AllanGray

ANNUAL REPORT UNIT TRUSTS

2012

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EDGAR LOXTON

CHAIRMAN'S REPORT

OVERVIEW OF OUR FUNDS

For some time now we have been concerned about valuations within the South African market, particularly the sustainability of earnings and the price being paid for those earnings. As a result, where our mandates allow, we have kept a reduced exposure to the market. Strong price gains in the market over the second half of the year have had the effect of making the expensive even more expensive. Although the equities in your portfolios have performed well in absolute terms, our relative performance has been hurt by our underweight position compared to the average manager, as South African equities have outperformed cash, bonds and foreign assets in 2012.

2012 was also not a good year for stock selection. As you would expect, we rigorously assess the investment cases of the securities in your funds and for those shares we do not hold and we are comfortable that the current positioning of our portfolios is the best balance we can find between risk and long-term return. In the current environment, we continue to worry more about the risk of losing money than the risk of losing out. Please read Ian Liddle's report for more detail on the current investing environment and the fund commentaries for more information on how our funds are positioned.

Although periods of underperformance are the price we pay for long-term outperformance, we know that you expect better. We charge fees based on performance in the majority of our mandates and our business will lose client support and fail, as it should, if we don't deliver long-term investment returns. We could thus not be more focused on delivering strong long-term results in your funds.

DIVIDEND WITHHOLDING TAX REPLACED SECONDARY TAX ON COMPANIES

The year brought some industry changes which impact the way we administer your unit trusts. On 1 April 2012 Dividend Withholding Tax ('DWT') replaced Secondary Tax on Companies ('STC'), shifting the tax liability on dividend distributions from the company paying the dividend to you, the investor.

While your investments have not been affected in any way, we are now required to deduct DWT from your dividends at the default rate of 15% and pay it to SARS on your behalf. We distribute the remaining balance to you as either a cash payment or additional units in your investment (where applicable).

Replacing STC with DWT aligns us with international standards where the recipient of the dividend is liable for the tax relating to the dividend and not the company declaring the dividend.

NEW CATEGORIES FOR UNIT TRUSTS

Other industry changes are afoot. To help investors make sense of the huge amount of choice in the unit trust industry, the Association for Savings and Investments SA ('ASISA') changed the way it categorises unit trusts, effective 1 January 2013. While not in our reporting period, we would like to make you aware of these new categories. All funds are now classified first according to their geographic exposure, then, within geographic categories, according to the types of assets they invest in. Within each asset class there is a third tier which indicates the main investment focus of a fund.

INVESTING EXPLAINED

Investor education remains a top priority for us. We believe that better informed investors are more likely to invest for the long term and reap the benefits of our investment philosophy and approach. In August 2012 we launched 'Investing Explained', an investment education tool aimed at helping investors understand how investing works. Investing Explained is a series of short videos, covering a range of investment-related topics, from the very basics, to more complicated themes. We encourage you to view the videos by visiting www.allangray.co.za and clicking on the 'Investing Explained' button.

We aim to ensure that our range of funds offers enough choice to meet your needs but remains manageable, without being confusing or creating too much overlap. We encourage you to be clear on your investment objectives at the outset and to try to minimise switching in and out of funds, which often destroys value. A well-planned investment strategy will help you remain focused on your long-term objectives.

We are pleased to report that the number of unitholders who entrust us with their investments continues to increase. Net flows into our funds were R5 billion in 2012. Assets under management as at 31 December 2012 were R146 billion, which is a 15% increase on the R127 billion at 31 December 2011. Gross client outflows divided by assets in our funds in 2012 were at an all-time low of about 15%, meaning that on average clients are giving us a healthy seven years to deliver returns. This is an important measure for us: clients who have confidence in long-term performance should not switch out of a fund during times of underperformance.

IAN LIDDLE

CHIEF INVESTMENT OFFICER'S REPORT

In his 1988 annual letter to shareholders, Warren Buffett wrote: 'We have no idea how long the excesses will last, nor do we know what will change the attitudes of government, lender and buyer that fuel them. But we do know that the less the prudence with which others conduct their affairs, the greater the prudence with which we should conduct our own affairs.' He was referring here to Berkshire Hathaway's arbitrage activities, but I believe that investors would do well to heed these words today.

Most investors admit to worrying about how the massive intervention by most governments and central banks will end. What will be the long-term costs of today's runaway government spending and central bank balance sheet expansion? Many investors in South Africa are concerned about the poor performance of our productive industries, and they worry about how the declining trend can possibly be reversed in the face of rapidly rising electricity prices, poor educational outcomes and fractious labour relations. In light of Mr Buffett's advice, does all of this worrying justify contrarian bullishness?

We argue not. We prefer to focus on what people are doing rather than on what they are saying. The distinction is important, because it seems that there is some disconnect between the two. US investor and author Howard Marks observed in his recent memo to Oaktree clients that 'while few people are thinking bullish today, many are acting bullish.'

PROCEED WITH CAUTION

There are a number of objective measures indicating that despite a laundry list of worries, 'Mr Market' is today conducting his affairs with somewhat less prudence than perhaps he should.

The inflation-adjusted 'Shiller' P/E ratio on the S&P500 is 22 compared to its long-term average of 16. The Shiller P/E measures the ratio of the S&P500 index to average annual profits over the preceding 10 years, and is thus used as an objective indicator of the multiple one is paying for 'normal' profits. The inflation-adjusted Shiller P/E ratio on the FTSE/JSE All Share Index is 19 compared to its long-term average of 14. On this measure, equity valuations are higher than normal – indicating that we should be cautious, for the very reason that others are acting less cautiously.

The CBOE Volatility Index ('VIX') is close to its lows over the last two decades. The VIX is a measure of investors' expectations for future equity market volatility over the next 30 days, derived from the pricing of options contracts. The current low reading on the VIX suggests that investors are now almost as complacent as they were before the global financial crisis of 2007/08. The debt markets too are sending signals of slipping prudence: 2012 was a record year for the issuance of new high yield bonds in the US, and private equity firms are again using the aggressive leverage that they were using prior to the crisis. Yields on fixed income securities globally are very low.

These measures are affirmed by the record low reading on the Leuthold Group's Monthly Risk Aversion Index ('RAI'), which was recently published in Bloomberg Businessweek. This is a composite indicator which combines various credit and swap spreads, commodity and currency prices, and relative asset returns 'to offer a broad gauge of skittishness'.

MAINTAIN YOUR RISK STANDARDS

These indicators all suggest that caution is called for if we are to follow Mr Buffett's advice. But acting prudently while many around you are not is hard to do, because it can result in years like we just experienced in 2012 – years in which satisfactory absolute returns lag behind peer benchmarks. Investors should be careful not to unconsciously lower their risk standards in a chase for yield. Spells of short-term underperformance are the price one pays for long-term outperformance.

We believe that the current relatively conservative positioning of our portfolios is appropriate in light of current prices and is the best way to maximise long-term returns.

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.

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 MCGREGGOR

PORTFOLIO MANAGER
B SC BA (HONS)

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

RUAN STANDER

PORTFOLIO MANAGER
BSC (HONS) FIA FRM

Ruan joined Allan Gray in 2008 and is a quantitative and equity analyst as well as the portfolio manager of our relative risk portfolios (including the Allan Gray Optimal Fund). He has an Honours degree in Financial and Actuarial Mathematics, is a certified GARP Financial Risk Manager and a qualified actuary.

ALLAN GRAY UNIT TRUSTS

FUND	FUND OBJECTIVE (SPECIFIC BENCHMARKS ARE SHOWN ON THE PERFORMANCE PAGES THAT FOLLOW)	LOCAL/ OFFSHORE	SUITABLE FOR INVESTORS WHO:	CATEGORY[1]
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

1. ASISA categories have been revised as of 1 January 2013. For more information on the new categories, please read 'Making sense of unit trust categories and intentions' in Quarterly Commentary 4, 2012 available on www.allangray.co.za.

ALLAN GRAY UNIT TRUSTS

FUND	FUND OBJECTIVE (SPECIFIC BENCHMARKS ARE SHOWN ON THE PERFORMANCE PAGES THAT FOLLOW)	LOCAL/ OFFSHORE	SUITABLE FOR INVESTORS WHO:	CATEGORY[1]
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

1. ASISA categories have been revised as of 1 January 2013. For more information on the new categories, please read 'Making sense of unit trust categories and intentions' in Quarterly Commentary 4, 2012 available on www.allangray.co.za.

PERFORMANCE SUMMARY

Annualised performance to 31 December 2012 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	20.1%	9.5%	14.9%
Benchmark[1]	18.9%	9.4%	15.6%
Allan Gray-Orbis Global Equity Feeder Fund		4.5%	8.2%
Benchmark[2]		4.1%	12.4%
Allan Gray Balanced Fund	16.9%	9.4%	11.9%
Benchmark[3]	15.0%	8.1%	12.0%
Allan Gray-Orbis Global Fund of Funds		6.3%	6.2%
Benchmark[4]		7.2%	11.8%
Allan Gray Stable Fund (after tax)	11.1%	7.7%	7.3%
Benchmark[5]	6.8%	6.5%	5.1%
Allan Gray Optimal Fund	7.3%	6.0%	3.8%
Benchmark[6]	7.0%	6.6%	4.8%
Allan Gray Bond Fund		11.1%	12.3%
Benchmark[7]		10.9%	13.2%
Allan Gray Money Market Fund	8.3%	7.9%	6.1%
Benchmark[8]	8.2%	7.7%	6.0%
CPI inflation[9]	5.3%	6.2%	5.1%

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 2012.

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. The return of call deposits (for amounts in excess of R5 million) with FirstRand Bank Limited plus 2%; on an after-tax basis at an assumed 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.
9. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

ALLAN GRAY EQUITY FUND

PORTFOLIO MANAGERS

Ian Liddle, Duncan Artus, 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 Fund returned 17.6% for the 2012 calendar year compared with the CPI inflation rate of 5.7%. The bull market in South African shares has rumbled on: the FTSE/JSE All Share Index ('ALSI') topped 40 000 points on the first trading day of 2013. For more information on the overall market, please refer to the commentary for the Allan Gray Balanced and Stable Funds.

