Bank Deposits	19.5	13.7	5.8
Total	**100.0**	**75.8**	**24.3**

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2011	31 Dec 2011
Cents per unit	73.1260	67.8871

Allan Gray-Orbis Global Fund of Funds

Portfolio manager

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

Fund objective and benchmark

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

Commentary

Globally, the big picture has been tough to ignore of late. Whether it is Europe's sovereign debt crisis, political gridlock in Japan, or government intervention in the US, there is plenty to worry about. This has made markets volatile and highly correlated – but does it make stock picking harder?

The consensus view is 'yes', and it has even become fashionable to argue that stock picking is dead. Unsurprisingly, Orbis has a different view. When correlations are unusually high, investors are effectively tarring all companies with the same brush. This creates significant mispricings and can present attractive opportunities to patient investors.

Attractive opportunities frequently come in groups. These concentrations tend to cluster around specific industries or countries. Currently, one of the largest clusters in both the Orbis Global Equity Fund and the Orbis Optimal SA Fund is in technology shares. In the 'lost decade' since the technology, media, and telecom bust, there has been a prolonged consolidation. What has emerged is a roster of companies that have built world-class franchises with unmatched scale and distribution, particularly in emerging markets. Excellent examples in the Global Fund include Apple, Cisco, and Qualcomm.

In other areas, Orbis analysts have found several compelling 'deep value' opportunities that offer strong potential returns with limited downside risk. One example in the Orbis Japan Equity Fund is Japan Tobacco, which has failed to deliver the strong, stable returns of its peers. Orbis believes the company is priced very cheaply, but the reasons for this discount are starting to erode, suggesting that the company's future may be very different from its past.

Though relative performance never comes in a straight line, Allan Gray and Orbis remain committed to our shared investing philosophy. We wholeheartedly believe that doing so is the best way for us to create value on your behalf.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	ZAR	ZAR	ZAR
Unannualised:			
Since inception	71.0	76.1	56.7
Annualised:			
Since inception	7.0	7.4	5.8
Latest 5 years	5.6	5.8	6.9
Latest 3 years	0.6	4.7	5.3
Latest 2 years	2.9	9.8	4.8
Latest 1 year	16.6	20.7	6.1

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	US$	US$	US$
Unannualised:			
Since inception	48.3	52.7	21.7
Annualised:			
Since inception	5.1	5.5	2.5
Latest 5 years	2.5	2.7	2.2
Latest 3 years	5.6	9.9	2.4
Latest 2 years	-1.8	4.8	2.2
Latest 1 year	-4.3	-0.9	3.0

1. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Geographical exposure of funds on 31 December 2011

Region	Net equity exposure (%)	Hedged equity exposure (%)	Fund currency exposure (%)
North America	13	21	62
Europe	8	7	16
Japan	27	6	8
Asia ex-Japan	5	6	12
Other	1	1	3
Total	**54**	**40**	**100**

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2011
Cents per unit	No distribution

Allan Gray Stable Fund

Portfolio manager

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

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits on an after-tax basis. The Fund's benchmark is the return of call deposits (for amounts in excess of R5m) with FirstRand Bank Limited plus 2%, on an after-tax basis at an assumed tax rate of 25%.

Commentary

The Fund had a good year in 2011, returning 12.7% for the year (before any notional tax adjustments). This was ahead of the before-tax benchmark return of 6.7% for the year. It was also ahead of the returns for both the Allan Gray Equity Fund and the Allan Gray Balanced Fund for the year.

We are mindful that this good year follows two mediocre years for the Fund. Most of the Fund's investors remained patiently invested through the mediocre years, and enjoyed some of the fruits of this patience in 2011.

A major detractor from the Fund's performance in 2009 and 2010 was the effect of the strengthening rand on the Fund's foreign positions. The rand reversed course in 2011, weakening from R6.62 per dollar in January to R8.07 per dollar by year-end. The further loosening of the foreign exposure limit by the regulators in late 2010 allowed us to take some advantage of the rand's strength to increase the Fund's foreign weighting at an opportune time.

The foreign exposure of the Fund has grown steadily since the Orbis funds were first introduced into the Fund in 2004. By year-end, the Fund's foreign exposure of 24.3% was marginally below the prudential maximum limit of 25%. This higher foreign exposure will probably increase the monthly volatility of the Fund's returns somewhat as the Fund's foreign holdings will be translated using the rand exchange rate, which will probably continue to be volatile. But we believe that any extra volatility is justified by the more attractive value currently to be found in global equities than those listed on the JSE, by the greater long-term downside risk than upside potential for the rand, and by the considerable diversification benefits from holding global stocks rather than just South African stocks. For some examples of these diversification benefits, please refer to the quarterly fund factsheet commentary for the Allan Gray Balanced Fund of September 2011.

Investment managers can never afford to rest on their laurels - even after a good year. The future long-term performance of the Fund is being determined by the quality of the investment decisions we are making today. We remain focused on the Fund's long-term objective to beat bank deposit returns, while providing capital stability over any two-year period.

Performance net of all fees and expenses

% Returns	Fund[1]	Benchmark[1 2]	CPI inflation[3]
Unannualised:			
Since inception	300.6	128.3	90.9
Annualised:			
Since inception	12.8	7.4	5.8
Latest 10 years	12.1	7.3	5.9
Latest 5 years	8.5	7.1	6.9
Latest 3 years	7.2	6.0	5.3
Latest 2 years	8.0	5.3	4.8
Latest 1 year	12.1	4.9	6.1

1. Fund and benchmark performance adjusted for income tax at an assumed rate of 25%. (See Fund objective). For 'before tax' information refer to the December 2011 factsheet.
2. The return of call deposits (for amounts in excess of R5m) with FirstRand Bank Limited plus 2%; on an after-tax basis at an assumed tax rate of 25% (Source: FirstRand Bank), performance as calculated by Allan Gray as at 31 December 2011.
3. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Asset allocation on 31 December 2011

Asset class	Total	SA	Foreign
Net Equity	18.7	10.6	8.1
Hedged Equity	25.2	15.1	10.1
Property	0.3	0.3	-
Commodities (Gold)	2.7	2.7	-
Bonds	9.2	9.2	-
Money Market and Bank Deposits	43.9	37.8	6.1
Total	**100.0**	**75.7**	**24.3**

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus quarterly.

	31 Mar 2011	30 Jun 2011	30 Sept 2011	31 Dec 2011
Cents per unit	16.8426	17.1335	17.2251	16.2721

Allan Gray Optimal Fund

Portfolio manager

Delphine Govender

Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund's benchmark is the return on call deposits (for amounts in excess of R5m) with FirstRand Bank Limited.

Commentary

Global economic uncertainties have continued to weigh heavily on equity markets around the world and accordingly markets have delivered anaemic to poor returns for 2011.

While the Fund only marginally exceeded its benchmark over the past 12 months, it outperformed the FTSE/JSE All Share Index for the past year. This should not be surprising as, with its low equity component, the Fund is designed to deliver returns uncorrelated with the stock market and therefore tends to beat the market when equity returns are weak.

Times of heightened and ongoing macro uncertainty almost always translate into considerable volatility in asset prices, especially when these prices are not particularly cheap. Volatility, in turn, often causes more consensus-driven investors to overreact in the short term, and this overreaction can create potential buying opportunities for those investors who prefer to look through the emotion and focus on the fundamentals.

In this vein, during the course of the year, the net equity component of the Fund was slightly increased when times of panicked selling created patches of opportunity. Notwithstanding this, the South African stock market is still not unequivocally cheap, especially in relation to our estimate of sustainable earnings for the market, which is somewhat below the current high level of earnings.

We continue to remain cautious about our expectations for the likely performance of equities over the short term and remain ever focused on pursuing, amongst others, the capital stability objective of this Fund.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	116.1	94.2	61.6
Annualised:			
Since inception	8.7	7.4	5.3
Latest 5 years	7.6	7.4	6.9
Latest 3 years	5.5	5.9	5.3
Latest 2 years	5.0	5.1	4.8
Latest 1 year	4.7	4.6	6.1

1. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5m) (Source: FirstRand Bank), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Asset allocation on 31 December 2011

Asset class	Total
Net SA Equities	6.3
Hedged SA Equities	78.8
Property	0.5
Money Market and Bank Deposits	14.4
Total	**100.0**

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2011	31 Dec 2011
Cents per unit	11.0908	19.1265

Allan Gray-Orbis Global Optimal Fund of Funds

Portfolio manager

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

Fund objective and benchmark

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

Commentary

Attractive opportunities frequently come in groups. In the Orbis Optimal SA Fund, these concentrations tend to cluster around specific industries or countries. Orbis has always been willing to invest with conviction in a handful of these clusters at any time, producing portfolios that are often dramatically different from the benchmark.

Importantly, this willingness to follow conviction is also the prime contributor to the higher tracking errors of the Orbis funds; that is, they have been more likely than other funds to have performance that varies in both magnitude and direction versus the index. Most of the time, this very different performance has been pleasing, but sometimes – including recently – it is the opposite. But Orbis continues to follow this approach. Outperformance does not come in a straight line, and without deviating significantly from the market, it would be impossible for Orbis or Allan Gray to deliver our historical levels of outperformance.

So what are the concentrations now? In the Optimal SA Fund, the significant overweighting in technology stands out. Like most significant high conviction overweight positions, the technology exposure has been building up for some time. In doing so, Orbis will often take advantage of short-term underperformance to add to positions, lowering the average purchase price of high-conviction ideas. In fact, the underperformance and big build-up of clusters tend to go hand-in-hand: Orbis develops conviction; invests in a few attractive stocks in a sector; the shares in the sector continue to underperform, causing the Fund's holdings and others in the sector to become even more attractive; and Orbis continues to add to the exposure. Should this continue long enough, an ever-more obvious difference from the benchmark develops.

It is important to note that Orbis does not add to all positions that go down, nor do we always see our decisions vindicated when we do. The same discipline applies on the positive side: if the share's valuation returns to a level that makes others more attractive, Orbis will sell.

Only time will tell if your Fund's large position in selected technology shares will prove wise. More often than not, clusters in the Orbis funds have paid off handsomely for investors, but of course, there have been exceptions. Way back in 1997, the Orbis Global Equity Fund suffered badly from its 10% overweighting in Korea and the won, as a severe stock market sell-off was compounded by a collapse in the currency. Still, while endeavouring to keep lopsided risks in check through risk tools and prudent portfolio management, Orbis will continue to allow high conviction ideas to grow into thematic clusters in your Fund. We believe that doing so is one of the best ways to drive pleasing long-term results on your behalf.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	ZAR	ZAR	ZAR
Unannualised:			
Since inception	3.6	4.6	8.8
Annualised:			
Since inception	1.9	2.5	4.7
Latest 1 year	19.8	20.8	6.1

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	US$	US$	US$
Unannualised:			
Since inception	-1.8	-0.9	4.2
Annualised:			
Since inception	-1.0	-0.4	2.3
Latest 1 year	-1.6	-0.8	3.0

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Geographical exposure of funds on 31 December 2011

Region	Net equity exposure (%)	Hedged equity exposure (%)	Fund currency exposure (%)
North America	0	38	63
Europe	6	12	21
Japan	8	10	0
Asia ex-Japan	2	11	13
Other	0	1	4
Total	**16**	**72**	**100**

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2011
Cents per unit	0.2553

Allan Gray Bond Fund

Portfolio managers

Sandy McGregor, Andrew Lapping

Fund objective and benchmark

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

Commentary

The Euro crisis has created a very uncertain investment climate. During the last quarter of 2011 bond markets were very volatile. While there were no net foreign purchases of South African bonds over the quarter, there have been significant daily flows in and out of our market. In a world of zero interest rates SA bonds look attractive, but the impact of domestic issues is becoming increasingly important.

Inflation has broken through the 6% upper band of the Reserve Bank's target. A weak currency is stoking inflationary pressures. Political tensions in the ANC, market-unfriendly policies and declining commodity prices promote rand weakness. South Africa is experiencing stagflation, a weak economy with rising prices. The Reserve Bank is hesitant to raise rates while business conditions are poor. As such, it is likely the short rates will remain fixed at current levels for some time to come.