The Fund's returns lagged the benchmark ALSI in 2012. A significant portion of this relative underperformance is explained by the drag from the Fund's conservative cash position in rising markets and by its two top holdings, Sasol and British American Tobacco. Despite being one of the Fund's biggest positions, Sasol did not contribute to the Fund's absolute returns as the dividends received from the share were marginally outweighed by the depreciation of the share price. British American Tobacco performed better with an annual total return of 16.4%, but this was not enough to beat the benchmark return of 26.7%. After re-evaluating the investment case for these two companies, we added to the Fund's positions in both over the second half of 2012.

Sasol is priced at just less than nine times historic profits and yields 4.8%. This compares favourably with the P/E of 15 times and dividend yield of 2.8% on the basket of companies that comprise the ALSI. Sasol has a longer reserve life than most traditional oil companies and many South African mines. In Qatar, it has proved itself as a world leading operator of the technology to convert natural gas into liquid fuels. Why is the share priced so cheaply versus the ALSI? The dollar oil price is certainly high compared to its history, but then the rand is arguably also too strong versus the dollar on an inflation-adjusted basis, meaning that the current rand oil price may be closer to its 'normal' level than the dollar oil price. Sasol (like many other South African companies) has been struggling to control cost inflation, but there are some encouraging signs that production stability is returning to its plants. The market's biggest concern now is arguably the potentially huge capital expenditure if the company decides to invest in opportunities in America stemming from the shale gas revolution. We continue to stress to company representatives the importance of sound capital allocation, which will generate appropriate returns in a wide range of possible scenarios.

British American Tobacco ('BAT') is priced at 15 times its estimated profits for 2012. We find it very attractive to buy a business of the quality of BAT on close to a market multiple. Please refer to Quarterly Commentary 2, 2012 available at www.allangray.co.za for an explanation of why we find the economics of the tobacco industry so attractive. While there are clearly risks arising from aggressive (and not necessarily rational) regulatory actions in some countries, it is important to consider the positives such as the company's flexibility to respond to regulatory changes, its exposure to growing emerging markets and the remaining potential from the company's long-term cost saving programme.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	3004.2	1065.8	116.2
Annualised: Since inception	27.3	18.8	5.6
Latest 10 years	20.1	18.9	5.3
Latest 5 years	9.5	9.4	6.2
Latest 3 years	14.9	15.6	5.1
Latest 2 years	13.7	14.0	5.9
Latest 1 year	17.6	26.7	5.7

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

SECTOR ALLOCATION ON 31 DECEMBER 2012

SECTOR	% OF PORTFOLIO	% OF ALSI
Oil & gas	10.0	4.1
Basic materials	23.0	28.1
Industrials	11.9	6.2
Consumer goods	21.6	19.4
Healthcare	3.2	2.8
Consumer services	2.7	11.2
Telecommunications	0.8	7.1
Financials	22.3	20.7
Technology	1.2	0.3
Other	0.7	0.0
Money Market and Bank Deposits	2.8	0.0
TOTAL	100.0	100.0

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

INCOME DISTRIBUTIONS FOR THE LAST 12 MONTHS

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 JUN 2012	31 DEC 2012
Cents per unit	183.8525	69.1269

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

To realise long-term investment opportunities, Orbis and Allan Gray often lean against prevailing sentiment. This can result in short-term pain, and of late, this has been the case for the Orbis Global Equity Fund. But our shared contrarian approach is readily apparent by taking a closer look at the Fund's key holdings.

US health insurance shares are a prime example. Orbis Global owns shares of four insurers, which trade for an average of just eight times Orbis estimates of 2013 earnings, or a little over half their long-term historical average. At these valuations, the market essentially assumes a collapse in the insurers' ability to generate cash flow in the future, an outlook Orbis views as far too bleak and extremely unlikely.

Energy is another area languishing under a cloud of heightened pessimism. Orbis Global's holdings in the sector are split between oil services shares and exploration and production shares, such as INPEX, Japan's largest oil and gas company. The biggest driver of INPEX's future value is its so-called Ichthys LNG (liquefied natural gas) project off the coast of Western Australia. This project alone could more than double INPEX's earnings power by 2017, yet its shares trade at only 11 times Orbis' estimate of next year's earnings and at a 20% discount to estimated tangible net asset value ('TNAV').

In the technology sector, semiconductor shares have performed poorly, but Orbis believes that the memory industry is seeing a wave of consolidation that will benefit the surviving players. Micron Technology, the largest holding in Orbis Global, is playing a large role in that consolidation through its planned acquisition of bankrupt competitor Elpida. Orbis expects the Elpida deal to boost Micron's TNAV value by 15-30% – no small matter for a stock that trades at 0.9 times TNAV. Micron should also benefit from a cyclical recovery driven by rational capital spending throughout the industry.

Of course, no discussion of contrarian investing these days would be complete without a mention of financial services. Orbis Global has major positions in Barclays and in three insurers. Prior to the global financial crisis, Barclays was trading at three to four times TNAV, had thin capital and liquidity, and a less solid loan book. Today, the bank is much stronger, yet one can buy Barclays at a 30% discount to TNAV. Like Barclays, all three of Orbis Global's insurance holdings have strong capital positions, yet all can be bought at significant discounts to estimated TNAV.

The holdings discussed above are an eclectic collection, reflecting the opportunities the market presents. Though some of these holdings have yet to deliver pleasing returns, Orbis remains excited and optimistic about the portfolio's current positioning.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	ZAR	ZAR	ZAR
Unannualised: Since inception	117.2	102.9	59.0
Annualised: Since inception	10.5	9.6	6.2
Latest 5 years	4.5	4.1	6.2
Latest 3 years	8.2	12.4	5.1
Latest 2 years	15.2	18.1	5.9
Latest 1 year	20.4	22.6	5.7

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	US$	US$	US$
Unannualised: Since inception	59.1	48.6	19.6
Annualised: Since inception	6.1	5.3	2.3
Latest 5 years	0.0	- 0.4	1.8
Latest 3 years	3.2	7.3	2.0
Latest 2 years	1.9	4.5	2.4
Latest 1 year	14.9	17.0	1.7

1. FTSE World Index including income (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

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 2012
Cents per unit	0.1613

GEOGRAPHICAL EXPOSURE ON 31 DECEMBER 2012

This Fund invests solely into the Orbis Global Equity Fund

REGION	FUND'S % EXPOSURE TO:		% OF WORLD INDEX
	EQUITIES	CURRENCIES	
United States	42	50	47
Canada	1	1	4
North America	43	51	51
United Kingdom	8	9	8
Continental Europe	13	17	18
Europe	21	26	26
Japan	15	0	7
Greater China	11	11	4
Korea	7	9	2
Other	2	2	2
Asia ex-Japan	20	22	8
Other	1	1	8
TOTAL	100	100	100

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

ALLAN GRAY BALANCED FUND

PORTFOLIO MANAGERS

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

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

The Fund has delivered another year of inflation-beating returns. Over 2012, it returned 13.4% - substantially exceeding the CPI inflation rate of 5.7%. Since its inception over 12 years ago, the Fund has returned 19.4% per year in comparison with CPI inflation over the same period of 5.8% per year. We are pleased that the Fund has beaten CPI inflation so decisively, but we must confess to being somewhat surprised by the margin of 'victory'.

The Fund has been helped in no small part by a fantastic bull market in South African shares, property and bonds for most of its existence. When the Fund was launched in October 1999, long-dated government bonds yielded 15%, listed property yielded 16%, and the FTSE/JSE All Share Index ('ALSI') was priced at 6 629. In early January 2013, long bonds are yielding 6.8%, listed property is yielding 6.4% and the ALSI has just exceeded 40 000 points (up six times).

We are confident that this bull market in South African assets cannot continue forever, but we have relatively little confidence in predicting when the market will turn. Rather than try to time the market, we constantly re-evaluate the prospective long-term returns from all assets in our universe based on their current market prices. All else being equal: the higher the current price, the lower the prospective returns.

As the bull market has marched on, we have responded by 'taking money off the table' from our winning positions in South African assets by increasing the Fund's foreign exposure as the prevailing regulations have allowed, selling South African shares and hedging South African stock market exposure. While this has resulted in the Fund's returns lagging the returns of the average fund in its sector over the last year, we believe that the Fund has assumed less risk of capital loss than the average fund in its sector. We believe that this disciplined approach is the best way to maximise the Fund's returns over the long term (which typically includes both bull and bear markets).

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	948.7	463.3	112.2
Annualised: Since inception	19.4	13.9	5.8
Latest 10 years	16.9	15.0	5.3
Latest 5 years	9.4	8.1	6.2
Latest 3 years	11.9	12.0	5.1
Latest 2 years	12.6	11.7	5.9
Latest 1 year	13.4	17.3	5.7

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 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

ASSET ALLOCATION ON 31 DECEMBER 2012

ASSET CLASS	TOTAL	SA	FOREIGN
Net Equity	54.7	43.7	11.0
Hedged Equity	13.4	3.0	10.4
Property	0.8	0.6	0.2
Commodities (Gold)	2.5	2.5	0.0
Bonds	10.3	10.3	0.0
Money Market and Bank Deposits	18.3	14.8	3.4
TOTAL	100.0	75.0	25.0[3]

3. This includes African ex-SA assets.

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 2012	31 DEC 2012
Cents per unit	80.1127	63.4551

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

To realise long-term investment opportunities, Orbis and Allan Gray often lean against prevailing sentiment. This can result in short-term pain, and of late, this has been the case for the Orbis Equity Funds which your Fund holds. But our shared contrarian approach is readily apparent by taking a closer look at some of the key holdings in those portfolios.

In the technology sector, shares of networking equipment and semiconductor manufacturers have performed poorly, but Orbis has high conviction in its selections in these areas. In semiconductors, Orbis believes that the memory industry is seeing a wave of consolidation that will benefit the surviving players. Micron Technology, the largest holding in Orbis Global, is playing a large role in that consolidation through its planned acquisition of bankrupt competitor Elpida. Orbis expects the Elpida deal to boost Micron's tangible net asset value ('TNAV') by 15-30% – no small matter for a stock that trades at 0.9 times TNAV. Micron should also benefit from a cyclical recovery driven by rational capital spending throughout the industry. In networking equipment, Ericsson – also a major position in Orbis Global – has been the biggest winner to date in contracts for the next generation of mobile technology (so-called 'LTE'), though at the expense of margins. But having secured a dominant market share, Ericsson is now in a position to reap higher margins. In the meantime, the company offers a near 4% dividend yield.

Far from their mid-2000s highs, financials may now seem a prime hunting ground for contrarian investors. Orbis Global has major positions in Barclays and in three insurers. Prior to the global financial crisis, Barclays was trading at three to four times TNAV, had thin capital and liquidity, and a less solid loan book. Today, the bank is much stronger, yet one can buy Barclays at a 30% discount to TNAV. Like Barclays, all three of Orbis Global's insurance holdings have strong capital positions, yet all can be bought at significant discounts to estimated TNAV.

While it took a housing crisis for sentiment to sour on financials, sentiment on Japan seems perennially pessimistic. Still, some companies offer both attractive fundamentals and an appealing valuation. Two examples in the Orbis Japan Equity Fund are Toyota Motor and Toyota Industries ('TI'). Toyota Motor is set to reclaim its position as the world's top automaker by sales, but it trades at just 13 times Orbis' estimate of this fiscal year's earnings. The cash held by Toyota's core auto unit plus the company's investment holdings account for over half of its market capitalisation. TI, Toyota's forefather, holds a 6% stake in the automaker that at current market prices is worth TI's entire market capitalisation. In addition, TI is a global leader in its own right in forklift trucks and car air-conditioning compressors.

The holdings discussed above are an eclectic collection, reflecting the opportunities the market presents. Though some of these holdings have yet to deliver pleasing returns, Orbis remains excited and optimistic about the Fund's underlying equity portfolios.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	ZAR	**ZAR**	**ZAR**
Unannualised: Since inception	93.2	104.3	65.6
Annualised: Since inception	7.7	8.3	5.8
Latest 5 years	6.3	7.2	6.2
Latest 3 years	6.2	11.8	5.1
Latest 2 years	14.8	18.3	5.9
Latest 1 year	13.0	16.0	5.7

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	US$	**US$**	**US$**
Unannualised: Since inception	59.9	69.1	24.0
Annualised: Since inception	5.5	6.1	2.4
Latest 5 years	1.7	2.6	1.8
Latest 3 years	1.3	6.7	2.0
Latest 2 years	1.6	4.7	2.4
Latest 1 year	7.8	10.7	1.7

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 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

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 2012
Cents per unit	0.0511

GEOGRAPHICAL EXPOSURE OF FUNDS ON 31 DECEMBER 2012

REGION	NET EQUITY EXPOSURE (%)	HEDGED EQUITY EXPOSURE (%)	FUND CURRENCY EXPOSURE (%)
North America	15	17	61
Europe	9	11	20
Japan	15	10	2
Asia ex-Japan	8	8	17
Other	1	1	1
TOTAL	48	46	100

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

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

Prices for all major South African asset classes (shares, property and bonds) have increased considerably since the Fund was launched in July 2000. After a brief interruption from the global financial crisis, the strong momentum on the JSE resumed, with the FTSE/JSE All Share Index more than doubling from its lows in the first quarter of 2009. Of course, the currently prevailing high prices on the stock market will make it much more difficult for the Fund to beat its benchmark from this starting point.

During 2010, the Fund acquired a significant position in South African government inflation-linked bonds. At the time, these bonds were offering a real (or inflation-adjusted) yield over 3% per year. But the same bonds today yield a real return of only around 1% per year. Finding low-risk inflation-beating investments at current market prices is challenging.

Conservatively-minded investors can respond to this dilemma in two ways: 1. They can chase yield by increasing their risk appetite (either consciously or unconsciously), or 2. They can maintain a disciplined and consistent risk appetite and wait patiently for the day when the market once again offers great low-risk investment opportunities. We believe that the second response is the better one, but it is psychologically hard to do, because no one can say for how long you will have to wait. This wait can be trying for all of us who suffer from 'FOMO' (the fear of missing out), even though we intellectually understand that the likely future opportunity cost of missing out on cash-beating returns reduces as the market (and thus the starting point for future returns) rises.

We are confident that the quarter of the Fund invested overseas not only improves the Fund's diversification, but will contribute to cash-beating returns over the long term. The foreign exposure does add to the volatility of the Fund's rand returns over the short term. At the year-end exchange rate of R8.40 per US dollar, we find this to be an attractive trade-off.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1 2]	CPI INFLATION[3]
Unannualised: Since inception	324.3	139.3	101.7
Annualised: Since inception	12.3	7.2	5.8
Latest 10 years	11.1	6.8	5.3
Latest 5 years	7.7	6.5	6.2
Latest 3 years	7.3	5.1	5.1
Latest 2 years	9.0	4.9	5.9
Latest 1 year	5.9	4.8	5.7

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 2012 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 2012.
3. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

ASSET ALLOCATION ON 31 DECEMBER 2012

ASSET CLASS	TOTAL	SA	FOREIGN
Net Equity	14.4	8.9	5.5
Hedged Equity	34.6	18.1	16.5
Property	0.5	0.3	0.2
Commodities (Gold)	2.9	2.9	0.0
Bonds	7.8	7.8	0.0
Money Market and Bank Deposits	39.8	36.0	3.8
TOTAL	100.0	74.0	26.0[4]

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

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

INCOME DISTRIBUTIONS FOR THE LAST 12 MONTHS

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

	31 MAR 2012	30 JUN 2012	30 SEPT 2012	31 DEC 2012
Cents per unit	16.1632	17.8014	12.3897	14.3128

ALLAN GRAY OPTIMAL FUND

PORTFOLIO MANAGER

Ruan Stander

FUND OBJECTIVE AND BENCHMARK

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

COMMENTARY

The Optimal Fund returned 1.6% during 2012. This is a disappointing showing relative to inflation of around 6% and a strong market. During the fourth quarter the Fund further reduced its net equity exposure to 3.8% as a rising market on high valuations further increases the risk of capital loss. Investors can expect the exposure to continue reducing if the FTSE/JSE All Share Index rises further. The Fund's most significant underweight position remains the Retail sector, while Oil & Gas (Sasol) and Food & Beverage (primarily SAB) remain the most significant overweights.

The Optimal Fund aims to protect investors' capital against inflation in the long run without sacrificing absolute returns in the short term. Although we have achieved these objectives if you look at Fund performance since the inception, over the last five years we have only managed to match inflation. Having said this, our performance numbers tend to look worse as the market reaches a peak, with our holdings typically providing outperformance during weak markets. Investors who share our concern about the high stock market and/or need access to their savings in the next couple of years should consider the Optimal Fund as part of their portfolio.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	119.5	102.7	70.8
Annualised: Since inception	8.0	7.1	5.4
Latest 10 years	7.3	7.0	5.3
Latest 5 years	6.0	6.6	6.2
Latest 3 years	3.8	4.8	5.1
Latest 2 years	3.1	4.5	5.9
Latest 1 year	1.6	4.4	5.7

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 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

ASSET ALLOCATION ON 31 DECEMBER 2012

ASSET CLASS	TOTAL
Net SA Equities	3.2
Hedged SA Equities	86.5
Property	0.6
Money Market and Bank Deposits	9.7
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 2012	31 DEC 2012
Cents per unit	22.7463	17.1315

ALLAN GRAY-ORBIS GLOBAL OPTIMAL FUND OF FUNDS

PORTFOLIO MANAGER

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

FUND OBJECTIVE AND BENCHMARK

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

COMMENTARY

The fate of Continental Europe dominated the news for much of 2012. Many global investors have been reluctant to touch shares in the region simply out of fear of the unknown. In many ways, your Fund is an ideal vehicle for navigating this type of environment. Market disruption tends to increase valuation dispersion, which can create compelling long-term investment opportunities. By hedging most of its stock market exposure, the Optimal Strategy can mitigate the risk that might otherwise come with being more broadly invested in European shares. Optimal's structure allows Orbis to capitalise on the company-specific opportunities identified by its analysts, while avoiding much of the inherent stock market risk.

One such opportunity is Ericsson, one of the largest holdings in the Optimal SA Fund. In Orbis' view, Ericsson is a compelling opportunity in both an absolute and relative sense. Ericsson focuses on the transmission hardware used by mobile phone companies and the accompanying intellectual property. More than 40% of the world's mobile traffic now passes through Ericsson's network equipment. Ericsson spotted the trend toward the next standard, called Long Term Evolution ('LTE'), in the middle of the last decade and invested heavily. Thanks to its technological superiority, Ericsson has taken the lion's share of new LTE contract wins.

Ericsson's current market value is about SEK215 billion (US$33 billion). On first glance, at more than twice its tangible book value of SEK97 billion, it might not appear very cheap; however, this valuation ignores its patents and intellectual property. If we put a fair value on the royalty stream from this portfolio, we arrive at an adjusted book value in line with Ericsson's current market value. By 2016, Orbis estimates that Ericsson could be generating earnings of SEK9 a share, versus SEK5 in 2013. Valued on a modest multiple of 12 times earnings, this would justify a share price of around SEK108 in 2016, or nearly 70% higher than today's price. In the meantime, Ericsson offers a near 4% dividend yield.