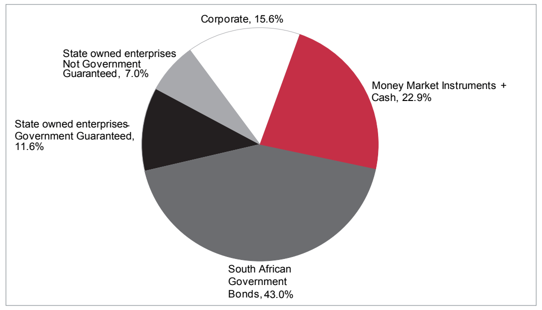
The slope of the yield curve reflects this situation. At the end of 2011 30-year SA government bonds were at about 9% and call money was at 5.5%. Investors are now compensated for taking the risk of owning longer dated bonds. Accordingly, while the Fund's duration remains below its ALBI benchmark, it does include a significant number of higher yielding longer dated bonds.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	95.5	90.2	53.7
Annualised:			
Since inception	9.7	9.3	6.1
Latest 5 years	9.4	8.6	6.9
Latest 3 years	9.6	7.4	5.3
Latest 2 years	11.7	11.9	4.8
Latest 1 year	9.6	8.8	6.1

1. All Bond Index (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Fund allocation on 31 December 2011



Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	31 Mar 2011	30 Jun 2011	30 Sept 2011	31 Dec 2011
Cents per unit	20.9568	21.1033	20.0630	19.1141

Allan Gray Money Market Fund

Portfolio manager

Andrew Lapping

Fund objective and benchmark

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

Commentary

Despite market expectations for interest rate stability, interest rates are usually stable for only short periods of time. 2011 was unusual in this regard, in that the repo rate was unchanged at 5.5% for the full year. Rates have been stable for similar periods only twice before over the past 11 years. However, term interest rates moved through the year as investor expectations changed, for example the 12-month NCD rate fell to 5.75% at one stage as investors discounted rate cuts because of the weak economy and stable rand. These cuts did not materialise as the rand weakened during the second half of the year, putting pressure on the inflation rate and offsetting the case for rate cuts, causing the 12-month rate to rise to the current 6.1%.

The market is discounting more of the same for rates in 2012, i.e. no changes. This is an unlikely outcome. The question is, in which direction will rates surprise the market and when? Regular readers of our factsheets will know we have concerns about the structure of the South African labour market and the rising administered prices. These factors put upward pressure on the inflation rate. Offsetting this are currently high commodity prices, which could fall, for example oil at US$110/barrel; the possibility of rand stability after the recent 20% decline against the dollar and the dire economic situation in Europe rubbing off on the Reserve Bank's Monetary Policy Committee. Consensus expectations are for the inflation rate to increase further in the short term before stabilising and falling back below 6% in the second half of the year.

We agree that inflation will continue to rise, but are sceptical about whether it will fall below 6% as soon as expected. This must be put in the context of a repo rate of 5.5%, below the latest inflation reading of 6.1%. With the repo rate already below the inflation rate, an unusual situation in an inflation targeting regime, we believe the interest rate surprise will more likely come in the form of a rate hike rather than a cut, and have positioned the Fund accordingly.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	145.2	143.8	79.8
Annualised:			
Since inception	8.9	8.9	5.7
Latest 10 years	8.9	8.8	5.9
Latest 5 years	8.7	8.5	6.9
Latest 3 years	7.3	7.2	5.3
Latest 2 years	6.4	6.2	4.8
Latest 1 year	5.7	5.5	6.1

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

Exposure by issuer on 31 December 2011

RSA	22.3
Denel	2.4
Government and parastatals	**24.7**
Sanlam	3.1
Toyota	0.8
Vodacom	0.8
MTN	0.1
Corporates	**4.8**
FirstRand Bank	16.9
Nedbank	16.8
ABSA	15.1
Standard Bank	15.5
Investec	4.9
JP Morgan	0.9
Deutsche Bank	0.2
Banks[3]	**70.3**
Total	**100.0**

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

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

Income distributions for the last 12 months

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

Jan 2011	Feb 2011	Mar 2011	Apr 2011
0.50	0.44	0.49	0.46
May 2011	Jun 2011	Jul 2011	Aug 2011
0.47	0.45	0.46	0.46
Sept 2011	Oct 2011	Nov 2011	Dec 2011
0.45	0.46	0.44	0.46

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: 0.00% Fee at benchmark: 1.50% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 3.00%	2.00%	0.18%	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.	2.22%	0.54%	1.49%	0.14%	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: 0.50% Fee at benchmark: 1.00% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 1.50%	1.24%	-0.02%	1.15%	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.	1.79%	0.33%	1.24%	0.15%	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: 0.50% Fee at benchmark: 1.00% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 1.50% No fee is charged if the Fund's cumulative return over a two-year period is equal to or less than 0%.	1.39%	0.17%	1.14%	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: 1.00% Fee at benchmark: 1.00% Sharing rate: 20.00% Maximum fee: uncapped	1.27%	0.00%	1.14%	0.12%	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.	1.21%	0.00%	0.98%	0.17%	0.06%
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: 0.25% Fee at benchmark: 0.25% Sharing rate: 25.00% Maximum fee: 0.75%	0.59%	0.27%	0.29%	0.00%	0.03%
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 2011. 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:

Allan Gray Balanced, Stable, Bond and Money Market funds

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

Corporate Governance Report

The Company and Group

1. Allan Gray Unit Trust Management (RF) Proprietary Limited ('Company') is a subsidiary of Allan Gray Proprietary Limited ('AGL') and forms part of the Allan Gray group of companies ('Group') of which Allan Gray Group Proprietary Limited ('AGGL') is the ultimate holding company. AGL and AGGL are incorporated in the Republic of South Africa and are subject to the corporate governance regime set out in the South African Companies Act and the King Code of Governance for South Africa 2009 ('King III' or 'the Code').
2. The Group provides financial services to clients in Southern Africa. It offers a range of investment products and services through various operating companies and subsidiaries registered in South Africa, Namibia, Botswana and Swaziland. These operating companies and subsidiaries are registered and / or licensed financial services providers in South Africa and / or their respective countries of registration. The Group's size, structure and location of operations and activities as well as its products and services are detailed on its website.
3. The Company is registered in Republic of South Africa and its principal business is to manage the Allan Gray Unit Trust Funds registered under the Allan Gray Unit Trust Scheme in accordance with the Collective Investment Schemes Control Act No. 45 of 2002. The Company has appointed its holding company as investment manager and to undertake certain company administrative and marketing functions and the day to day administration of local unit trusts. AGL is licensed as an authorised financial services provider with the Financial Services Board in South Africa. The Company is a member of the Association for Savings & Investments SA ('ASISA').
4. The Group is privately owned.

Client orientation

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

King III

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

Board composition

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

Board meetings

11. The Board meets regularly, including as often as is required to effectively perform its duties. It met twice during the 2011 financial year.

Board appointment

12. Directors are appointed annually by shareholders.

Corporate Governance Report

Audit Committee

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

Role and responsibility of the Board

16. The Board directs, controls and monitors the affairs of the Company. The Board is responsible for risk management.

Company Secretary

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

Code of ethics

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

Remuneration of directors and senior executives

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

Sustainability

21. As a provider of financial services, the Group's business activities have minimal direct environmental impact and the Group strives to minimise these and any indirect impact through appropriate environmentally sensitive practices and procedures.
22. The Group's investment professionals carefully consider the sustainability of the companies in which the Group invests client funds.
23. The Group meets its social responsibility by, amongst other things, contributing 7% of its profits (after tax) to the Allan Gray Orbis Foundation, a registered public benefit organisation which promotes entrepreneurship in Southern Africa.
24. The Group is committed to employment equity and meaningful transformation.

Compliance

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

Internal control and risk management

26. The Group's internal control and risk management procedures serve to provide assurance against material misstatement and loss.
27. The Group internal audit function assists the Board and management in monitoring the adequacy and effectiveness of the Company's internal control and risk management processes, including to consider their design and operating efficiency and to recommend improvements.
28. The internal audit function reports directly to the Audit Committee.

Corporate Governance Report

29. The Group maintains a single risk management and audit plan that involves all senior executives and is regularly updated. The Audit Committee and the AGGL board monitor and review the implementation of the plan regularly, and in the case of the latter, at least once a year. A risk management and internal audit findings report is presented to management and the Audit Committee each quarter. Follow-up audits are conducted in areas where significant internal control weaknesses are found.

Control opinion

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

Going concern

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

Report of the Audit Committee for the year ended 31 December 2011

Introduction

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

Terms of reference

2. The Committee acts in accordance with its Charter adopted by the AGGL board.

Membership, meetings and annual assessment

3. The Committee has five members. Four are directors of AGGL and / or its subsidiaries and two of whom are non-executive directors. One further member, chosen for his skills and experience, is not a director or executive of any Group company and is independent. Shareholders have approved the composition of the Committee in the knowledge that the King III Code of Corporate Governance ('King III') requires that a majority of members should be independent non-executive directors. The chairman of the Committee is a non-executive director of AGGL.
4. The Committee meets at least four times per year.
5. Various executives as well as the external auditors of the Group attend meetings by invitation.
6. During the year under review five meetings were held.
7. The effectiveness of the Committee and its members are assessed on an annual basis.

Role and responsibilities

8. The Committee's role and responsibilities include statutory duties set out in the Companies Act, 2008, and responsibilities assigned to it by the AGGL board. Where appropriate, the Committee undertakes its duties in accordance with the requirements of King III and when not, the deviation has been explained in the corporate governance statement, included elsewhere in the Annual Report.
9. The Committee satisfied itself that the external auditor was independent of the Allan Gray Unit Trust Management (RF) Proprietary Limited ('Company') and of the Group, as set out in section 94(8) of the Companies Act, 2008. This included consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the Company and the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm supported and demonstrated its claim to independence. The Committee ensured that the appointment of the auditor complied with the Companies Act, 2008, and any other legislation relating to the appointment of auditors.
10. The Committee, in consultation with executive management, agreed the audit plan and budgeted audit fees for the 2011 year with the external auditor. The Committee has not set a formal procedure for the engagement of the external auditor for non-audit services. When practicable, the Committee approves non-audit services in advance. When the external auditor provides non-audit services that have not been approved by the Committee in advance, full details are provided to the Committee at the earliest available opportunity.
11. The Committee has resolved to recommend to the AGGL board and shareholders that Ernst & Young be reappointed as the external auditor for the 2012 financial year.
12. The Committee has reviewed the accounting policies and the draft financial statements of the Company and other Group entities and is satisfied that they are appropriate and comply with International Financial Reporting Standards.
13. The Committee relies on the Group's investor complaint resolution procedures (as required by legislation) to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the Company and the Group. No matters of significance have been raised in the past financial year.
14. The Committee reviews and reports to the Board on the effectiveness of the Company's internal control and risk management systems. In this it relies on the external auditor and the Group internal audit function.
15. The Committee receives and deals with concerns and complaints, if any whether from within or outside the Company, relating to the accounting practices and internal audit of the Company, the content or auditing of the Company's financial statements, the internal financial controls of the Company and related matters.

Report of the Audit Committee

16. Additional duties and functions assigned by the Board to the Committee, as set out in its terms of reference, include the following:

    16.1 an oversight role regarding the Company's integrated report and the reporting process generally;

    16.2 satisfying itself that the Company has, in its reporting process, optimised the assurance coverage obtained from management and internal and external assurance providers in accordance with an appropriate combined assurance model;

    16.3 reviewing and recommending, as it has done at its meeting held on 14 February 2012, the annual financial statements for approval by the Board;

    16.4 considering the performance, financial position and general state of affairs of the Group in assisting the Board in formulating its statement regarding the 'going concern' status of the Company as set out elsewhere in the Annual Report;

    16.5 overseeing the Company's risk management function which has in turn been assigned to an executive risk and compliance committee, the meetings of which are, by invitation, open for any Audit Committee member to attend; and

    16.6 overseeing the management of financial and operational reporting risks, the implementation of internal financial and operational controls and measures aimed at preventing or mitigating fraud and information technology risks.

17. The Committee ensures that the Company's internal audit function operates independently and has the resources, standing and authority necessary to discharge its duties. The Committee ensures cooperation between the internal and external auditors, and serves as a link between the Board and these functions.
18. The Committee has recommended a risk management charter which was approved by the AGGL Board in April 2011.
19. The Committee has approved the annual audit plan of the internal audit function. This includes that:

    19.1 the internal audit function reports on and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all of the group's operations; and

    19.2 the internal audit function reports its findings against the agreed internal audit plan to the Committee on a regular basis. The internal audit function has direct access to the Committee.

20. The Committee assesses the performance of the internal audit function. An effectiveness review was performed and the internal audit function was rated satisfactorily. The Committee is satisfied that an independent external review is not required at this stage.
21. The Committee leaves it to executive management (through the manager in charge of the Group Risk department) to manage the appointment and employment status of the internal audit manager on the basis that the Committee has complete and unfettered access to and oversight of these processes and functions.
22. The Committee does not require the internal audit function to, as per the King III, consider the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the Company's management team.
23. The Committee is satisfied that it has complied with its legal, regulatory or other responsibilities.
24. The Committee is satisfied that the head of Group finance has appropriate expertise and experience.
25. The Committee has considered and satisfied itself that the expertise and resources of the finance function and experience of the senior members of management responsible for the financial function are adequate.

F J van der Merwe
Chairman
Allan Gray Audit Committee
24 February 2012

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 2011 to 31 December 2011 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 therefore no consequent losses incurred by the Portfolios in the year.