With a strong balance sheet, net cash equal to approximately 25% of its market capitalisation, and a management team focused on making good long-term decisions, Ericsson is an example of a high-quality company trading at a significant discount to its intrinsic value. Whether, as many currently believe, the dream of closer European fiscal and political integration lies in tatters, or whether recent events are steps on the way to the formation of a 'United States of Europe', the resulting stock market volatility should allow Orbis to continue to identify compelling opportunities like Ericsson. When coupled with the ability to hedge broader stock market risk, the result is a Fund that offers an all-weather alternative to cash and bonds for investors wishing to avoid the risk inherent in a long-only fund. The 23-year history of the Optimal Strategy has shown that this disciplined approach can deliver attractive long-term results in even the most uncertain of environments.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	ZAR	ZAR	ZAR
Unannualised: Since inception	11.7	11.1	15.0
Annualised: Since inception	4.0	3.8	5.0
Latest 2 years	13.6	13.3	5.9
Latest 1 year	7.8	6.2	5.7

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
	US$	US$	US$
Unannualised: Since inception	1.1	0.5	6.2
Annualised: Since inception	0.4	0.2	2.2
Latest 2 years	0.5	0.3	2.4
Latest 1 year	2.9	1.3	1.7

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 December 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

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 2012
Cents per unit	0.3246

GEOGRAPHICAL EXPOSURE OF FUNDS ON 31 DECEMBER 2012

REGION	NET EQUITY EXPOSURE (%)	HEDGED EQUITY EXPOSURE (%)	FUND CURRENCY EXPOSURE (%)
North America	0	30	56
Europe	3	19	28
Japan	3	17	0
Asia ex-Japan	2	13	16
Other	0	1	1
TOTAL	9	81	100

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

ALLAN GRAY BOND FUND

PORTFOLIO MANAGERS

Sandy McGregor, Andrew Lapping

FUND OBJECTIVE AND BENCHMARK

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

COMMENTARY

In July 2012 the South African Reserve Bank ('SARB') reacted to generally weak domestic business conditions by cutting interest rates by a further half a percent. Since then there has been a wave of industrial unrest and wage settlements which threaten price stability. The rand has weakened. Inflation risks are now on the upside.

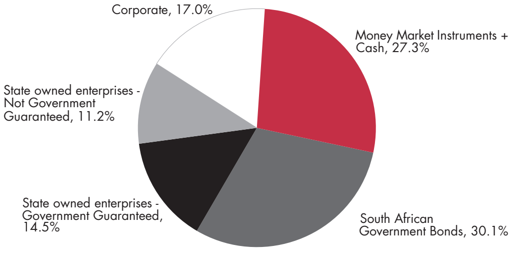
In this environment we have continued to invest in high yielding long-dated bonds. However, given the potential vulnerability of the SA bond market should foreign sentiment turn adverse, we are keeping the average duration of the portfolio significantly below the All Bond Index benchmark.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	121.9	120.7	62.4
Annualised: Since inception	10.1	10.1	6.1
Latest 5 years	11.1	10.9	6.2
Latest 3 years	12.3	13.2	5.1
Latest 2 years	11.5	12.3	5.9
Latest 1 year	13.5	16.0	5.7

1. All Bond Index (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

FUND ALLOCATION ON 31 DECEMBER 2012



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

INCOME DISTRIBUTIONS FOR THE LAST 12 MONTHS

Actual payout, the Fund distributes quarterly.

	31 MAR 2012	30 JUN 2012	30 SEPT 2012	31 DEC 2012
Cents per unit	20.1139	20.1759	19.7622	20.4677

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

The period of remarkably stable interest rates continues. The only interest rate change of the past two years was the 50 basis point cut in July 2012. Our view is unchanged in that we think the medium-term risk to interest rates is to the upside. This does not rule out rate cuts in the near term.

In the short term a slowdown in domestic consumption could lead the Monetary Policy Committee ('MPC') to cut rates. A domestic slowdown could be precipitated by a reduction in unsecured credit growth. The micro loan sector is not interest rate sensitive, but the volume of new advances looks to be getting out of hand, with unsecured advances growing R61 billion over the past year. Total household consumption expenditure was R1 743 billion in 2011, so the growth in unsecured lending is not immaterial in this context. A slowdown in consumption expenditure would reduce the current account deficit, the size of which poses a threat to the stability of the rand and inflation. In this situation the MPC could argue for rate cuts, however lower interest rates could undermine the rand, which is supported by investors who wish to benefit from relatively high South African interest rates.

Foreigners invested R86 billion in the South African bond market in 2012. This went some way to financing the current account deficit, which was R144 billion for the first nine months of the year. Bonds have been a great asset class for investors; this historical performance has encouraged record flows into global bond funds and more specifically emerging market bonds with higher yields. These flows have helped stabilise the rand. Our concern is that if the bond flows slow down the rand may weaken leading to increased inflation and possibly higher interest rates.

The Fund is positioned to benefit from a flat or rising rate environment through its investment in floating rate notes.

PERFORMANCE NET OF ALL FEES AND EXPENSES

% RETURNS	FUND	BENCHMARK[1]	CPI INFLATION[2]
Unannualised: Since inception	158.5	157.3	89.9
Annualised: Since inception	8.6	8.6	5.7
Latest 10 years	8.3	8.2	5.3
Latest 5 years	7.9	7.7	6.2
Latest 3 years	6.1	6.0	5.1
Latest 2 years	5.6	5.5	5.9
Latest 1 year	5.4	5.5	5.7

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest ('STeFI') Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 31 December 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2012.

INCOME DISTRIBUTIONS FOR THE LAST 12 MONTHS

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

JAN 2012	FEB 2012	MAR 2012	APR 2012
0.46	0.43	0.46	0.45
MAY 2012	JUN 2012	JUL 2012	AUG 2012
0.46	0.45	0.46	0.45
SEPT 2012	OCT 2012	NOV 2012	DEC 2012
0.43	0.43	0.41	0.42

EXPOSURE BY ISSUER ON 31 DECEMBER 2012

RSA	18.3
Denel	4.3
Eskom	1.8
Government and parastatals	24.4
Toyota	4.4
Bidvest	3.0
Sanlam	2.8
Mercedes	1.7
Vodacom	1.3
MTN	1.1
Scania Finance	0.8
Netcare	0.6
Corporates	15.7
Standard Bank	17.2
ABSA	12.2
FirstRand Bank	11.7
Nedbank	11.4
Investec	5.1
Standard Chartered	1.9
Deutsche Bank	0.2
Banks[3]	59.7
TOTAL	100.0

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

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

ALLAN GRAY UNIT TRUSTS ANNUAL FEES

FUND	ANNUAL INVESTMENT MANAGEMENT FEE (EXCL. VAT)	
Allan Gray Equity Fund (JSE code: AGEF)	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%
Allan Gray-Orbis Global Equity Feeder Fund[1] (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, these can be found at www.orbis.com.	
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%
Allan Gray-Orbis Global Fund of Funds[1] (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, these can be found at www.orbis.com.	
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%.	
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
Allan Gray-Orbis Global Optimal Fund of Funds[1] (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, these can be found at www.orbis.com.	
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%
Allan Gray Money Market Fund (JSE code: AGMF)	Fixed fee:	0.25%

ALLAN GRAY UNIT TRUSTS
TOTAL EXPENSE RATIOS

FUND	TOTAL EXPENSE RATIO[3] (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)	2.56%	0.78%	1.71%	0.05%	0.02%
Allan Gray-Orbis Global Equity Feeder Fund[1] (JSE code: AGOE)	1.54%	- 0.15%	1.49%	0.14%	0.06%
Allan Gray Balanced Fund (JSE code: AGBF)	1.40%	0.16%	1.16%	0.06%	0.02%
Allan Gray-Orbis Global Fund of Funds[1] (JSE code: AGGF)	1.48%	0.05%	1.21%	0.15%	0.07%
Allan Gray Stable Fund (JSE code: AGSF)	1.65%	0.45%	1.13%	0.05%	0.02%
Allan Gray Optimal Fund (JSE code: AGOF)	1.27%	0.00%	1.14%	0.11%	0.02%
Allan Gray-Orbis Global Optimal Fund of Funds[1] (JSE code: AGOO)	1.22%	0.00%	0.98%	0.17%	0.07%
Allan Gray Bond Fund (JSE code: AGBD)	0.33%	0.02%	0.29%	0.00%	0.02%
Allan Gray Money Market Fund (JSE code: AGMF)	0.30%	0.00%	0.29%	0.00%	0.01%

1. 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.
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. A total expense ratio ('TER') of a unit trust is a measure of the unit trust's assets that were relinquished as a payment of services rendered in the management of the unit trust. The total operating expenses are expressed as a percentage of the average value of the unit trust, calculated for the year ended 31 December 2012. 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.

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 STATEMENT

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. The Company, AGL and AGGL are incorporated in the Republic of South Africa and are subject to the corporate governance regime set out in the Companies Act of 2008 and the King Code of Governance for South Africa 2009 ('King III' or 'the Code').
2. The Group provides financial services to clients in Southern Africa. It offers a range of investment products and services through various operating companies and subsidiaries registered in South Africa, Namibia, Botswana 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 Group 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, 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 four are non-executive. 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 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.

BOARD MEETINGS

11. The Board meets regularly, including as often as is required to effectively perform its duties. It met twice during the 2012 financial year.

BOARD APPOINTMENT

12. Directors are appointed annually by the shareholder.

AUDIT COMMITTEE

13. The Board is assisted by an Audit Committee appointed by AGGL. The Audit Committee has five members of whom three are independent vis-à-vis the Company. It is chaired by an independent 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.

CORPORATE GOVERNANCE STATEMENT

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.

SOCIAL AND ETHICS COMMITTEE

25. During the year, the Company appointed the Social and Ethics Committee of Allan Gray Proprietary Limited as the company's Social and Ethics Committee. The Committee consists of three directors of the Company's parent company, of which one is non-executive. The function of the Committee is to monitor the activities regarding social and economic development, good corporate citizenship, the environment, consumer relationships and employment practices.

COMPLIANCE

26. 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

27. The Group's internal control and risk management procedures serve to provide assurance against material misstatement and loss.
28. 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.
29. The internal audit function reports directly to the Audit Committee.
30. 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

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

GOING CONCERN

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

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2012

CONSTITUTION

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") including Allan Gray Unit Trust Management (RF) Proprietary Limited ('Company'). The Committee acts as audit committee of the Company and of other entities in the Group.

DUTIES AND TERMS OF REFERENCE

2. The duties of the Audit Committee are set out in the Companies Act of 2008 and other applicable legislation, if any, and in its terms of reference ('Charter') as adopted by the AGGL board.

MEMBERSHIP, MEETINGS AND ANNUAL ASSESSMENT

3. The Committee has five members. Four members are directors of AGGL and / or its subsidiaries, including of the Company. Two members are non-executive directors of group companies. One further member, chosen for his skills and experience, is not a director or executive of any Group company and is independent. Shareholders have appointed the Committee in the knowledge that the King III Code of Corporate Governance ('King III') requires that all 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 Group executives, including of the Company, as well as the external auditors of the Group and Company attend meetings by invitation.
6. During the year under review five meetings were held.
7. The effectiveness of the Committee is assessed on an annual basis.

ROLE AND RESPONSIBILITIES

8. The Committee's role and responsibilities include statutory duties set out in the Companies Act of 2008 and other legislation applicable to the financial services sector, and responsibilities assigned to it by the AGGL board and / or the board of the Company and / or the boards of other Group companies. 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. For the year under review, the Committee satisfied itself that the external auditor was independent of the Company and the Group as set out in section 94(8) of the Companies Act of 2008. The Committee considered the other 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. The auditor provided assurance that its own internal governance processes within the audit firm supported its claim to be independent. The Committee was

assured that the appointment of the auditor complied with the Companies Act of 2008, and / or any other legislation relating to the appointment of auditors.

10. The Committee, in consultation with executive management, considered and approved the audit plan and budgeted audit fees of the external auditor for the 2012 year. The Committee requires that it approves non-audit services in advance, and if not, that full details of the engagement 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 of the Group, including the Company, for the 2013 financial year.
12. The Committee has reviewed the accounting policies and the financial statements of the Company 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 Group, including the Company. No matters of significance have been raised in the past financial year.
14. The Committee reviews and reports 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.
16. Additional duties and functions assigned by the board of AGGL and / or the Company to the Committee, including 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 11 February 2013, the annual financial statements for approval by the Board;
    - 16.4 considering the performance, financial position and general state of affairs of the Company in assisting the board in formulating its statement regarding the 'going concern' status of the Company as set out elsewhere in the Annual Report;
    - 16.5 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.

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2012

17. The Committee ensures that, within the context of the Group internal audit function, 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.
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 satisfactory. 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, as per King III, to 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 and that the expertise and resources of the financial function and experience of the senior members of management responsible for the financial function are adequate.

F J Van Der Merwe
Chairman
22 February 2013

TRUSTEES' REPORT ON THE ALLAN GRAY UNIT TRUST SCHEME

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

We advise for the period 1 January 2012 to 31 December 2012 we reasonably believe that the Manager has administered the Scheme in accordance with:
(i) the limitations imposed on the investment and borrowing powers of the manager by the Act; and
(ii) the provisions of the Act and the relevant deeds.

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

Yours faithfully

Nelia de Beer
Trustee Services Head

Marian Rutters
Trustee Operations Manager

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

Johannesburg
04 February 2013

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 2012 set out on pages 43 to 80 have been approved by the board of directors of Allan Gray Unit Trust Management (RF) Proprietary Limited and are signed on its behalf by:

ED Loxton	RW Dower
Chairman	Director
Cape Town	Cape Town
22 February 2013	22 February 2013

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Allan Gray Unit Trust Funds set out on pages 43 to 80, which comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Unitholders and Statement of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Allan Gray Unit Trust Funds as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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
22 February 2013

ALLAN GRAY UNIT TRUSTS

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	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	
		2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
REVENUE		1 103 288 961	833 752 200	814 418	888 049	1 834 517 557	1 449 006 730	660 971	393 608	1 089 165 006	1 071 002 322	48 672 832	76 446 531	282 007	214 760	47 137 599	28 090 731	456 318 079	488 929 503
Dividends		1 021 103 332	779 756 357	-	-	902 099 927	624 925 176	-	-	264 028 808	213 670 128	40 184 121	58 024 391	-	-	-	-	-	-
Interest - Local		81 256 941	53 995 843	814 418	888 049	931 398 508	824 081 538	660 971	393 608	824 928 745	857 332 194	8 440 927	18 422 140	282 007	214 757	47 137 599	28 090 731	456 318 079	488 929 503
Bonds		-	-	-	-	434 527 022	389 662 007	-	-	160 887 448	204 042 150	-	-	-	-	36 942 617	25 174 918	-	-
Money market instruments				-	-	406 266 406	373 055 283	-	-	606 753 855	604 841 822	-	79 829	282 007	214 757	8 289 401	2 150 516	434 737 447	465 113 846
Property funds		23 836 233	9 485 939	-	-	33 841 800	17 102 854	-	-	15 389 324	7 851 242		-	-	-	-	-	-	-
Cash and cash equivalents		57 420 708	44 509 904	814 418	888 049	56 763 280	44 261 394	660 971	393 608	41 898 118	40 596 980	8 440 927	18 342 311	-	-	1 905 581	765 297	21 580 632	23 815 657
Interest - Foreign investments		-	-	-	-	-	16	-	-	-	-	-	-	-	3	-	-	-	-
Sundry Income		928 688	-	-	-	1 019 122	-	-	-	207 453	-	47 784	-	-	-	-	-	-	-
OPERATING EXPENSES		763 386 876	510 262 541	359 950	325 874	616 437 390	397 387 899	428 231	414 659	405 390 533	303 969 511	16 356 464	30 307 375	78 890	73 794	2 052 691	2 046 952	23 814 585	24 536 786
Audit fee		88 532	87 521	35 117	34 715	102 838	101 661	36 389	35 974	90 706	89 671	88 821	87 807	36 348	36 016	64 515	63 777	74 957	74 957
Bank charges		186 798	211 337	3 333	7 070	280 127	285 209	1 944	2 764	262 406	237 127	56 763	55 378	4 941	6 965	29 571	23 571	98 160	93 774
Trustee fees		1 720 566	1 515 954	321 500	284 089	3 171 459	2 527 335	389 898	375 921	1 640 700	1 542 446	76 680	144 122	37 601	30 813	37 157	20 306	461 256	479 081
Management fee		761 390 980	508 447 729	-	-	612 882 966	394 473 694	-	-	403 396 721	302 100 267	16 134 200	30 020 068	-	-	1 921 448	1 939 298	23 180 212	23 888 974
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		339 902 085	323 489 659	454 468	562 175	1 218 080 167	1 051 618 831	232 740	(21 051)	683 774 473	767 032 811	32 316 368	46 139 156	203 117	140 966	45 084 908	26 043 779	432 503 494	464 392 717
Income adjustments on creation and cancellation of units		(5 216 176)	(2 201 872)	4 921	35 366	37 582 404	27 297 773	(12 234)	(20 114)	(1 350 399)	(10 491 547)	(4 797 524)	(7 367 958)	(18 665)	2 029	2 606 465	1 697 896	-	-
PROFIT/(LOSS) BEFORE UNDISTRIBUTABLE INCOME ITEMS	2	334 685 909	321 287 787	459 389	597 541	1 255 662 571	1 078 916 604	220 506	(41 165)	682 424 074	756 541 264	27 518 844	38 771 198	184 452	142 995	47 691 373	27 741 675	432 503 494	464 392 717
Investment transaction costs on investments at fair value through profit or loss		-	-	-	-	(113 015)	(174 878)	-	-	(393 139)	(494 493)	(80 244)	(238 965)	-	-	-	-	-	-
Realised gains/(losses) on disposal of available-for-sale investments		1 456 475 410	1 866 804 118	56 800 563	29 143 805	1 379 935 176	1 582 579 073	175 573 356	113 251 757	867 168 636	1 110 722 917	287 495 664	317 622 717	31 476 976	5 721 399	7 586 575	5 695 599	-	-
(Losses)/gains on investments at fair value through profit or loss		-	-	-	-	(306 549 949)	52 691 396	-	-	(926 097 216)	158 143 737	(218 058 761)	55 375 822	-	-	-	-	-	-
Foreign exchange gains/(losses) on monetary assets		-	-	2 461 931	(3 195 036)	113 729 634	90 231 929	(164 649)	(96 049)	55 247 769	80 894 118	-	-	1 228 338	973 679	-	-	-	-
Impairment of available-for-sale investments		(165 343 849)	(188 999 333)	-	-	(206 182 734)	(175 511 747)	-	-	(59 513 156)	(41 987 471)	(3 570 242)	(8 205 588)	-	-	-	-	-	-
OPERATING PROFIT/(LOSS) FOR THE YEAR		1 625 817 470	1 999 092 572	59 721 883	26 546 310	2 236 481 683	2 628 732 377	175 629 213	113 114 543	618 836 968	2 063 820 072	93 305 261	403 325 184	32 889 766	6 838 073	55 277 948	33 437 274	432 503 494	464 392 717
Finance costs - distributions to unitholders	2	(336 833 549)	(323 069 471)	(459 389)	(597 541)	(1 255 662 571)	(1 078 916 604)	(220 506)	-	(682 424 074)	(756 541 264)	(27 518 844)	(38 771 198)	(184 452)	(142 995)	(47 691 373)	(27 741 675)	(432 503 494)	(464 392 717)
UNDISTRIBUTED PROFIT/(LOSS) FOR THE YEAR		1 288 983 921	1 676 023 101	59 262 494	25 948 769	980 819 112	1 549 815 773	175 408 707	113 114 543	(63 587 106)	1 307 278 808	65 786 417	364 553 986	32 705 314	6 695 078	7 586 575	5 695 599		-
OTHER COMPREHENSIVE INCOME																			
Unrealised gains/(losses) on available-for-sale investments		4 539 046 564	2 209 978 970	1 023 213 671	409 000 515	5 868 441 152	3 731 992 194	833 453 100	994 711 289	1 934 650 924	2 210 306 225	205 564 562	14 936 509	60 895 205	91 620 219	35 029 130	4 918 700	-	-
Reclassification adjustment for realised (gains)/losses on available-for-sale investments included in profit or loss		(1 456 475 410)	(1 866 804 118)	(56 800 563)	(29 143 805)	(1 379 935 176)	(1 582 579 073)	(175 573 356)	(113 251 757)	(867 168 636)	(1 110 722 917)	(287 495 664)	(317 622 717)	(31 476 976)	(5 721 399)	(7 586 575)	(5 695 599)	-	-
Reclassification adjustment for impairment of available-for-sale investments		165 343 849	188 999 333	-	-	206 182 734	175 511 747	-	-	59 513 156	41 987 471	3 570 242	8 205 588	-	-	-	-	-	-
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AS A RESULT OF OPERATIONS		4 536 898 924	2 208 197 286	1 025 675 602	405 805 479	5 675 507 822	3 874 740 641	833 288 451	994 574 075	1 063 408 338	2 448 849 587	(12 574 443)	70 073 366	62 123 543	92 593 898	35 029 130	4 918 700	-	-