Nelia de Beer
Head Trustee Services

Marian Rutters
Operations Manager Trustee Services

Custody and Trustee Services
Corporate and Investment Banking
First National Bank, a division of FirstRand Bank Limited

Johannesburg
10 February 2012

Approval of the Annual Financial Statements

For the year ended 31 December 2011

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

The annual financial statements for the year ended 31 December 2011 set out on pages 29 to 60 have been approved by the board of directors of Allan Gray Unit Trust Management (RF) Proprietary Limited and are signed on its behalf by:

ED Loxton	RW Dower
Chairman	Director
Cape Town	Cape Town
24 February 2012	24 February 2012

ALLAN GRAY UNIT TRUSTS

Independent Auditor's Report to the Unitholders of

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

Report on the financial statements

We have audited the accompanying financial statements of the Allan Gray Unit Trust Funds, which comprise the Statements of Financial Position as at 31 December, 2011, and the Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Unitholders and Statements of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 60.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Allan Gray Unit Trust Funds as at 31 December, 2011, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Deeds.

Ernst & Young

Ernst & Young Inc.
Director – Christopher Clyde Sickle
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town
24 February 2012

Statements of Comprehensive Income

For the year ended 31 December 2011

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
		2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R
REVENUE		833 752 200	620 119 050	888 049	1 491 183	1 449 006 730	1 289 520 417	393 608	2 204 017	1 071 002 322	1 413 893 848	76 446 531	81 321 800	214 760	233 094	28 090 731	18 275 511	488 929 503	599 754 318
Dividends		779 756 357	545 894 677	-	-	624 925 176	440 670 706	-	-	213 670 128	171 242 195	58 024 391	55 167 380	-	-	-	-	-	-
Interest - Local		53 995 843	74 224 373	888 049	1 491 183	824 081 538	848 849 711	393 608	2 204 017	857 332 194	1 242 651 653	18 422 140	26 154 420	214 757	233 094	28 090 731	18 275 511	488 929 503	599 754 318
Bonds		-	-	-	-	389 662 007	276 363 156	-	-	204 042 150	109 578 508	-	-	-	-	25 174 918	15 528 375	-	-
Money market instruments		-	-	-	-	373 055 283	530 623 050	-	-	604 841 822	1 068 071 754	79 829	-	214 757	233 094	2 150 516	2 125 726	465 113 846	575 883 665
Property funds		9 485 939	1 437 606	-	-	17 102 854	4 549 003	-	-	7 851 242	2 300 872	-	-	-	-	-	-	-	-
Cash and cash equivalents		44 509 904	72 786 767	888 049	1 491 183	44 261 394	37 314 502	393 608	2 204 017	40 596 980	62 700 519	18 342 311	26 154 420	-	-	765 297	621 410	23 815 657	23 870 653
Interest - Foreign investments		-	-	-	-	16	-	-	-	-	-	-	-	3	-	-	-	-	-
OPERATING EXPENSES		510 262 541	621 321 966	325 874	257 111	397 387 899	468 600 102	414 659	409 432	303 969 511	326 099 174	30 307 375	36 266 871	73 794	61 061	2 046 952	1 139 279	24 536 786	24 326 343
Audit fee		87 521	82 267	34 715	32 631	101 661	95 560	35 974	33 816	89 671	84 289	87 807	82 536	36 016	33 815	63 777	59 951	74 957	70 053
Bank charges		211 337	160 352	7 070	6 427	285 209	258 306	2 764	3 642	237 127	243 640	55 378	61 400	6 965	12 383	23 571	18 878	93 774	78 791
Trustee fees		1 515 954	1 312 020	284 089	218 053	2 527 335	2 083 590	375 921	371 974	1 542 446	1 737 185	144 122	174 546	30 813	14 863	20 306	12 688	479 081	474 220
Management fee		508 447 729	619 767 327	-	-	394 473 694	466 162 646	-	-	302 100 267	324 034 060	30 020 068	35 948 389	-	-	1 939 298	1 047 762	23 888 974	23 703 279
Operating (loss)/profit before income adjustments		323 489 659	(1 202 916)	562 175	1 234 072	1 051 618 831	820 920 315	(21 051)	1 794 585	767 032 811	1 087 794 674	46 139 156	45 054 929	140 966	172 033	26 043 779	17 136 232	464 392 717	575 427 975
Income adjustments on creation and cancellation of units		(2 201 872)	633 006	35 366	46 873	27 297 773	24 270 446	(20 114)	13 784	(10 491 547)	(15 599 386)	(7 367 958)	(1 737 696)	2 029	(258 659)	1 697 896	977 586	-	-
(Loss)/profit before undistributable income items	2	321 287 787	(569 910)	597 541	1 280 945	1 078 916 604	845 190 761	(41 165)	1 808 369	756 541 264	1 072 195 288	38 771 198	43 317 233	142 995	(86 626)	27 741 675	18 113 818	464 392 717	575 427 975
Investment transaction costs on investments at fair value through profit or loss		-	-	-	-	(174 878)	(44 535)	-	-	(494 493)	(425 792)	(238 965)	(269 147)	-	-	-	-	-	-
Realised gains/(losses) on disposal of available-for-sale investments		1 866 804 118	1 838 107 446	29 143 805	1 835 752	1 582 579 073	1 444 187 873	113 251 757	55 389 770	1 110 722 917	638 632 656	317 622 717	233 302 727	5 721 399	(2 968 874)	5 695 599	2 010 204	-	-
(Losses)/gains on investments at fair value through profit or loss		-	-	-	-	52 691 396	(47 622 203)	-	-	158 143 737	(485 098 517)	55 375 822	(307 035 742)	-	-	-	-	-	-
Foreign exchange gains/(losses) on monetary assets		-	-	(3 195 036)	704 659	90 231 929	(30 455 201)	(96 049)	(760 225)	80 894 118	(20 383 916)	-	-	973 679	774 951	-	-	-	-
Impairment of available-for-sale investments		(188 999 333)	(24 135 384)	-	-	(175 511 747)	(18 198 518)	-	-	(41 987 471)	(46 649 782)	(8 205 588)	(4 241 541)	-	-	-	-	-	-
Operating profit/(loss) for the year		1 999 092 572	1 813 402 152	26 546 310	3 821 356	2 628 732 377	2 193 058 177	113 114 543	56 437 914	2 063 820 072	1 158 269 937	403 325 184	(34 926 470)	6 838 073	(2 280 549)	33 437 274	20 124 022	464 392 717	575 427 975
Finance costs - distributions to unitholders	2	(323 069 471)	(63 194 692)	(597 541)	(1 280 945)	(1 078 916 604)	(845 190 761)	-	(1 808 369)	(756 541 264)	(1 072 195 288)	(38 771 198)	(43 317 233)	(142 995)	(119 314)	(27 741 675)	(18 113 818)	(464 392 717)	(575 427 975)
Undistributed profit/(loss) for the year		1 676 023 101	1 750 207 460	25 948 769	2 540 411	1 549 815 773	1 347 867 416	113 114 543	54 629 545	1 307 278 808	86 074 649	364 553 986	(78 243 703)	6 695 078	(2 399 863)	5 695 599	2 010 204	-	-
OTHER COMPREHENSIVE INCOME																			
Unrealised gains/(losses) on available-for-sale investments		2 209 978 970	3 716 615 763	409 000 515	(188 179 186)	3 731 992 194	2 907 377 467	994 711 289	(627 924 799)	2 210 306 225	806 881 953	14 936 509	413 292 198	91 620 219	(47 128 867)	4 918 700	9 305 768	-	-
Reclassification adjustment for realised (gains)/losses on available-for-sale investments included in profit or loss		(1 866 804 118)	(1 838 107 446)	(29 143 805)	(1 835 752)	(1 582 579 073)	(1 444 187 873)	(113 251 757)	(55 389 770)	(1 110 722 917)	(638 632 656)	(317 622 717)	(233 302 727)	(5 721 399)	2 968 874	(5 695 599)	(2 010 204)	-	-
Reclassification adjustment for impairment of available-for-sale investments		188 999 333	24 135 384	-	-	175 511 747	18 198 518	-	-	41 987 471	46 649 782	8 205 588	4 241 541	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders as a result of operations		2 208 197 286	3 652 851 161	405 805 479	(187 474 527)	3 874 740 641	2 829 255 528	994 574 075	(628 685 024)	2 448 849 587	300 973 728	70 073 366	105 987 309	92 593 898	(46 559 856)	4 918 700	9 305 768	-	-

Statements of Financial Position

As at 31 December 2011

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
		2011 R	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R
ASSETS																			
Investments	8	**27 767 442 516**	25 844 983 649	**5 066 556 092**	4 046 280 784	**48 652 729 980**	40 658 269 718	**6 632 111 807**	6 157 784 361	**27 998 043 069**	28 197 211 165	**1 906 378 720**	2 974 743 482	**575 608 727**	380 573 765	**466 102 524**	312 635 422	**8 752 433 918**	8 244 402 500
Available-for-sale investments		**26 723 442 516**	24 375 983 649	**5 066 556 092**	4 046 280 784	**42 082 838 681**	34 307 246 716	**6 632 111 807**	6 157 784 361	**17 324 075 226**	17 085 286 404	**1 632 993 397**	2 585 328 715	**575 608 727**	380 573 765	**359 659 826**	260 729 313	**-**	-
Equity instruments		**26 723 442 516**	21 725 016 736	**-**	-	**25 485 133 354**	20 177 364 908	**-**	-	**8 005 006 918**	7 800 586 649	**1 632 993 397**	2 574 613 860	**-**	-	**-**	-	**-**	-
Listed bonds		**-**	-	**-**	-	**4 774 391 468**	4 155 858 561	**-**	-	**2 512 553 153**	2 334 429 381	**-**	-	**-**	-	**359 659 826**	260 729 313	**-**	-
Foreign investments		**-**	2 650 966 913	**5 066 556 092**	4 046 280 784	**11 823 313 859**	9 974 023 247	**6 632 111 807**	6 157 784 361	**6 806 515 155**	6 950 270 374	**-**	10 714 855	**575 608 727**	380 573 765	**-**	-	**-**	-
Money market investments classified as loans and receivables		**-**	-	**-**	-	**5 756 333 968**	6 056 831 089	**-**	-	**9 654 456 828**	10 646 232 990	**-**	-	**-**	-	**83 442 698**	40 906 109	**8 375 433 918**	7 842 402 500
Cash and cash equivalents held for investment purposes		**1 044 000 000**	1 469 000 000	**-**	-	**813 557 331**	294 191 913	**-**	-	**1 019 511 015**	465 691 771	**273 385 323**	389 414 767	**-**	-	**23 000 000**	11 000 000	**377 000 000**	402 000 000
Accounts receivable*		**31 250 974**	27 241 753	**10 000 000**	164	**27 911 525**	35 635 939	**-**	161	**21 248 385**	8 629 859	**158 001**	2 840 078	**7**	-	**-**	-	**-**	392
Interest receivable		**4 303 305**	7 182 510	**-**	105 982	**4 499 946**	1 659 732	**23 879**	35 128	**3 266 447**	2 142 437	**1 147 602**	1 521 562	**28 758**	15 502	**127 440**	32 599	**1 662 799**	1 893 463
Cash and cash equivalents		**9 558 964**	10 142 102	**5 361 580**	28 302 317	**13 426 187**	10 661 294	**27 475 601**	21 710 897	**10 225 989**	11 167 255	**7 874 236**	7 319 478	**6 593 644**	4 451 573	**810 165**	1 021 571	**6 094 837**	6 847 023
Total assets		**27 812 555 759**	25 889 550 014	**5 081 917 672**	4 074 689 247	**48 698 567 638**	40 706 226 683	**6 659 611 287**	6 179 530 547	**28 032 783 890**	28 219 150 716	**1 915 558 559**	2 986 424 600	**582 231 136**	385 040 840	**467 040 129**	313 689 592	**8 760 191 554**	8 253 143 378
LIABILITIES																			
Accounts payable*		**84 718 170**	70 610 548	**161 198**	36 331	**64 724 545**	198 243 356	**49 046**	46 856	**35 449 315**	137 424 102	**14 928 024**	3 044 954	**2 277 380**	619 367	**270 469**	2 193 107	**2 158 379**	2 059 380
Distribution payable to unitholders		**82 839 010**	63 194 692	**597 541**	264 356	**529 872 747**	478 899 861	**-**	391 419	**180 498 872**	225 465 831	**21 126 480**	25 649 510	**142 995**	119 314	**8 018 413**	6 029 725	**39 203 014**	41 950 414
Total liabilities, excluding net assets attributable to unitholders		**167 557 180**	133 805 240	**758 739**	300 687	**594 597 292**	677 143 217	**49 046**	438 275	**215 948 187**	362 889 933	**36 054 504**	28 694 464	**2 420 375**	738 681	**8 288 882**	8 222 832	**41 361 393**	44 009 794
Net assets attributable to unitholders		**27 644 998 579**	25 755 744 774	**5 081 158 933**	4 074 388 560	**48 103 970 346**	40 029 083 466	**6 659 562 241**	6 179 092 272	**27 816 835 703**	27 856 260 783	**1 879 504 055**	2 957 730 136	**579 810 761**	384 302 159	**458 751 247**	305 466 760	**8 718 830 161**	8 209 133 584

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

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2011

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R	R	**R**	R	**R**	R	**R**	R
Opening balance	**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
Increase/(decrease) in net assets attributable to unitholders as a result of operations	**2 208 197 286**	3 652 851 161	**405 805 479**	(187 474 527)	**3 874 740 641**	2 829 255 528	**994 574 075**	(628 685 024)
Undistributed profit/(loss) for the year	**1 676 023 101**	1 750 207 460	**25 948 769**	2 540 411	**1 549 815 773**	1 347 867 416	**113 114 543**	54 629 545
Other comprehensive income	**532 174 185**	1 902 643 701	**379 856 710**	(190 014 938)	**2 324 924 868**	1 481 388 112	**881 459 532**	(683 314 569)
Change in net assets attributable to unitholders as a result of net creations/(cancellations) of units during the year	**(318 943 481)**	665 460 727	**600 964 894**	554 587 602	**4 200 146 239**	5 086 819 177	**(514 104 106)**	105 416 109
Total net assets attributable to unitholders	**27 644 998 579**	25 755 744 774	**5 081 158 933**	4 074 388 560	**48 103 970 346**	40 029 083 466	**6 659 562 241**	6 179 092 272
Represented by the following:								
Cumulative available-for-sale reserve	**6 820 153 046**	6 287 978 861	**518 646 689**	138 866 233	**7 667 631 939**	5 321 482 143	**649 450 651**	(231 881 790)
Book value of net assets	**20 824 845 533**	19 467 765 913	**4 562 512 244**	3 935 522 327	**40 436 338 407**	34 707 601 323	**6 010 111 590**	6 410 974 062
Total	**27 644 998 579**	25 755 744 774	**5 081 158 933**	4 074 388 560	**48 103 970 346**	40 029 083 466	**6 659 562 241**	6 179 092 272

	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R	R	**R**	R	**R**	R	**R**	R	**R**	R
Opening balance	**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
Increase/(decrease) in net assets attributable to unitholders as a result of operations	**2 448 849 587**	300 973 728	**70 073 366**	105 987 309	**92 593 898**	(46 559 856)	**4 918 700**	9 305 768	**-**	-
Undistributed profit/(loss) for the year	**1 307 278 808**	86 074 649	**364 553 986**	(78 243 703)	**6 695 078**	(2 399 863)	**5 695 599**	2 010 204	**-**	-
Other comprehensive income	**1 141 570 779**	214 899 079	**(294 480 620)**	184 231 012	**85 898 820**	(44 159 993)	**(776 899)**	7 295 564	**-**	-
Change in net assets attributable to unitholders as a result of net creations/(cancellations) of units during the year	**(2 488 274 667)**	(2 691 160 059)	**(1 148 299 447)**	100 621 448	**102 914 704**	430 862 015	**148 365 787**	137 536 885	**509 696 577**	(282 036 974)
Total net assets attributable to unitholders	**27 816 835 703**	27 856 260 783	**1 879 504 055**	2 957 730 136	**579 810 761**	384 302 159	**458 751 247**	305 466 760	**8 718 830 161**	8 209 133 584
Represented by the following:										
Cumulative available-for-sale reserve	**2 978 969 240**	1 731 486 695	**417 611 289**	712 091 909	**41 691 497**	(44 159 993)	**5 360 791**	6 294 950	**-**	-
Book value of net assets	**24 837 866 463**	26 124 774 088	**1 461 892 766**	2 245 638 227	**538 119 264**	428 462 152	**453 390 456**	299 171 810	**8 718 830 161**	8 209 133 584
Total	**27 816 835 703**	27 856 260 783	**1 879 504 055**	2 957 730 136	**579 810 761**	384 302 159	**458 751 247**	305 466 760	**8 718 830 161**	8 209 133 584

Statements of Cash Flows

For the year ended 31 December 2011

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
		2011 R	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R	**2011 R**	2010 R
CASH FLOW FROM OPERATING ACTIVITIES																			
Interest received		**56 875 048**	70 208 293	**994 031**	1 457 584	**803 295 201**	831 033 289	**404 857**	2 318 391	**789 594 947**	1 336 755 998	**18 796 100**	26 778 962	**201 504**	217 592	**25 300 913**	15 500 192	**515 224 397**	640 095 011
Dividends received		**779 748 315**	545 894 677	**-**	-	**624 925 176**	440 670 706	**-**	-	**213 670 128**	171 242 195	**58 024 391**	55 167 380	**-**	-	**-**	-	**-**	-
Sundry income		**-**	-	**-**	-	**-**	-	**-**	-	**-**	-			**-**	-	**-**	-	**-**	-
Distributions paid		**(303 425 152)**	-	**(264 356)**	(2 423 367)	**(1 027 943 718)**	(641 138 749)	**(391 419)**	(7 607 458)	**(801 508 223)**	(1 115 047 155)	**(43 294 228)**	(38 050 330)	**(119 314)**	-	**(25 752 987)**	(15 303 277)	**(467 140 117)**	(586 909 033)
Cash (used)/generated by operations before working capital changes	4	**(512 464 413)**	(620 688 960)	**(3 485 544)**	494 421	**(279 858 197)**	(474 784 857)	**(530 822)**	(1 155 873)	**(233 566 940)**	(362 082 476)	**(37 675 333)**	(38 004 567)	**901 914**	455 231	**(349 056)**	(161 693)	**(24 536 786)**	(24 326 343)
Working capital changes	4	**10 106 443**	(32 641 886)	**(9 874 969)**	(11 425 722)	**(125 794 397)**	(132 538 192)	**2 351**	(18 696 572)	**(114 593 313)**	(309 990 582)	**14 565 147**	(2 857 510)	**1 658 006**	619 367	**(1 922 638)**	1 962 255	**99 391**	(190 707 024)
Net cash flow from operating activities		**30 840 241**	(37 227 876)	**(12 630 838)**	(11 897 084)	**(5 375 935)**	23 242 197	**(515 033)**	(25 141 512)	**(146 403 401)**	(279 122 020)	**10 416 077**	3 033 935	**2 642 110**	1 292 190	**(2 723 768)**	1 997 477	**23 646 885**	(161 847 389)
CASH FLOW FROM INVESTING ACTIVITIES																			
Purchase of investments		**(10 913 799 362)**	(8 070 296 412)	**(1 921 453 748)**	(1 336 401 398)	**(32 221 471 305)**	(33 991 055 341)	**(149 343 253)**	(1 726 921 177)	**(32 684 432 673)**	(39 444 875 700)	**(6 214 357 334)**	(6 865 848 469)	**(409 352 884)**	(556 222 118)	**(690 853 623)**	(390 719 285)	**(21 680 004 210)**	(16 793 850 061)
Proceeds on disposal of investments		**11 201 319 464**	7 442 707 763	**1 306 983 919**	805 772 297	**28 119 697 823**	28 850 415 021	**669 631 047**	1 472 474 222	**35 399 063 593**	42 388 832 634	**7 352 795 462**	6 759 143 958	**306 911 820**	289 294 437	**545 000 198**	251 143 861	**21 145 908 562**	17 235 770 724
Net cash flow from investing activities		**287 520 102**	(627 588 649)	**(614 469 829)**	(530 629 101)	**(4 101 773 482)**	(5 140 640 320)	**520 287 794**	(254 446 955)	**2 714 630 920**	2 943 956 934	**1 138 438 128**	(106 704 511)	**(102 441 064)**	(266 927 681)	**(145 853 425)**	(139 575 424)	**(534 095 648)**	441 920 663
CASH FLOW FROM FINANCING ACTIVITIES																			
Net proceeds/(payments) from creation and cancellation of units		**(318 943 481)**	665 460 727	**600 964 894**	554 587 602	**4 200 146 239**	5 086 819 177	**(514 104 106)**	265 416 109	**(2 488 274 667)**	(2 691 160 059)	**(1 148 299 447)**	100 621 448	**102 914 704**	270 862 015	**148 365 787**	137 536 885	**509 696 577**	(282 036 974)
Net cash flow from financing activities		**(318 943 481)**	665 460 727	**600 964 894**	554 587 602	**4 200 146 239**	5 086 819 177	**(514 104 106)**	265 416 109	**(2 488 274 667)**	(2 691 160 059)	**(1 148 299 447)**	100 621 448	**102 914 704**	270 862 015	**148 365 787**	137 536 885	**509 696 577**	(282 036 974)
Net increase/(decrease) in cash and cash equivalents		**(583 138)**	644 202	**(26 135 773)**	12 061 417	**92 996 822**	(30 578 946)	**5 668 655**	(14 172 358)	**79 952 852**	(26 325 145)	**554 758**	(3 049 128)	**3 115 750**	5 226 524	**(211 406)**	(41 062)	**(752 186)**	(1 963 700)
Cash and cash equivalents at the beginning of the year		**10 142 102**	9 497 900	**28 302 317**	16 945 559	**10 661 294**	10 785 039	**21 710 897**	35 123 030	**11 167 255**	17 108 484	**7 319 478**	10 368 606	**4 451 573**	-	**1 021 571**	1 062 633	**6 847 023**	8 810 723
Foreign exchange (gain)/loss on monetary assets		**-**	-	**3 195 036**	(704 659)	**(90 231 929)**	30 455 201	**96 049**	760 225	**(80 894 118)**	20 383 916	**-**	-	**(973 679)**	(774 951)	**-**	-	**-**	-
Cash and cash equivalents at the end of the year		**9 558 964**	10 142 102	**5 361 580**	28 302 317	**13 426 187**	10 661 294	**27 475 601**	21 710 897	**10 225 989**	11 167 255	**7 874 236**	7 319 478	**6 593 644**	4 451 573	**810 165**	1 021 571	**6 094 837**	6 847 023

Notes to the Annual Financial Statements

For the year ended 31 December 2011

1. ACCOUNTING STANDARDS AND POLICIES

1.1 Basis of preparation

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

1.2 IFRS

The Funds have adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretation Committee of the IASB that are relevant to their operations and effective for annual accounting periods ended 31 December 2011.

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

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

Statements/interpretations/amendments		Effective date Years beginning on / after	Impact
IAS 24	Related party disclosures	01 January 2011	No material impact
	2010 Annual improvements	01 January 2011 and 01 July 2010	No material impact

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

Statements/interpretations/amendments		Effective date Years beginning on/after	Expected impact
IFRS 7	Amendments - Enhanced derecognition requirements for transfer transactions of financial assets	01 July 2011	No significant impact expected
	Offsetting financial assets and financial liabilities	01 January 2013	No significant impact expected
IFRS 9	Financial instruments	01 January 2015	The available for sale designation for investments will no longer be available. As a result, it is expected that these investments will be held at fair value through profit or loss.
IFRS 13	Fair value measurement	01 January 2013	No significant impact expected
IAS 1	Financial statement presentation (presentation of other comprehensive income)	01 January 2013	No significant impact expected
IAS 32	Offsetting financial assets and financial liabilities	01 January 2014	No significant impact expected

A number of other changes, that are effective for accounting periods ended after 31 December 2011, have been issued by the IASB and IFRS Interpretation Committee. However, these are not considered relevant to the Funds' operations.

Notes to the Annual Financial Statements

For the year ended 31 December 2011

1.3 Accounting policies

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

1.3.1 Revenue

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

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

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

1.3.2 Income adjustments

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

1.3.3 Realised gains and losses on investments

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

1.3.4 Management fee

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

1.3.5 Distributions paid

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

Where the Funds' operating expenses exceed revenue earned during the distribution period, the shortfall is funded by reducing the non-distributable portion of the Funds' net assets attributable to unitholders. Distributions to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

1.3.6 Taxation and deferred taxation

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

1.3.7 Expenses

Any interest expense is recognised on an accrual basis using the effective interest method.

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

1.3.8 Financial instruments

Financial assets and liabilities

Classification

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

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

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

Recognition and measurement

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

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

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

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

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

Financial instruments at fair value through profit or loss
Financial assets designated as at fair value through profit or loss are measured at fair value. Subsequent to initial recognition, investments at fair value through profit or loss are marked to market on a daily basis with changes in fair value taken through profit or loss as gains and losses. Attributable transaction costs are recognised in profit or loss as incurred.

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

Cash and cash equivalents
Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash commitments rather than for investment or other purposes are current assets and disclosed separately on the face of the statement of financial position. Margin deposits are aggregated with cash balances held for investment purposes and are disclosed as cash and cash equivalents held for investment purposes on the face of the statement of financial position. Margin deposits are

not readily available for use by the Funds as they are held as collateral to cover losses that the Funds may incur from their derivative trades. Details on margin deposits may be found in note 8.3.

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

Derecognition of financial assets and liabilities

A financial asset is derecognised where:

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

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

Impairment of financial assets

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

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

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

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

Determination of fair value

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

Offsetting

A financial asset and a financial liability are offset, and the net amount presented in the Statement of Financial Position, only when the Funds currently have a legally

Notes to the Annual Financial Statements

For the year ended 31 December 2011

enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.3.9 Foreign currencies

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

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

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

1.3.10 Net assets attributable to unitholders

Units issued by the Funds are classified as financial liabilities and disclosed as net assets attributable to unitholders. The value of net assets attributable to unitholders is what is commonly known as the capital value of the fund. This terminology used in the financial statements was necessitated by the adoption of IFRS. This reclassification, however, has no impact on the value that the unitholder is entitled to on liquidation of units. This financial liability (as defined by IAS 32) is carried at fair value, being the redemption amount representing the unitholders' right to a residual interest in the Funds' net assets.