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	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	
		2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
ASSETS																			
Investments	8	32 402 283 339	27 767 442 516	6 139 962 894	5 066 556 092	61 903 966 239	48 652 729 980	7 038 290 257	6 632 111 807	28 989 510 128	27 998 043 069	1 003 530 595	1 906 378 720	627 792 134	575 608 727	804 590 108	466 102 524	7 799 117 584	8 752 433 918
Available-for-sale investments		31 485 135 526	26 723 442 516	6 139 962 894	5 066 556 092	52 617 348 739	42 082 838 681	7 038 290 257	6 632 111 807	18 569 761 442	17 324 075 226	914 379 277	1 632 993 397	627 792 134	575 608 727	584 985 014	359 659 826	-	-
- Equity instruments		31 485 135 526	26 723 442 516	-	-	30 714 166 425	25 485 133 354	-	-	8 749 951 962	8 005 006 918	914 379 277	1 632 993 397	-	-	-	-	-	-
- Listed bonds		-	-	-	-	6 481 223 638	4 774 391 468	-	-	2 287 284 378	2 512 553 153	-	-	-	-	584 985 014	359 659 826	-	-
- Foreign investments		-	-	6 139 962 894	5 066 556 092	15 421 958 676	11 823 313 859	7 038 290 257	6 632 111 807	7 532 525 102	6 806 515 155	-	-	627 792 134	575 608 727	-	-	-	-
Money market investments classified as loans and receivables		-	-	-	-	8 446 875 766	5 756 333 968	-	-	9 963 583 127	9 654 456 828	-	-	-	-	191 605 094	83 442 698	7 509 117 584	8 375 433 918
Cash and cash equivalents held for investment purposes		917 147 813	1 044 000 000	-	-	839 741 734	813 557 331	-	-	456 165 559	1 019 511 015	89 151 318	273 385 323	-	-	28 000 000	23 000 000	290 000 000	377 000 000
Accounts receivable*		77 821 950	31 250 974	125	10 000 000	24 820 028	27 911 525	22 000 086	-	6 769 972	21 248 385	3 264 528	158 001	69	7	-	-	81	-
Interest receivable		7 127 978	4 303 305	105 724	-	7 146 374	4 499 946	28 823	23 879	4 588 326	3 266 447	414 425	1 147 602	26 555	28 758	133 078	127 440	1 567 825	1 662 799
Cash and cash equivalents		6 894 623	9 558 964	32 147 669	5 361 580	9 612 916	13 426 187	(510 559)	27 475 601	9 313 982	10 225 989	6 464 642	7 874 236	9 864 232	6 593 644	1 219 525	810 165	5 095 495	6 094 837
TOTAL ASSETS		32 494 127 890	27 812 555 759	6 172 216 412	5 081 917 672	61 945 545 557	48 698 567 638	7 059 808 607	6 659 611 287	29 010 182 408	28 032 783 890	1 013 674 190	1 915 558 559	637 682 990	582 231 136	805 942 711	467 040 129	7 805 780 985	8 760 191 554
LIABILITIES																			
Accounts payable*		112 055 240	84 718 170	11 065 196	161 198	292 800 460	64 724 545	70 417	49 046	34 436 197	35 449 315	1 166 197	14 928 024	3 539 431	2 277 380	265 637	270 469	1 994 079	2 158 379
Distribution payable to unitholders		91 754 679	82 839 010	459 389	597 541	570 417 375	529 872 747	220 506	-	158 983 521	180 498 872	10 213 936	21 126 480	184 452	142 995	14 018 717	8 018 413	32 795 832	39 203 014
TOTAL LIABILITIES, EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		203 809 919	167 557 180	11 524 585	758 739	863 217 835	594 597 292	290 923	49 046	193 419 718	215 948 187	11 380 133	36 054 504	3 723 883	2 420 375	14 284 354	8 288 882	34 789 911	41 361 393
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		32 290 317 971	27 644 998 579	6 160 691 827	5 081 158 933	61 082 327 722	48 103 970 346	7 059 517 684	6 659 562 241	28 816 762 690	27 816 835 703	1 002 294 057	1 879 504 055	633 959 107	579 810 761	791 658 357	458 751 247	7 770 991 074	8 718 830 161

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2012

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND	
	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
OPENING BALANCE	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
Increase/(decrease) in net assets attributable to unitholders as a result of operations	4 536 898 924	2 208 197 286	1 025 675 602	405 805 479	5 675 507 822	3 874 740 641	833 288 451	994 574 075	1 063 408 338	2 448 849 587
Undistributed profit/(loss) for the year	1 288 983 921	1 676 023 101	59 262 494	25 948 769	980 819 112	1 549 815 773	175 408 707	113 114 543	(63 587 106)	1 307 278 808
Other comprehensive income	3 247 915 003	532 174 185	966 413 108	379 856 710	4 694 688 710	2 324 924 868	657 879 744	881 459 532	1 126 995 444	1 141 570 779
Change in net assets attributable to unitholders as a result of net creations/(cancellations) of units during the year	108 420 468	(318 943 481)	53 857 292	600 964 894	7 302 849 554	4 200 146 239	(433 333 008)	(514 104 106)	(63 481 351)	(2 488 274 667)
TOTAL NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	32 290 317 971	27 644 998 579	6 160 691 827	5 081 158 933	61 082 327 722	48 103 970 346	7 059 517 684	6 659 562 241	28 816 762 690	27 816 835 703
Represented by the following:										
Cumulative available-for-sale reserve	10 068 068 050	6 820 153 046	1 484 956 656	518 646 689	12 424 127 244	7 667 631 939	1 307 330 394	649 450 651	4 184 985 688	2 978 969 240
Book value of net assets	22 222 249 921	20 824 845 533	4 675 735 171	4 562 512 244	48 658 200 478	40 436 338 407	5 752 187 290	6 010 111 590	24 631 777 002	24 837 866 463
TOTAL	32 290 317 971	27 644 998 579	6 160 691 827	5 081 158 933	61 082 327 722	48 103 970 346	7 059 517 684	6 659 562 241	28 816 762 690	27 816 835 703

	OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
OPENING BALANCE	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
Increase/(decrease) in net assets attributable to unitholders as a result of operations	(12 574 443)	70 073 366	62 123 543	92 593 898	35 029 130	4 918 700	-	-
Undistributed profit/(loss) for the year	65 786 417	364 553 986	32 705 314	6 695 078	7 586 575	5 695 599	-	-
Other comprehensive income	(78 360 860)	(294 480 620)	29 418 229	85 898 820	27 442 555	(776 899)	-	-
Change in net assets attributable to unitholders as a result of net creations/(cancellations) of units during the year	(864 635 555)	(1 148 299 447)	(7 975 197)	102 914 704	297 877 980	148 365 787	(947 839 087)	509 696 577
TOTAL NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	1 002 294 057	1 879 504 055	633 959 107	579 810 761	791 658 357	458 751 247	7 770 991 074	8 718 830 161
Represented by the following:								
Cumulative available-for-sale reserve	339 250 428	417 611 289	71 105 403	41 691 497	33 022 470	5 360 791	-	-
Book value of net assets	663 043 629	1 461 892 766	562 853 704	538 119 264	758 635 887	453 390 456	7 770 991 074	8 718 830 161
TOTAL	1 002 294 057	1 879 504 055	633 959 107	579 810 761	791 658 357	458 751 247	7 770 991 074	8 718 830 161

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2012

	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	
		2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES																			
Interest received		78 432 268	56 875 048	708 694	994 031	873 452 179	803 295 201	656 027	404 857	822 852 625	789 594 947	9 174 104	18 796 100	284 210	201 504	44 155 616	25 300 913	490 364 729	515 224 397
Dividends received		1 021 111 374	779 748 315	-	-	902 099 927	624 925 176	-	-	264 028 808	213 670 128	40 184 121	58 024 391	-	-	-	-	-	-
Sundry income		928 688	-	-	-	1 019 122	-	-	-	207 453	-	47 784	-	-	-	-	-	-	-
Distributions paid		(327 917 880)	(303 425 152)	(597 541)	(264 356)	(1 215 117 943)	(1 027 943 718)	-	(391 419)	(703 939 425)	(801 508 223)	(38 431 388)	(43 294 228)	(142 995)	(119 314)	(41 691 069)	(25 752 987)	(438 910 676)	(467 140 117)
Cash (used)/generated by operations before working capital changes	4	(768 603 052)	(512 464 413)	2 106 902	(3 485 544)	(465 125 352)	(279 858 197)	(605 114)	(530 822)	(351 493 163)	(233 566 940)	(21 153 988)	(37 675 333)	1 130 783	901 914	553 774	(349 056)	(23 814 585)	(24 536 786)
Working capital changes	4	(19 241 948)	10 106 443	20 903 873	(9 874 969)	231 167 412	(125 794 397)	(21 978 715)	2 351	13 465 295	(114 593 313)	(16 868 354)	14 565 147	1 261 989	1 658 006	(4 832)	(1 922 638)	(164 381)	99 391
Net cash flow from operating activities		(15 290 550)	30 840 241	23 121 928	(12 630 838)	327 495 345	(5 375 935)	(21 927 802)	(515 033)	45 121 593	(146 403 401)	(27 047 721)	10 416 077	2 533 987	2 642 110	3 013 489	(2 723 768)	27 475 087	23 646 885
CASH FLOW FROM INVESTING ACTIVITIES																			
Purchase of investments		(10 808 537 458)	(10 913 799 362)	(683 537 916)	(1 921 453 748)	(36 760 431 188)	(32 221 471 305)	(99 035 351)	(149 343 253)	(31 171 974 716)	(32 684 432 673)	(2 498 814 676)	(6 214 357 334)	(538 752 653)	(409 352 884)	(1 023 714 491)	(690 853 623)	(27 810 150 319)	(21 680 004 210)
Proceeds on disposal of investments		10 712 743 199	11 201 319 464	635 806 716	1 306 983 919	29 240 002 652	28 119 697 823	526 145 352	669 631 047	31 244 670 236	35 399 063 593	3 389 088 358	7 352 795 462	548 692 789	306 911 820	723 232 382	545 000 198	28 729 514 977	21 145 908 562
Net cash flow from investing activities		(95 794 259)	287 520 102	(47 731 200)	(614 469 829)	(7 520 428 536)	(4 101 773 482)	427 110 001	520 287 794	72 695 520	2 714 630 920	890 273 682	1 138 438 128	9 940 136	(102 441 064)	(300 482 109)	(145 853 425)	919 364 658	(534 095 648)
CASH FLOW FROM FINANCING ACTIVITIES																			
Net proceeds/(payments) from creation and cancellation of units		108 420 468	(318 943 481)	53 857 292	600 964 894	7 302 849 554	4 200 146 239	(433 333 008)	(514 104 106)	(63 481 351)	(2 488 274 667)	(864 635 555)	(1 148 299 447)	(7 975 197)	102 914 704	297 877 980	148 365 787	(947 839 087)	509 696 577
Net cash flow from financing activities		108 420 468	(318 943 481)	53 857 292	600 964 894	7 302 849 554	4 200 146 239	(433 333 008)	(514 104 106)	(63 481 351)	(2 488 274 667)	(864 635 555)	(1 148 299 447)	(7 975 197)	102 914 704	297 877 980	148 365 787	(947 839 087)	509 696 577
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2 664 341)	(583 138)	29 248 020	(26 135 773)	109 916 363	92 996 822	(28 150 809)	5 668 655	54 335 762	79 952 852	(1 409 594)	554 758	4 498 926	3 115 750	409 360	(211 406)	(999 342)	(752 186)
Cash and cash equivalents at the beginning 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
Foreign exchange (gain)/ loss on monetary assets		-	-	(2 461 931)	3 195 036	(113 729 634)	(90 231 929)	164 649	96 049	(55 247 769)	(80 894 118)	-	-	(1 228 338)	(973 679)	-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		6 894 623	9 558 964	32 147 669	5 361 580	9 612 916	13 426 187	(510 559)	27 475 601	9 313 982	10 225 989	6 464 642	7 874 236	9 864 232	6 593 644	1 219 525	810 165	5 095 495	6 094 837