1.3.11 Critical judgement in applying the Funds' accounting policies

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

1.3.12 Financial results

The results of operations for the year are prepared in terms of International Financial Reporting Standards ('IFRS') and are set out in the accompanying Statements of Comprehensive Income and Statements of Cash Flows for the year ended 31 December 2011 as well as the Statements of Financial Position as at 31 December 2011.

1.3.13 Events subsequent to year end

There were no significant events subsequent to year end.

ALLAN GRAY UNIT TRUSTS

Notes to the Annual Financial Statements

For the year ended 31 December 2011

2. DISTRIBUTION SCHEDULES

	Notes	2011	2010
Distributions paid are calculated to the fourth decimal place.			
Allan Gray Equity Fund			
30 June			
Class A			
Cents per unit		179.2718	-
Distribution paid - R		237 404 524	-
Class B			
Cents per unit		64.6146	-
Distribution paid - R		2 825 937	-
31 December			
Class A			
Cents per unit		62.9228	47.5663
Distribution paid - R		82 839 010	63 194 692
Total distribution for the year		323 069 471	63 194 692
Shortfall of income funded by net assets attributed to unitholders	3	(1 781 684)	(63 764 602)
Distributable (deficit)/profit for the year		321 287 787	(569 910)
Allan Gray-Orbis Global Equity Feeder Fund			
30 June			
Class A			
Cents per unit		-	0.4361
Distribution paid - R		-	1 016 589
31 December			
Class A			
Cents per unit		0.2114	0.1058
Distribution paid - R		597 541	264 356
Total distribution for the year		597 541	1 280 945
Allan Gray Balanced Fund			
30 June			
Class A			
Cents per unit		73.1260	55.2117
Distribution paid - R		534 628 149	357 132 316
Class B			
Cents per unit		38.1748	23.1177
Distribution paid - R		14 415 707	9 158 585
31 December			
Class A			
Cents per unit		67.8871	67.6430
Distribution paid - R		518 177 539	465 931 522
Class B			
Cents per unit		31.3456	33.8799
Distribution paid - R		11 695 209	12 968 338
Total distribution for the year		1 078 916 604	845 190 761
Allan Gray-Orbis Global Fund of Funds			
30 June			
Class A			
Cents per unit		-	0.2850
Distribution paid - R		-	1 416 950
31 December			
Class A			
Cents per unit		-	0.0787
Distribution paid - R		-	391 419
Total distribution for the year		-	1 808 369
Shortfall of income funded by net assets attributed to unitholders	3	(41 165)	-
Distributable (deficit)/profit for the year		(41 165)	1 808 369

Notes to the Annual Financial Statements

For the year ended 31 December 2011

	2011	2010
Allan Gray Stable Fund		
31 March		
Class A		
Cents per unit	16.8426	21.6542
Distribution paid - R	188 232 606	275 525 994
Class B		
Cents per unit	9.8570	14.8120
Distribution paid - R	8 909 470	17 886 834
30 June		
Class A		
Cents per unit	17.1335	21.9314
Distribution paid - R	182 699 082	279 099 539
Class B		
Cents per unit	10.0821	14.9594
Distribution paid - R	8 442 856	17 194 434
30 September		
Class A		
Cents per unit	17.2251	19.3605
Distribution paid - R	179 771 212	243 617 459
Class B		
Cents per unit	9.9036	12.3239
Distribution paid - R	7 987 166	13 405 197
31 December		
Class A		
Cents per unit	16.2721	18.4692
Distribution paid - R	173 434 054	214 484 407
Class B		
Cents per unit	8.7078	11.4523
Distribution paid - R	7 064 818	10 981 424
Total distribution for the year	756 541 264	1 072 195 288
Allan Gray Optimal Fund		
30 June		
Class A		
Cents per unit	11.0908	9.4560
Distribution paid - R	17 610 876	17 667 723
Class B		
Cents per unit	0.9264	-
Distribution paid - R	33 842	-
31 December		
Class A		
Cents per unit	19.1265	14.3938
Distribution paid - R	20 864 742	25 482 936
Class B		
Cents per unit	8.6826	3.7398
Distribution paid - R	261 738	166 574
Total distribution for the year	38 771 198	43 317 233
Allan Gray-Orbis Global Optimal Fund of Funds		
31 December		
Class A		
Cents per unit	0.2553	0.2683
Distribution paid - R	142 995	119 314
Shortfall of income funded by net assets attributed to unitholders	-	(205 940)
Distributable profit/(deficit) for the year	142 995	(86 626)
Allan Gray Bond Fund		
31 March		
Class A		
Cents per unit	20.9568	20.8577
Distribution paid - R	5 665 588	3 264 390
30 June		
Class A		
Cents per unit	21.1033	20.8956
Distribution paid - R	6 123 240	3 525 432

Notes to the Annual Financial Statements

For the year ended 31 December 2011

	2011	2010
Allan Gray Bond Fund (continued)		
30 September		
Class A		
Cents per unit	20.0630	21.3259
Distribution paid - R	7 934 434	5 294 271
31 December		
Class A		
Cents per unit	19.1141	21.2260
Distribution paid - R	8 018 413	6 029 725
Total distribution for the year	27 741 675	18 113 818

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 because of the frequency of the distributions.

Investments applied to the funding of distribution payable to unitholders

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

2011	BALANCED FUND	STABLE FUND
Distribution payable to unitholders	529 872 747	180 498 872
Distribution to be reinvested	(460 913 855)	(156 460 816)
Distribution expected to be paid in cash	68 958 892	24 038 056
Less: Current account cash balance	(13 426 187)	(10 225 989)
Cash and cash equivalents held for investment purposes ring-fenced in the event of a cash shortfall at distribution date	55 532 705	13 812 067

2010	BALANCED FUND	STABLE FUND
Distribution payable to unitholders	478 899 861	225 465 831
Distribution to be reinvested	(445 588 674)	(210 766 351)
Distribution expected to be paid in cash	33 311 187	14 699 480
Less: Current account cash balance	(10 661 294)	(11 167 255)
Cash and cash equivalents held for investment purposes ring-fenced in the event of a cash shortfall at distribution date	22 649 893	3 532 225

3. SHORTFALLS OF DISTRIBUTABLE PROFITS

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

	2011 R	2010 R
Allan Gray Equity Fund A & B Class (June)	-	61 329 995
Allan Gray Equity Fund A & B Class (December)	1 781 684	2 434 607
Allan Gray-Orbis Global Optimal Fund of Funds (June)	-	205 940
Allan Gray Orbis Global Fund of Funds (December)	41 165	-
Total shortfalls for the year	1 822 849	63 970 542

Notes to the Annual Financial Statements

For the year ended 31 December 2011

4. NOTES TO THE STATEMENTS OF CASH FLOWS

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R	R	**R**	R	**R**	R	**R**	R
CASH GENERATED BY OPERATIONS								
Profit for the year	**1 999 092 572**	1 813 402 152	**26 546 310**	3 821 356	**2 628 732 377**	2 193 058 177	**113 114 543**	56 437 914
Adjusted for:								
Impairment of available-for-sale investments	**188 999 333**	24 135 384	-	-	**175 511 747**	18 198 518	-	-
Investment transaction costs on investments at fair value through profit or loss	-	-	-	-	**174 878**	44 535	-	-
Sundry income	-	-	-	-	-	-	-	-
Interest income	**(53 995 843)**	(74 224 373)	**(888 049)**	(1 491 183)	**(824 081 554)**	(848 849 711)	**(393 608)**	(2 204 017)
Dividend income	**(779 756 357)**	(545 894 677)	-	-	**(624 925 176)**	(440 670 706)	-	-
Realised (gains)/losses on disposal of available-for-sale investments	**(1 866 804 118)**	(1 838 107 446)	**(29 143 805)**	(1 835 752)	**(1 582 579 073)**	(1 444 187 873)	**(113 251 757)**	(55 389 770)
Losses on investments at fair value through profit or loss	-	-	-	-	**(52 691 396)**	47 622 203	-	-
Cash (used)/generated by operations before working capital changes	**(512 464 413)**	(620 688 960)	**(3 485 544)**	494 421	**(279 858 197)**	(474 784 857)	**(530 822)**	(1 155 873)
WORKING CAPITAL CHANGES								
Decrease/(increase) in accounts receivable	**(4 001 179)**	13 783 179	**(9 999 836)**	512 922	**7 724 414**	46 547 750	**101**	12 840 019
(Decrease)/increase in accounts payable	**14 107 622**	(46 425 065)	**124 867**	(11 938 644)	**(133 518 811)**	(179 085 942)	**2 250**	(31 536 591)
Working capital changes	**10 106 443**	(32 641 886)	**(9 874 969)**	(11 425 722)	**(125 794 397)**	(132 538 192)	**2 351**	(18 696 572)

	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R	R	**R**	R	**R**	R	**R**	R	**R**	R
CASH GENERATED BY OPERATIONS										
Profit for the year	**2 063 820 072**	1 158 269 937	**403 325 184**	(34 926 470)	**6 838 073**	(2 280 549)	**33 437 274**	20 124 022	**464 392 717**	575 427 975
Adjusted for:										
Impairment of available-for-sale investments	**41 987 471**	46 649 782	**8 205 588**	4 241 541	-	-	-	-	-	-
Investment transaction costs on investments at fair value through profit or loss	**494 493**	425 792	**238 965**	269 147	-	-	-	-	-	-
Sundry income	-	-	-	-	-	-	-	-	-	-
Interest income	**(857 332 194)**	(1 242 651 653)	**(18 422 140)**	(26 154 420)	**(214 760)**	(233 094)	**(28 090 731)**	(18 275 511)	**(488 929 503)**	(599 754 318)
Dividend income	**(213 670 128)**	(171 242 195)	**(58 024 391)**	(55 167 380)	-	-		-	-	-
Realised (gains)/losses on disposal of available-for-sale investments	**(1 110 722 917)**	(638 632 656)	**(317 622 717)**	(233 302 727)	**(5 721 399)**	2 968 874	**(5 695 599)**	(2 010 204)	-	-
Losses on investments at fair value through profit or loss	**(158 143 737)**	485 098 517	**(55 375 822)**	307 035 742	-	-	-	-	-	-
Cash (used)/generated by operations before working capital changes	**(233 566 940)**	(362 082 476)	**(37 675 333)**	(38 004 567)	**901 914**	455 231	**(349 056)**	(161 693)	**(24 536 786)**	(24 326 343)
WORKING CAPITAL CHANGES										
Decrease/(increase) in accounts receivable	**(12 618 526)**	72 937 335	**2 682 077**	19 868 622	**(7)**	-	-	-	**392**	(392)
(Decrease)/increase in accounts payable	**(101 974 787)**	(382 927 917)	**11 883 070**	(22 726 132)	**1 658 013**	619 367	**(1 922 638)**	1 962 255	**98 999**	(190 706 632)
Working capital changes	**(114 593 313)**	(309 990 582)	**14 565 147**	(2 857 510)	**1 658 006**	619 367	**(1 922 638)**	1 962 255	**99 391**	(190 707 024)

Notes to the Annual Financial Statements

For the year ended 31 December 2011

5. RECONCILIATION OF UNITS

	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
2011									
Opening balance	137 459 042	249 805 766	727 161 028	497 489 615	1 257 611 069	181 523 121	44 469 894	28 430 743	8 209 133 584
Net units created/(cancelled) during the year	(1 755 320)	32 835 913	73 263 951	(37 574 352)	(111 050 789)	(69 418 857)	11 539 826	13 559 847	509 696 576
Closing balance	135 703 722	282 641 679	800 424 979	459 915 263	1 146 560 280	112 104 264	56 009 720	41 990 590	8 718 830 160
2010									
Opening balance	133 682 412	216 807 851	629 571 600	489 848 696	1 379 098 806	174 970 640	-	15 525 859	8 491 170 558
Net units created/(cancelled) during the year	3 776 630	32 997 915	97 589 428	7 640 919	(121 487 737)	6 552 481	44 469 894	12 904 884	(282 036 974)
Closing balance	137 459 042	249 805 766	727 161 028	497 489 615	1 257 611 069	181 523 121	44 469 894	28 430 743	8 209 133 584

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES

Cents	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
2011									
Class A									
Lowest	17 903.93	1 560.28	5 450.19	1 238.43	2 211.36	1 626.65	859.42	1 056.17	100.00
Highest	20 882.24	1 932.30	6 170.25	1 516.44	2 464.84	1 695.75	1 107.72	1 131.37	100.00
Class B									
Lowest	17 093.85	n/a	5 435.91	n/a	2 211.13	1 625.98	n/a	n/a	n/a
Highest	20 000.95	n/a	6 137.43	n/a	2 458.60	1 685.94	n/a	n/a	n/a
2010									
Class A									
Lowest	15 610.98	1 533.18	5 056.87	1 221.03	2 187.58	1 568.41	857.64	1 016.10	100.00
Highest	18 811.04	1 795.63	5 577.67	1 442.04	2 263.15	1 646.70	1 019.39	1 105.99	100.00
Class B									
Lowest	14 946.63	n/a	5 050.54	n/a	2 187.28	1 568.14	n/a	n/a	n/a
Highest	17 976.15	n/a	5 545.80	n/a	2 259.33	1 636.83	n/a	n/a	n/a

n/a denotes funds without B-Class units

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

Notes to the Annual Financial Statements

For the year ended 31 December 2011

7. RELATED PARTY TRANSACTIONS

All transactions with related parties are conducted at arm's length. Outstanding balances bear no interest, are unsecured and are settled within 30 days of invoice date.

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

During the year, the Funds collectively paid management fees of R1 260.9 million, including VAT to the Manager (2010: R1 470.7 million). At 31 December 2011, the balance due to the Manager is detailed as follows:

	VAT inclusive	VAT inclusive
	2011 R	2010 R
Allan Gray Equity Fund	72 982 966	18 521 122
Allan Gray Balanced Fund	51 598 286	19 706 639
Allan Gray Stable Fund	33 389 438	17 942 309
Allan Gray Optimal Fund	1 839 114	2 980 437
Allan Gray Bond Fund	228 411	74 176
Allan Gray Money Market Fund	2 076 932	1 981 701
	162 115 147	61 206 384

The Directors of the Manager have acquired and hold units in the Funds. These units were valued at R69 259 340 at 31 December 2011 (2010: R40 257 832). During the year, the directors' share of distributions paid by the Funds on their attributable unit holdings amounted to R291 588 (2010: R110 083).

The Manager holds discretionary investments in the Funds. These units were valued at R443 524 at 31 December 2011 (2010: R406 656). During the year, the Manager's share of distributions paid by the Funds on their attributable unit holdings amounted to R10 273 (2010: R291 504).

8. FINANCIAL INSTRUMENTS

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

8.1 Financial risk management policies and objectives

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

Market risk

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

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

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Market risk

2011 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	26 723 443	5 066 556	37 308 447	6 632 112	14 811 522	1 632 993	575 609	-	-
Local instruments	26 723 443	-	25 485 133	-	8 005 007	1 632 993	-	-	-
Foreign instruments*	-	5 066 556	11 823 314	6 632 112	6 806 515	-	575 609	-	-
Subject to interest rate risk	1 044 000	-	11 344 282	-	13 186 521	273 385	-	466 103	8 752 434
Money market and cash investments	1 044 000	-	6 569 891	-	10 673 968	273 385	-	106 443	8 752 434
Bonds	-	-	4 774 391	-	2 512 553	-	-	359 660	-
Total investments	27 767 443	5 066 556	48 652 730	6 632 112	27 998 043	1 906 378	575 609	466 103	8 752 434

2010 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	24 375 984	4 046 281	30 151 388	6 157 784	14 750 857	2 585 329	380 574	-	-
Local instruments	21 725 017	-	20 177 365	-	7 800 587	2 574 614	-	-	-
Foreign instruments*	2 650 967	4 046 281	9 974 023	6 157 784	6 950 270	10 715	380 574	-	-
Subject to interest rate risk	1 469 000	-	10 506 882	-	13 446 354	389 415	-	312 635	8 244 403
Money market and cash investments	1 469 000	-	6 351 023	-	11 111 925	389 415	-	51 906	8 244 403
Bonds	-	-	4 155 859	-	2 334 429	-	-	260 729	-
Total investments	25 844 984	4 046 281	40 658 270	6 157 784	28 197 211	2 974 744	380 574	312 635	8 244 403

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

Notes to the Annual Financial Statements

For the year ended 31 December 2011

Price risk

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

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

Exposure to price risk is mainly through listed instruments.

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

Notes to the Annual Financial Statements

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Price risk

2011 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS
Investments subject to price risk	26 723 443	5 066 556	37 308 447	6 632 112	14 811 522	1 632 993	575 609
Analysed as follows:							
Local Instruments							
Net exposure	26 723 443	-	24 000 272	-	3 784 380	136 135	-
Gross instruments	26 723 443	-	25 485 133	-	8 005 007	1 632 993	-
Hedged instruments	-	-	(1 484 861)	-	(4 220 627)	(1 496 858)	-
+ or - 5%	1 336 172	-	1 200 014	-	189 219	6 807	-
+ or - 10%	2 672 344	-	2 400 027	-	378 438	13 614	-
+ or - 20%	5 344 689	-	4 800 054	-	756 876	27 227	-
Foreign Instruments							
Foreign exposure	-	5 066 556	11 823 314	6 632 112	6 806 515	-	575 609
+ or - 5%	-	253 328	591 166	331 606	340 326	-	28 780
+ or - 10%	-	506 656	1 182 331	663 211	680 652	-	57 561
+ or - 20%	-	1 013 311	2 364 663	1 326 422	1 361 303	-	115 122

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Price risk (Continued)

2010 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS
Investments subject to price risk	24 375 984	4 046 281	30 151 388	6 157 784	14 750 857	2 585 329	380 574
Analysed as follows:							
Local Instruments							
Net exposure	21 725 017	-	19 608 983	-	2 838 407	107 784	-
Gross instruments	21 725 017	-	20 177 365	-	7 800 587	2 574 614	-
Hedged instruments	-	-	(568 382)	-	(4 962 180)	(2 466 830)	-
+ or - 5%	1 086 251	-	980 449	-	141 920	5 389	-
+ or - 10%	2 172 502	-	1 960 898	-	283 841	10 778	-
+ or - 20%	4 345 003	-	3 921 797	-	567 681	21 557	-
Foreign Instruments							
Foreign exposure	2 650 967	4 046 281	9 974 023	6 157 784	6 950 270	10 715	380 574
+ or - 5%	132 548	202 314	498 701	307 889	347 514	536	19 029
+ or - 10%	265 097	404 628	997 402	615 778	695 027	1 072	38 057
+ or - 20%	530 193	809 256	1 994 805	1 231 557	1 390 054	2 143	76 115

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Interest rate risk

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

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

R'000	2011			2010		
Sensitivity to changes in interest rates	Investment value	+ or - 0.50%	+ or - 1.00%	Investment value	+ or - 0.50%	+ or - 1.00%
Allan Gray Balanced Fund	**11 344 283**	**123 851**	**247 702**	10 506 882	116 172	232 344
Allan Gray Stable Fund	**13 186 521**	**113 354**	**226 708**	13 446 354	125 622	251 244
Allan Gray Bond Fund	**466 103**	**9 817**	**19 635**	312 635	5 880	11 760

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

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

Foreign currency risk

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

The table on page 55 illustrates the effect of reasonably possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

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Foreign currency risk (Continued)

R'000	2011		2010	
	Dollar-denominated	Euro-denominated	Dollar-denominated	Euro-denominated
Allan Gray-Orbis Equity Feeder Fund	-	-	-	-
+ or - 5%	-	-	-	-
+ or - 10%	-	-	-	-
+ or - 20%	-	-	-	-
Allan Gray Balanced Fund	2 212 913	-	923 370	-
+ or - 5%	110 646	-	46 169	-
+ or - 10%	221 291	-	92 337	-
+ or - 20%	442 583	-	184 674	-
Allan Gray-Orbis Global Fund of Funds	-	-	-	-
+ or - 5%	-	-	-	-
+ or - 10%	-	-	-	-
+ or - 20%	-	-	-	-
Allan Gray Stable Fund	1 257 671	-	824 306	-
+ or - 5%	62 884	-	41 215	-
+ or - 10%	125 767	-	82 431	-
+ or - 20%	251 534	-	164 861	-
Allan Gray-Orbis Global Optimal Fund of Funds	831	1 425	-	-
+ or - 5%	42	71	-	-
+ or - 10%	83	143	-	-
+ or - 20%	166	285	-	-

The Allan Gray-Orbis Equity Feeder Fund, Allan Gray Optimal Fund, Allan Gray Balanced Fund, Allan Gray-Orbis Global Fund of Funds, Allan Gray Stable Fund and Allan Gray-Orbis Global Optimal Fund of Funds use foreign currency to purchase investments in foreign mutual funds. Neither, the Allan Gray-Orbis Equity Feeder Fund or the Allan Gray-Orbis Global Fund of Funds held foreign currency at 31 December 2011 or at 31 December 2010.

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

Liquidity risk

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

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

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

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In aggregate the Funds have an overdraft facility of R1 billion with First National Bank. This is limited to 10% of the market value of the borrowing Fund. None of the Funds were in overdraft at 31 December 2011.

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

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

Credit risk

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

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

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

The carrying amount of financial assets recorded in the financial statements represents unitholders' maximum exposure to credit risk.

At 31 December 2011 the Funds did not consider there to be any significant concentration of credit risk which needed to be provided for.

Accounts receivable are considered to be of a high credit quality.

The table on page 57 provides an analysis of the credit quality of interest-bearing investments at reporting date. Fitch ratings are used to describe the credit quality. Ratings are presented in ascending order of credit risk.

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

Notes to the Annual Financial Statements

For the year ended 31 December 2011

Credit risk (Continued)

2011	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	BOND FUND	MONEY MARKET FUND
National long-term credit ratings						
AAA	-	24%	17%	-	53%	-
AA+	-	1%	-	-	2%	-
AA	-	6%	-	-	4%	-
AA-	-	5%	2%	-	11%	-
A+	-	4%	1%	-	4%	-
A	-	-	-	-	1%	-
A-	-	-	-	-	-	-
BB	-	1%	-	-	1%	-
National short-term credit ratings						
F1+	24%	51%	70%	47%	17%	91%
F1	76%	8%	10%	53%	7%	9%
F2	-	-	-	-	-	-
	100%	100%	100%	100%	100%	100%

2010	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	BOND FUND	MONEY MARKET FUND
National long-term credit ratings						
AAA	-	27%	17%	-	51%	-
AA+	-	1%	-	-	9%	-
AA	-	5%	-	-	7%	-
AA-	-	4%	-	-	11%	-
A+	-	2%	-	-	3%	-
A	-	-	-	-	-	-
A-	-	-	-	-	-	-
BB	-	-	-	-	1%	-
National short-term credit ratings						
F1+	44%	55%	75%	57%	14%	89%
F1	56%	6%	8%	43%	4%	11%
F2	-	-	-	-	-	-
	100%	100%	100%	100%	100%	100%

ALLAN GRAY UNIT TRUSTS

Notes to the Annual Financial Statements

For the year ended 31 December 2011

8.2 Fair value

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

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Loans and receivables are usually held for the instrument's entire life, for periods not exceeding a year. The fair value of these instruments closely approximates the carrying amount. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

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

IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy.

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

Investments in listed equities, bonds and foreign instruments are measured at fair value, based on quoted prices in active markets. Therefore these are classified within Level 1. The table below shows the fair values of these instruments at 31 December 2011.

2011 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Listed equities	26 624 712	-	25 401 166	-	7 996 505	1 627 646	-	-
Foreign instruments	-	5 066 556	11 823 314	6 632 112	6 806 515	-	575 609	-
Listed bonds	-	-	4 774 391	-	2 512 553	-	-	359 660
Total	26 624 712	5 066 556	41 998 871	6 632 112	17 315 573	1 627 646	575 609	359 660

2010 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Listed equities	21 626 183	-	20 097 898	-	7 792 100	2 568 487	-	-
Foreign instruments	2 650 967	4 046 281	9 974 023	6 157 784	6 950 270	10 715	380 574	-
Listed bonds	-	-	4 155 859	-	2 334 429	-	-	260 729
Total	24 277 150	4 046 281	34 227 780	6 157 784	17 076 799	2 579 202	380 574	260 729

The Funds hold investments in suspended and unlisted instruments. These are classified within Level 2. The table below shows the fair values of these instruments at 31 December 2011.

2011 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Unlisted equities	98 730	-	83 967	-	8 502	5 348	-	-

2010 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Unlisted equities	98 834	-	79 467	-	8 487	6 127	-	-

Notes to the Annual Financial Statements

For the year ended 31 December 2011

8.3 Derivative instruments

Derivatives are used for hedging purposes in accordance with the Collective Investment Schemes Control Act, No 45 of 2002. Derivatives are not designated as effective hedging instruments in terms of IAS 39 and are classified as investments at fair value through profit or loss.