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 for all the years presented.

1.2 IFRS

The Funds have adopted all new and revised Standards, Interpretations and Amendments issued by the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee of the IASB that are relevant to their operations and effective for annual accounting periods ended 31 December 2012.

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 Funds were adopted during the year.

STATEMENTS/INTERPRETATIONS/AMENDMENTS		EFFECTIVE DATE YEARS BEGINNING ON / AFTER	IMPACT
IFRS 7	Amendment re enhanced derecognition requirements for transfer transactions of financial assets	01 January 2011	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 9	Financial instruments disclosure	1 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 10	Consolidated financial statements	1 January 2013	No significant impact
IFRS 12	Disclosures of interests in other entities	1 January 2013	No significant impact
IFRS 13	Fair value measurement	1 January 2013	No significant impact
IAS 1	Financial statement presentation	1 July 2012	No significant impact
IAS 27	Separate financial statements	1 January 2013	No significant impact
IAS 28	Investments in Joint Ventures and Associates	1 January 2013	No significant impact
IAS 32	Offsetting financial assets and financial liabilities	1 January 2014	No significant impact
IFRS 7	Offsetting financial assets and financial liabilities	1 January 2013	No significant impact
IAS 1	2012 Annual Improvements Project Clarification of requirements for comparative information	1 January 2013	No significant impact
IFRS 10	IFRS 10 - Investment entities exemption	1 January 2014	No significant impact

A number of other changes, that are effective for accounting periods ended after 31 December 2012, have been issued by the IASB and IFRS Interpretations Committee. However, these are not considered relevant to the Funds' operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

1.3 ACCOUNTING POLICIES

The Funds have 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.

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 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 each 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 Statements 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 rate 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 mutual funds 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 mutual funds are classified as available-for-sale assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets classified as financial assets at fair value through profit or loss are designated as such upon initial recognition. This designation is based on the Funds' intention to hold and sell such financial assets for its benefit. Derivatives are categorised as held for trading and are not designated as 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 its financial instruments on initial recognition, when the Fund becomes a party to the contract governing the instrument.

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets designated as at fair value through profit or loss are initially 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. Loans and receivables are subsequently measured at amortised cost using the effective interest method. 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 Statements 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 Statements 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;
- 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 Statements of Financial Position, only when the Funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.3.9 FOREIGN CURRENCIES

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

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the Statements 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. The terminology used in the financial statements was necessitated by the adoption of IFRS. This classification, 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 FINANCIAL RESULTS

The results of operations for the year are prepared in terms of IFRS and are set out in the accompanying Statements of Comprehensive Income and Statements of Cash Flows for the year ended 31 December 2012 as well as the Statements of Financial Position as at 31 December 2012.

1.3.12 EVENTS SUBSEQUENT TO YEAR END

There were no significant events subsequent to year end.

2. DISTRIBUTION SCHEDULES

	NOTES	2012	2011
Distributions paid are calculated to the fourth decimal place.			
Allan Gray Equity Fund			
30 June			
Class A			
Cents per unit		183.8525	179.2718
Distribution paid - R		242 420 823	237 404 524
Class B			
Cents per unit		68.4812	64.6146
Distribution paid - R		2 658 047	2 825 937
31 December			
Class A			
Cents per unit		69.1269	62.9228
Distribution paid - R		91 754 679	82 839 010
TOTAL DISTRIBUTION FOR THE YEAR		336 833 549	323 069 471
Shortfall of income funded by net assets attributed to unitholders	3	(2 147 640)	(1 781 684)
DISTRIBUTABLE PROFIT FOR THE YEAR		334 685 909	321 287 787
Allan Gray-Orbis Global Equity Feeder Fund			
31 December			
Class A			
Cents per unit		0.1613	0.2114
Distribution paid - R		459 389	597 541
TOTAL DISTRIBUTION FOR THE YEAR		459 389	597 541
Allan Gray Balanced Fund			
30 June			
Class A			
Cents per unit		80.1127	73.1260
Distribution paid - R		669 557 427	534 628 149
Class B			
Cents per unit		41.8376	38.1748
Distribution paid - R		15 687 769	14 415 707
31 December			
Class A			
Cents per unit		63.4551	67.8871
Distribution paid - R		564 076 328	518 177 539
Class B			
Cents per unit		22.4711	31.3456
Distribution paid - R		6 341 047	11 695 209
TOTAL DISTRIBUTION FOR THE YEAR		1 255 662 571	1 078 916 604

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. DISTRIBUTION SCHEDULES (CONTINUED)

	NOTES	2012	2011
Allan Gray-Orbis Global Fund of Funds			
31 December			
Class A			
Cents per unit		0.0511	-
Distribution paid - R		220 506	-
TOTAL DISTRIBUTION FOR THE YEAR		220 506	-
Shortfall of income funded by net assets attributed to unitholders	3	-	(41 165)
DISTRIBUTABLE PROFIT/(DEFICIT) FOR THE YEAR		220 506	(41 165)
Allan Gray Stable Fund			
31 March			
Class A			
Cents per unit		16.1632	16.8426
Distribution paid - R		175 302 077	188 232 606
Class B			
Cents per unit		8.6083	9.8570
Distribution paid - R		6 906 740	8 909 470
30 June			
Class A			
Cents per unit		17.8014	17.1335
Distribution paid - R		194 352 108	182 699 082
Class B			
Cents per unit		10.1601	10.0821
Distribution paid - R		8 150 938	8 442 856
30 September			
Class A			
Cents per unit		12.3897	17.2251
Distribution paid - R		135 823 143	179 771 212
Class B			
Cents per unit		4.6614	9.9036
Distribution paid - R		2 905 547	7 987 166
31 December			
Class A			
Cents per unit		14.3128	16.2721
Distribution paid - R		155 319 339	173 434 054
Class B			
Cents per unit		6.1522	8.7078
Distribution paid - R		3 664 182	7 064 818
TOTAL DISTRIBUTION FOR THE YEAR		682 424 074	756 541 264

2. DISTRIBUTION SCHEDULES (CONTINUED)

	NOTES	2012	2011
Allan Gray Optimal Fund			
30 June			
Class A			
Cents per unit		22.7463	11.0908
Distribution paid - R		17 083 440	17 610 876
Class B			
Cents per unit		12.3510	0.9264
Distribution paid - R		221 468	33 842
31 December			
Class A			
Cents per unit		17.1315	19.1265
Distribution paid - R		10 144 779	20 864 742
Class B			
Cents per unit		6.5436	8.6826
Distribution paid - R		69 157	261 738
TOTAL DISTRIBUTION FOR THE YEAR		27 518 844	38 771 198
Allan Gray-Orbis Global Optimal Fund of Funds			
31 December			
Class A			
Cents per unit		0.3246	0.2553
Distribution paid - R		184 452	142 995
TOTAL DISTRIBUTION FOR THE YEAR		184 452	142 995
Allan Gray Bond Fund			
31 March			
Class A			
Cents per unit		20.1139	20.9568
Distribution paid - R		9 839 576	5 665 588
30 June			
Class A			
Cents per unit		20.1759	21.1033
Distribution paid - R		10 921 560	6 123 240
30 September			
Class A			
Cents per unit		19.7622	20.0630
Distribution paid - R		12 911 520	7 934 434
31 December			
Class A			
Cents per unit		20.4677	19.1141
Distribution paid - R		14 018 717	8 018 413
TOTAL DISTRIBUTION FOR THE YEAR		47 691 373	27 741 675

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. DISTRIBUTION SCHEDULES (CONTINUED)

ALLAN GRAY MONEY MARKET FUND

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

2012	BALANCED FUND R	STABLE FUND R
Distribution payable to unitholders	570 417 375	158 983 521
Distribution to be reinvested	(530 111 346)	(149 009 500)
Distribution expected to be paid in cash	40 306 029	9 974 021
Less: Current account cash balance	(9 612 916)	(9 313 982)
CASH AND CASH EQUIVALENTS HELD FOR INVESTMENT PURPOSES RING-FENCED IN THE EVENT OF A CASH SHORTFALL AT DISTRIBUTION DATE	30 693 113	660 039

2011	BALANCED FUND R	STABLE FUND R
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

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.