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

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

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

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

	Margin deposit 2011 R'000	Short exposure 2011 R'000	Margin deposit 2010 R'000	Short exposure 2010 R'000
Allan Gray Stable Fund	**291 511**	**4 220 627**	324 692	4 962 180
Allan Gray Balanced Fund	**102 557**	**1 484 861**	37 192	568 382
Allan Gray Optimal Fund	**103 385**	**1 496 858**	161 415	2 466 830

8.4 Interest-bearing instruments

Allan Gray Balanced Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	168 869 615	1 073 549 095	1 753 833 830	1 778 138 928	4 774 391 468
Money market instruments	4 731 333 968	1 025 000 000	-	-	5 756 333 968
Money at call	813 557 331	-	-	-	813 557 331
Non-interest bearing equity investments	-	-	-	-	37 308 447 213
Total investments per Statement of Financial Position	6 738 760 914	1 073 549 095	1 753 833 830	1 778 138 928	48 652 729 980

Coupon rates on bonds are fixed and range between 2.50% and 16.00%. Yields on the money market instruments are fixed and range between 5.41% and 8.15% and money at call earns variable interest at rates ranging between 5.15% and 5.40%.

Allan Gray Stable Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	-	647 054 300	-	1 865 498 853	2 512 553 153
Money market instruments	8 112 456 828	1 542 000 000	-	-	9 654 456 828
Money at call	1 019 511 015	-	-	-	1 019 511 015
Non-interest bearing equity investments	-	-	-	-	14 811 522 073
Total investments per Statement of Financial Position	10 673 967 843	647 054 300	-	1 865 498 853	27 998 043 069

Coupon rates on bonds are fixed and range between 2.60% and 8.75%. Yields on the money market instruments are fixed and range between 5.41% and 8.75% and money at call earns variable interest at rates ranging between 5.15% and 5.40%.

Notes to the Annual Financial Statements

For the year ended 31 December 2011

Allan Gray Money Market Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	-	-	-	-	-
Money market instruments	8 375 433 918	-	-	-	8 375 433 918
Money at call	377 000 000	-	-	-	377 000 000
Total investments per Statement of Financial Position	8 752 433 918	-	-	-	8 752 433 918

Yields on the money market instruments are fixed and range between 5.40% and 10.45% and money at call earns a variable interest rates ranging between 5.20% and 5.40%

Allan Gray Bond Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	10 899 000	45 546 359	87 227 711	215 986 756	359 659 826
Money market instruments	83 442 698	-	-	-	83 442 698
Money at call	23 000 000	-	-	-	23 000 000
Total investments per Statement of Financial Position	117 341 698	45 546 359	87 227 711	215 986 756	466 102 524

Coupon rates for the bond portfolio are fixed and range between 6.68% and 16%. Yields on the money market instruments are fixed and range between 5.58% and 8.55% and money at call earns variable interest rate at 5.35%.

Accounts payable and accounts receivable are not interest-bearing.

Other funds

The Allan Gray Equity Fund had money at call amounting to R1 044 000 000 at 31 December 2011, earning variable interest at rates ranging between 5.20% and 5.40%.

The Allan Gray Optimal Fund had R273 385 323 at call at 31 December 2011, earning variable interest at rates ranging between 5.15% and 5.40%.

The Allan Gray-Orbis Global Fund of Funds, Allan Gray-Orbis Global Equity Feeder Fund and Allan Gray-Orbis Global Optimal Fund of Funds did not hold any interest bearing investments at 31 December 2011.

Approval of the Annual Financial Statements

For the year ended 31 December 2011

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

The annual financial statements for the year ended 31 December 2011 set out on pages 64 to 79 have been approved by the board of directors and are signed on its behalf by:

E D Loxton
Chairman

Cape Town
24 February 2012

R W Dower
Director and Public Officer

Cape Town
24 February 2012

Certification by the Company Secretary

For the year ended 31 December 2011

I hereby confirm, in terms of the Companies Act, No. 71 of 2008, that for the year ended 31 December 2011 the Company has lodged with the Registrar of Companies all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

T J W Molloy
Company Secretary

Cape Town
24 February 2012

Independent Auditor's Report to the Members of Allan Gray Unit Trust Management (RF) Proprietary Limited

Report on the financial statements

We have audited the accompanying financial statements of Allan Gray Unit Trust Management (RF) Proprietary Limited, which comprise the Statement of Financial Position as at 31 December, 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 64 to 79.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Allan Gray Unit Trust Management (RF) Proprietary Limited as at 31 December, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young

Ernst & Young Inc.
Director – Christopher Clyde Sickle
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town
24 February 2012

Report of the Directors

For the year ended 31 December 2011

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited (“the Company”) have pleasure in presenting their report for the year ended 31 December 2011.

Nature of the Company's business

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

Allan Gray Unit Trust Funds	Fund launch date
Allan Gray Equity Fund	1 October 1998
Allan Gray Balanced Fund	1 October 1999
Allan Gray Stable Fund	1 July 2000
Allan Gray Money Market Fund	1 July 2001
Allan Gray Optimal Fund	1 October 2002
Allan Gray Bond Fund	1 October 2004
Allan Gray-Orbis Global Fund of Funds	3 February 2004
Allan Gray-Orbis Global Equity Feeder Fund	1 April 2005
Allan Gray-Orbis Global Optimal Fund of Funds	1 March 2010

The Company's investment in the Funds

Unit Trust Funds	2011		2010	
	Units	Fair Value	Units	Fair Value
Allan Gray Balanced Fund	**7 298**	**443 524**	7 298	406 656

Results of the Company

The results of the Company are set out in the accompanying Statement of Comprehensive Income and Statement of Cash Flows for the year ended 31 December 2011 and the Statement of Financial Position as at 31 December 2011.

Dividends

Declaration date	Rands per share
12 April 2011	69.00
10 October 2011	204.98

In 2011 the Company declared total dividends of R274 million (2010: R582 million).

Change in Company status

During the year the Company submitted a new Memorandum of Incorporation as required in terms of the Companies Act, No. 71 of 2008, to the Companies and Intellectual Property Commission. As a result the Company changed its status from an unlisted public company to a private (RF) company, that is, a private company with a restricted function. The restricted function is as a result of the restrictions that CISCA places on the conduct of a manager of a collective investment scheme. In terms of the provisions of the Companies Act, No. 71 of 2008 and the requirements of the Financial Services Board, a manager of a collective investment scheme is required to be registered, as a (RF) company.

Directors

The changes to the board of directors during the year were as follows:

- Mr V Christian (appointed with effect 17 August 2011)

Full details of the current directors are given on the back cover.

Events subsequent to year end

No material fact or circumstance has occurred between the accounting date and the date of this report.

Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 R	2010 R
INCOME			
REVENUE		1 253 200 638	1 411 307 570
Management fees	15	1 111 019 510	1 289 964 454
Income from the Company's investment in the Funds:			
- Dividends		3 921	101 234
- Interest		6 352	190 270
Interest earned		4 663 592	14 892 637
Income from related party	15	137 507 263	106 158 975
OTHER INCOME		20 818 784	12 515 587
Realised gain on disposal of available-for-sale investments		-	12 494 948
Unrealised gain on investment at fair value through profit or loss		36 868	20 639
Net foreign exchange gain		20 781 916	-
OPERATING COSTS		674 997 387	666 984 853
Linked investment service provider costs		306 146 516	282 331 388
Audit fees			
- Fees for audit		558 658	582 664
- Other services		-	17 840
Net foreign exchange loss		-	10 236 059
Fees charged by the holding company	15	353 347 769	361 468 703
Other operating expenses		14 944 444	12 348 199
Donation	15	29 955 940	37 511 097
Profit before taxation		569 066 095	719 327 207
Taxation expense	4	179 865 395	230 522 033
Profit for the year		389 200 700	488 805 174
OTHER COMPREHENSIVE INCOME			
Reclassification adjustments for gains included in income		-	(12 494 948)
Taxation on reclassification adjustments for gains included in income	4, 9	-	1 636 164
Fair value adjustment on available-for-sale investments		-	(167 380)
Income taxation relating to components of other comprehensive income	4	-	23 433
Other comprehensive income for the year		-	(11 002 731)
Total comprehensive income for the year		389 200 700	477 802 443

Statement of Financial Position

As at 31 December 2011

	Notes	2011 R	2010 R
ASSETS			
Non-current assets			
Investment at fair value through profit or loss	5	443 524	406 656
Current assets		319 601 670	186 663 392
Trade and other receivables	6	187 378 419	111 408 758
Cash	7	14 818 951	15 442 326
Group treasury: cash equivalent	7	117 404 300	56 425 892
Taxation receivable		-	3 386 416
Total assets		320 045 194	187 070 048
EQUITY AND LIABILITIES			
Total equity attributable to equity holder		238 038 829	122 838 129
Share capital	8	1 000 060	1 000 060
Share premium	8	2 000 000	2 000 000
Revaluation reserve		-	-
Accumulated profit		235 038 769	119 838 069
Current liabilities		82 006 365	64 231 919
Trade and other payables	10	76 952 235	64 231 919
Taxation payable		5 054 130	-
Total equity and liabilities		320 045 194	187 070 048

Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital R	Share premium R	Revaluation reserve R	Accumulated profit R	Total equity attributable to equity holder R
Balance as at 31 December 2009	1 000 060	2 000 000	11 002 731	213 032 895	227 035 686
Transactions with equity holder:					
Ordinary dividend	-	-	-	(582 000 000)	(582 000 000)
Change in total comprehensive income	-	-	(11 002 731)	488 805 174	477 802 443
Fair value adjustment on available-for-sale investments	-	-	(143 947)	-	(143 947)
Reclassification adjustments for gains included in profit or loss on sale of available-for-sale investments	-	-	(10 858 784)	-	(10 858 784)
Profit for the year	-	-	-	488 805 174	488 805 174
Balance as at 31 December 2010	1 000 060	2 000 000	-	119 838 069	122 838 129
Transactions with equity holder:					
Ordinary dividend	-	-	-	(274 000 000)	(274 000 000)
Change in total comprehensive income					
Profit for the year	-	-	-	389 200 700	389 200 700
Balance as at 31 December 2011	1 000 060	2 000 000	-	235 038 769	238 038 829

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	11.1	564 355 362	691 627 479
Working capital changes	11.2	(63 249 345)	(15 891 168)
Cash generated from operations		501 106 017	675 736 311
Interest received		4 669 944	15 082 907
Dividends received		3 921	101 234
Dividends paid		(274 000 000)	(582 000 000)
Taxation paid	11.3	(171 424 849)	(202 563 685)
Net cash flow from operating activities		60 355 033	(93 643 233)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments in the Funds		-	(386 017)
Proceeds on disposal of investments in the Funds		-	27 572 274
Net cash flow from investing activities		-	27 186 257
Net increase / (decrease) in cash and cash equivalents		60 355 033	(66 456 976)
Cash and cash equivalents at beginning of year		71 868 218	138 325 194
Cash and cash equivalents at end of year	7	132 223 251	71 868 218

Notes to the Financial Statements

For the year ended 31 December 2011

1. COMPANY DETAILS

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

2. ACCOUNTING STANDARDS

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value in accordance with International Financial Reporting Standards ('IFRS'), and the Companies Act, No. 71 of 2008 as amended, in South Africa. These financial statements are presented in South African rands. The accounting policies have been applied consistently in the current and prior years unless specifically stated.

2.2 IFRS

The Company has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the 'IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC') of the IASB that are relevant to its operations and effective for annual accounting periods ended 31 December 2011.

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

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

Standards		Effective date: Years beginning on or after	Impact
IAS 24	Related party disclosures	1 January 2011	No material impact
	2010 Annual improvements	1 January 2011 and 1 July 2011	No material impact

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

Standards		Effective date: Years beginning on or after	Impact
IFRS 7	Amendment re enhanced derecognition disclosure requirements for transfer transactions of financial assets	1 July 2011	No material impact
IAS 12	Income taxes: amendment re recovery of underlying assets	1 January 2012	No material impact
IFRS 9	Financial instruments	1 January 2015	No material impact
IFRS 13	Fair value measurement	1 January 2013	No material impact
IAS 1	Financial statement presentation (presentation of other comprehensive income)	1 January 2013	No material impact

Notes to the Financial Statements

For the year ended 31 December 2011

2.3 Use of estimates, assumptions and judgements

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

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

3. ACCOUNTING POLICIES

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

3.1 Revenue

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

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

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

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

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

Income from the Funds is recognised on declaration date.

3.2 Taxation

Taxation receivable / payable

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

Taxation expense

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

STC is recognised as part of the taxation expense in the Statement of Comprehensive Income when the related dividend is declared. To the extent that it is probable that dividends will be declared against which any unused STC credits can be utilised, a deferred taxation asset is recognised for STC credits.

3.3 Deferred taxation

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

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

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

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off taxation assets against taxation liabilities and when they relate to income taxes levied by the same taxation authority and there is an intention to settle taxation assets and liabilities on a net basis.

3.4 Expenses

Expenses are recognised when they are incurred. Any interest expense is recognised on an accrual basis using the effective interest method. All transactions with related parties are conducted at arm's length.

3.5 Financial assets

Financial assets are classified as either financial assets at *fair value through profit or loss, loans and receivables* or *available-for-sale* financial assets. Financial assets are recognised on the trade date at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Detail on how fair value is determined may be found in note 13. The Company determines the classification of its financial assets on initial recognition when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in income. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the reporting date and the associated gains and losses are determined excluding any interest and dividends.

Loans and receivables

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

Trade and other receivables

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

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are held for the purposes of meeting short-term cash commitments rather than for investment.

Financial assets at fair value through profit or loss

Financial assets classified as financial assets at fair value through profit or loss are designated as such upon initial recognition. This designation is based on the Company's intention to manage such assets on a fair value basis.

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

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

The investment at fair value through profit or loss consists of a discretionary holding in the Funds.

Derecognition of financial assets

A financial asset is derecognised where:

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

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is then reduced directly. The amount of the loss is recognised in income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

Notes to the Financial Statements

For the year ended 31 December 2011

event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any such reversal of an impairment loss is recognised in income, to the extent that the carrying value of the asset does not exceed its original amortised cost at the reversal date.

Available-for-sale investments

A significant or prolonged decline in the fair value of the instrument below its cost is considered to be objective evidence of impairment. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to income. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised. Reversals of impairment losses on debt instruments are reversed through income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in income.

3.6 Financial liabilities

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

Financial liabilities held at amortised cost

Trade and other payables

Trade and other payables are initially recognised at original invoice amount and are subsequently stated at amortised cost by applying the effective interest method. Trade and other payables are settled within 30 days and are interest free. Any gains on derecognition are recognised in income.

Derecognition of financial liabilities

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

3.7 Foreign currencies

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

3.8 Provisions

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

3.9 Contingencies

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

4. TAXATION EXPENSE

	2011 R	2010 R
SA normal taxation		
- current year	159 365 606	197 952 555
- prior year over accrual	-	(32 271)
- capital gains taxation	-	1 606 482
Secondary tax on companies	20 499 789	30 995 267
	179 865 395	230 522 033
Reconciliation of taxation rate:	%	%
Standard taxation rate	28.00	28.00
Adjusted for:		
Realised gain on disposal of available-for-sale investments	-	(0.49)
Non-deductible expenses	0.01	-
Capital gains taxation	-	0.22
Secondary tax on companies	3.60	4.31
Effective taxation rate	31.61	32.04

The Company claimed inter group STC relief in terms of section 64B(5) of the Income Tax Act with respect to the dividend declared on the 12th of April 2011.

Recognised in other comprehensive income	R	R
Income taxation relating to components of other comprehensive income:		
Deferred taxation		
- Reclassification adjustments for gains included in comprehensive income	-	1 636 164
- Fair value adjustments on the available-for-sale investment	-	23 433
	-	1 659 597

5. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011		2010	
	Cost R	Fair value R	Cost R	Fair value R
Allan Gray Balanced Fund				
- 7 298 units (2010: 7 298)	386 017	443 524	386 017	406 656
	386 017	443 524	386 017	406 656

The investment at fair value through profit or loss consists entirely of investments in the Fund, and therefore has no fixed maturity date or coupon rate.

Notes to the Financial Statements

For the year ended 31 December 2011

6. TRADE AND OTHER RECEIVABLES

	2011 R	2010 R
Investment income due	288 472	291 655
Receivables from related parties - refer to note 15	184 196 710	106 156 140
Other receivables	2 591 856	4 710 145
Prepayments	301 381	250 818
	187 378 419	111 408 758

Receivables are interest-free and are settled within 30 days.

7. CASH AND CASH EQUIVALENTS

	2011 R	2010 R
Cash	14 818 951	15 442 326
First National Bank current account	294 951	231 326
First National Bank call account	14 524 000	15 211 000
Group treasury: cash equivalent - refer note 15	117 404 300	56 425 892
	132 223 251	71 868 218

In terms of section 105 of CISCA, investments into and out of unit trust funds managed by the management company must be processed through trust bank accounts. These bank accounts belong to unitholders and therefore are not reflected in the Company's Statement of Financial Position. Unitholder cash awaiting investment at 31 December 2011 amounted to R21 035 062 (2010: R23 197 577).

8. SHARE CAPITAL AND SHARE PREMIUM

	2011 R	2010 R
Authorised		
3 000 000 ordinary shares of R1 each	3 000 000	3 000 000
Issued and fully paid		
1 000 060 ordinary shares of R1 each	1 000 060	1 000 060
Share premium account		
Arising on the issue of ordinary shares	2 000 000	2 000 000

9. DEFERRED TAXATION

	2011 R	2010 R
Opening balance	-	1 659 597
- Reclassification adjustments for gains included in comprehensive income	-	(1 636 164)
- Fair value adjustments on the available-for-sale investment	-	(23 433)
Closing balance	-	-

Notes to the Financial Statements

For the year ended 31 December 2011

10. TRADE AND OTHER PAYABLES

	2011 R	2010 R
Payables to related parties - refer to note 15	**48 829 455**	43 758 587
Accruals and other payables	**28 122 780**	20 473 332
	76 952 235	64 231 919

Payables are interest free and are settled within 30 days.

11. NOTES TO THE STATEMENT OF CASH FLOWS

	2011 R	2010 R
11.1 Cash generated by operations before working capital changes		
Profit before taxation	**569 066 095**	719 327 207
Adjustments for:		
Unrealised gain on the investment at fair value through profit or loss	**(36 868)**	(20 639)
Interest income	**(4 669 944)**	(15 082 907)
Dividend income	**(3 921)**	(101 234)
Realised gain on disposal of available-for-sale investments	**-**	(12 494 948)
	564 355 362	691 627 479
11.2 Working capital changes		
(Increase) / decrease in trade and other receivables	**(75 969 661)**	5 562 748
Increase / (decrease) in trade and other payables	**12 720 316**	(21 453 916)
	(63 249 345)	(15 891 168)
11.3 Taxation paid		
Amount receivable at beginning of year	**(3 386 416)**	(31 344 764)
Amount charged through income	**179 865 395**	230 522 033
Amount (payable) / receivable at end of year	**(5 054 130)**	3 386 416
Amount paid	**171 424 849**	202 563 685

12. CANCELLATION OF UNITS

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

13. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise:

- Investment at fair value through profit or loss: This investment consists of discretionary holdings in the Funds.
- Cash and cash equivalents: Cash arises from operating activities and is used to fund working capital requirements and distributions to the equity participant.
- Trade and other receivables: These arise from daily operations.
- Trade and other payables: These arise from daily operations.

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

Notes to the Financial Statements

For the year ended 31 December 2011

13.1 Credit risk

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

At the reporting date, credit risk consisted principally of service fees due from the Funds, management fees due from Orbis and short-term cash deposits. Maximum credit exposure for these financial instruments is the carrying value per the Statement of Financial Position since all the balances are unsecured. The Funds and Orbis are both related parties of the Company (see note 15 for details). During the year, the Company deposited short-term cash surpluses with one of the major banks in the country and this institution is considered to be of high quality credit standing.

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

At 31 December 2011 the Company did not consider there to be any significant concentration of credit risk which needed to be provided for. All assets are considered to be of good credit quality. All financial assets disclosed in the financial statements are neither past due nor impaired.

13.2 Price risk

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

The investment at fair value through profit or loss consists of a discretionary holding in the Funds which is subject to market fluctuations. The actual risk and return profile of the investment is monitored and reviewed from time to time to ensure that it remains in line with the Company's risk appetite and long-term capital management framework.

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

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

At 31 December 2011 the Company did not consider there to be any significant concentration of price risk.

13.3 Interest rate risk

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

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

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

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

Interest rate risk analysis

All interest bearing instruments are subject to variable interest linked to the South Africa prime interest rate.

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

13.4 Currency risk

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

The Company is exposed to currency risk as a result of foreign cash held.

Monitoring of the exchange rate takes place in order to ensure that currency risk, including the financial impact, is minimised at all times and that the amounts held remain appropriate for the Company's requirements and risk profile. Group treasury: cash equivalent constitutes an amount of US$ 14 539 052 (2010: US$ 16 344 172) held in a US dollar bank account on behalf of the Company. Trade and other receivables include a balance of US$ 4 299 940 (2010: US$ 7 819 078) directly receivable from Orbis.

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

Notes to the Financial Statements

For the year ended 31 December 2011

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

% rate change	2011 Rm	2010 Rm
+-5	7.6	5.4
+-10	15.2	10.8
+-20	30.4	21.6

13.5 Liquidity risk

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

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

The undertaking of the Company to repurchase units in accordance with the requirements of CISCA and on terms and conditions set out in the Funds' trust deeds exposes the Company to liquidity risk. This risk is mitigated by stringent cash management and capacity for substantial banking facilities at the reporting date. The Funds in aggregate have an overdraft facility of R1 billion with First National Bank. This facility is subject to regulatory limits on the borrowing of collective investments schemes in terms of CISCA. None of the funds were in overdraft at 31 December 2011.

13.6 Capital adequacy risk

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

The required capital, as defined by Notice 2072 of 2003, consists of three components: basic capital, seed capital and position risk capital.

The basic capital component is the greater of R600 000 or a sum equivalent to 13 weeks of the Manager's fixed cost calculated as the previous financial year's fixed costs divided by four. At 31 December 2011 this capital requirement was R65 324 278.

The requirement that seed capital of R1 million be invested by the Manager does not apply as the prescribed amount of R1 million may be reduced by 10% for every R1 million invested by investors (independent from the manager) in a portfolio. At 31 December 2011, the Manager did not have any investments held as seed capital.

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

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

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

13.7 Fair value

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

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. As a result, all investments held at fair value are classified as 'Level 1' in the fair value hierarchy as set out in IFRS 7 *Financial instruments: disclosure*. Loans and receivables are held for periods not exceeding a year and these are usually held for the instruments' entire life, meaning that the carrying amount of these instruments closely approximates the fair value.

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

Notes to the Financial Statements

For the year ended 31 December 2011

14. CAPITAL MANAGEMENT STRATEGY

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

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

15. RELATED PARTIES

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

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

Fees charged by AGL for all services rendered during the year amounted to R353.3 million (2010: R361.4 million). The balance owed by Allan Gray Unit Trust Management (RF) Proprietary Limited to AGL as at 31 December 2011 is R34.0 million (2010: R31.2 million).

Dividends paid to AGL amounted to R274 million during the year (2010: R582 million).

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

The Company pays AGIS a monthly fee, based on funds invested in bulk by AGIS clients and those investing via the endowment and retirement products administered by the AGIS platform. Total fees incurred during the year amounted to R160.0 million (2010: R138.2 million). The balance owed by the Company to AGIS at 31 December 2011 was R14.8 million (2010: R12.6 million).

Allan Gray Orbis Foundation
The Company has, as part of the Group's initiative to social upliftment and black empowerment, made a commitment to donate 5% of its annual pre-tax income to deserving social causes. To this end, the Company made a contribution of R30.0 million (2010: R37.5 million) to the Allan Gray Orbis Foundation in 2011.

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

Orbis Investment Management Limited
A related party relationship exists between the Allan Gray group of companies and Orbis by virtue of a common shareholder with significant influence. Allan Gray Unit Trust Management (RF) Proprietary Limited earns service fees in respect of the Orbis products approved in terms of Section 65 of CISCA.

Service fees of R137.5 million (2010: R106.2 million) were earned during the year. The fees are received by Allan Gray Group Proprietary Limited, the ultimate holding company, in a local US dollar denominated bank account. At 31 December 2011 the outstanding balance due from Allan Gray Group Proprietary Limited was R117.4 million (2010: R56.4 million) and the balance due from Orbis was R34.7 million (2010: R51.8 million).

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

Notes to the Financial Statements

For the year ended 31 December 2011

Below is a summary of the management fees earned by the Company during the year and the amounts owing by the Funds to the Company as at 31 December 2011:

	VAT exclusive amounts			
	Management fees earned		Amounts receivable from the Funds	
	2011 R	2010 R	2011 R	2010 R
Allan Gray Equity Fund	**448 271 440**	543 636 063	**66 209 404**	16 252 244
Allan Gray Balanced Fund	**347 704 224**	408 862 370	**46 825 296**	17 234 233
Allan Gray Stable Fund	**265 992 796**	284 220 909	**30 271 033**	15 728 308
Allan Gray Optimal Fund	**26 386 998**	31 533 675	**1 666 862**	2 614 416
Allan Gray Bond Fund	**1 708 812**	919 089	**207 650**	65 067
Allan Gray Money Market Fund	**20 955 240**	20 792 350	**1 821 871**	1 738 335
	1 111 019 510	1 289 964 456	**147 002 116**	53 632 603

Directors' fees

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

	2011 R	2010 R
IAS24 disclosure		
Short-term employee benefits	**4 518 119**	11 970 628
Post-employment benefits	**215 465**	135 984
	4 733 584	12 106 612

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 (RF) Proprietary Limited

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

Tax notes

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

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 (RF) Proprietary Limited
Reg. No. 1998/007756/07
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DIRECTORS

Executive Directors

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

Non-executive Directors

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

COMPANY SECRETARY

T J W Molloy	B Com (Hons) CA (SA)

DETAILS OF THE INDIVIDUAL WHO SUPERVISED THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

C J Hetherington	B Com CA (SA)

INVESTMENT MANAGER

Allan Gray Proprietary 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 (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).