	2012 R	2011 R
Allan Gray Equity Fund A & B Class (December)	2 147 640	1 781 684
Allan Gray Orbis Global Fund of Funds (December)	-	41 165
TOTAL SHORTFALLS FOR THE YEAR	2 147 640	1 822 849

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For the year ended 31 December 2012

4. NOTES TO THE STATEMENTS OF CASH FLOWS

	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	
	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
CASH GENERATED BY OPERATIONS																		
Profit for the year	1 625 817 470	1 999 092 572	59 721 883	26 546 310	2 236 481 683	2 628 732 377	175 629 213	113 114 543	618 836 968	2 063 820 072	93 305 261	403 325 184	32 889 766	6 838 073	55 277 948	33 437 274	432 503 494	464 392 717
Adjusted for:																		
Impairment of available-for-sale investments	165 343 849	188 999 333	-	-	206 182 734	175 511 747	-	-	59 513 156	41 987 471	3 570 242	8 205 588	-	-	-	-	-	-
Investment transaction costs on investments at fair value through profit or loss	-	-	-	-	113 015	174 878	-	-	393 139	494 493	80 244	238 965	-	-	-	-	-	-
Sundry income	(928 688)	-	-	-	(1 019 122)	-	-	-	(207 453)	-	(47 784)	-	-	-	-	-	-	-
Interest income	(81 256 941)	(53 995 843)	(814 418)	(888 049)	(931 398 508)	(824 081 554)	(660 971)	(393 608)	(824 928 745)	(857 332 194)	(8 440 927)	(18 422 140)	(282 007)	(214 760)	(47 137 599)	(28 090 731)	(456 318 079)	(488 929 503)
Dividend income	(1 021 103 332)	(779 756 357)	-	-	(902 099 927)	(624 925 176)	-	-	(264 028 808)	(213 670 128)	(40 184 121)	(58 024 391)	-	-	-	-	-	-
Realised (gains)/losses on disposal of available-for-sale investments	(1 456 475 410)	(1 866 804 118)	(56 800 563)	(29 143 805)	(1 379 935 176)	(1 582 579 073)	(175 573 356)	(113 251 757)	(867 168 636)	(1 110 722 917)	(287 495 664)	(317 622 717)	(31 476 976)	(5 721 399)	(7 586 575)	(5 695 599)	-	-
Losses/(gains) on investments at fair value through profit or loss	-	-	-	-	306 549 949	(52 691 396)	-	-	926 097 216	(158 143 737)	218 058 761	(55 375 822)	-	-	-	-	-	-
CASH (USED)/GENERATED BY OPERATIONS BEFORE WORKING CAPITAL CHANGES	(768 603 052)	(512 464 413)	2 106 902	(3 485 544)	(465 125 352)	(279 858 197)	(605 114)	(530 822)	(351 493 163)	(233 566 940)	(21 153 988)	(37 675 333)	1 130 783	901 914	553 774	(349 056)	(23 814 585)	(24 536 786)
WORKING CAPITAL CHANGES																		
(Increase)/decrease in accounts receivable	(46 579 018)	(4 001 179)	9 999 875	(9 999 836)	3 091 497	7 724 414	(22 000 026)	101	14 478 413	(12 618 526)	(3 106 527)	2 682 077	(62)	(7)	-	-	(81)	392
Increase/(decrease) in accounts payable	27 337 070	14 107 622	10 903 998	124 867	228 075 915	(133 518 811)	21 311	2 250	(1 013 118)	(101 974 787)	(13 761 827)	11 883 070	1 262 051	1 658 013	(4 832)	(1 922 638)	(164 300)	98 999
WORKING CAPITAL CHANGES	(19 241 948)	10 106 443	20 903 873	(9 874 969)	231 167 412	(125 794 397)	(21 978 715)	2 351	13 465 295	(114 593 313)	(16 868 354)	14 565 147	1 261 989	1 658 006	(4 832)	(1 922 638)	(164 381)	99 391

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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
2012									
Opening balance	135 703 722	282 641 679	800 424 979	459 915 263	1 146 560 280	112 104 264	56 009 720	41 990 590	8 718 830 160
Net units created/(cancelled) during the year	657 303	2 062 917	116 548 230	(28 580 192)	(1 766 860)	(51 829 149)	815 565	26 524 861	(947 839 086)
CLOSING BALANCE	136 361 025	284 704 596	916 973 209	431 335 071	1 144 793 420	60 275 115	56 825 285	68 515 451	7 770 991 074
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 (cancelled)/created 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

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
2012									
Class A									
Lowest	20 658.15	1 798.42	6 035.70	1 403.29	2 401.49	1 669.41	986.77	1 083.84	100.00
Highest	23 850.06	2 249.43	6 742.79	1 711.03	2 581.21	1 701.47	1 181.81	1 177.45	100.00
Class B									
Lowest	19 817.92	n/a	6 034.87	n/a	2 398.58	1 663.55	n/a	n/a	n/a
Highest	22 893.58	n/a	6 704.09	n/a	2 580.34	1 695.69	n/a	n/a	n/a
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

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 2012

7. RELATED PARTY TRANSACTIONS

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

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

During the year, the Funds collectively paid management fees of R1 818.9 million, including VAT, to the Manager (2011: R1 260.9 million). At 31 December 2012, the balance due to the Manager is detailed as follows:

	VAT INCLUSIVE	VAT INCLUSIVE
	2012 R	2011 R
Allan Gray Equity Fund	67 538 718	72 982 966
Allan Gray Balanced Fund	56 819 113	51 598 286
Allan Gray Stable Fund	33 461 020	33 389 438
Allan Gray Optimal Fund	1 066 387	1 839 114
Allan Gray Bond Fund	191 911	228 411
Allan Gray Money Market Fund	1 878 427	2 076 932
	160 955 576	162 115 147

The Directors of the Manager have acquired and hold units in the Funds. These units were valued at R39 430 914 at 31 December 2012 (2011: R69 259 340). During the year, the Directors' share of distributions paid by the Funds on their attributable unit holdings amounted to R404 096 (2011: R291 588).

The Manager holds discretionary investments in the Funds. These units were valued at R497 069 at 31 December 2012 (2011: R443 524). During the year, the Manager's share of distributions paid by the Funds on their attributable unit holdings amounted to R10 800 (2011: R10 273).

8. FINANCIAL INSTRUMENTS

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

8.1 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

MARKET RISK

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

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

2012 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	31 485 136	6 139 963	46 136 125	7 038 290	16 282 477	914 379	627 792	-	-
Local instruments	31 485 136	-	30 714 166	-	8 749 952	914 379	-	-	-
Foreign instruments*	-	6 139 963	15 421 959	7 038 290	7 532 525	-	627 792	-	-
Subject to interest rate risk	917 148	-	15 767 841	-	12 707 033	89 151	-	804 590	7 799 118
Money market and cash investments	917 148	-	9 286 618	-	10 419 749	89 151	-	219 605	7 799 118
Bonds	-	-	6 481 224	-	2 287 284	-	-	584 985	-
TOTAL INVESTMENTS	32 402 283	6 139 963	61 903 966	7 038 290	28 989 510	1 003 531	627 792	804 590	7 799 118

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

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MARKET RISK (CONTINUED)

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

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

PRICE RISK

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

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

Exposure to price risk is mainly through listed instruments.

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

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

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PRICE RISK (CONTINUED)

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

INTEREST RATE RISK

The value of 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 rates. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

R'000 SENSITIVITY TO CHANGES IN INTEREST RATES	2012			2011		
	INVESTMENT VALUE	+ OR - 0.50%	+ OR - 1.00%	INVESTMENT VALUE	+ OR - 0.50%	+ OR - 1.00%
Allan Gray Balanced Fund	15 767 841	147 653	295 306	11 344 283	123 851	247 702
Allan Gray Stable Fund	12 707 033	70 051	140 101	13 186 521	113 354	226 708
Allan Gray Bond Fund	804 590	18 129	36 258	466 103	9 817	19 635

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 Optimal Fund of Funds and the Allan Gray-Orbis Global Equity Feeder Fund all have cash balances that attract variable interest rates. Fluctuations in prevailing interest rates would therefore have no effect on those cash balances. However, there would be changes to the interest income of the Funds. Any such changes would be immaterial due to the temporary nature of these balances.

FOREIGN CURRENCY RISK

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

The table on page 73 illustrates the effect of 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.

FOREIGN CURRENCY RISK (CONTINUED)

R'000	2012		2011	
	DOLLAR-DENOMINATED	EURO-DENOMINATED	DOLLAR-DENOMINATED	EURO-DENOMINATED
Allan Gray-Orbis Equity Feeder Fund	10 986	-	-	-
+ or - 5%	549	-	-	-
+ or - 10%	1 099	-	-	-
+ or - 20%	2 197	-	-	-
Allan Gray Balanced Fund	1 170 456	-	2 212 913	-
+ or - 5%	58 523	-	110 646	-
+ or - 10%	117 046	-	221 291	-
+ or - 20%	234 091	-	442 583	-
Allan Gray-Orbis Global Fund of Funds	-	-	-	-
+ or - 5%	-	-	-	-
+ or - 10%	-	-	-	-
+ or - 20%	-	-	-	-
Allan Gray Stable Fund	426 677	-	1 257 671	-
+ or - 5%	21 334	-	62 884	-
+ or - 10%	42 668	-	125 767	-
+ or - 20%	85 335	-	251 534	-
Allan Gray-Orbis Global Optimal Fund of Funds	3 496	-	831	1 425
+ or - 5%	175	-	42	71
+ or - 10%	350	-	83	143
+ or - 20%	699	-	166	285

The Allan Gray Balanced Fund, the Allan Gray Stable Fund, the Allan Gray-Orbis Global Fund of Funds, the Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Optimal Fund of Funds use foreign currency to purchase investments in foreign mutual funds. The Allan Gray-Orbis Global Fund of Funds held no foreign currency at 31 December 2012 or 31 December 2011.

LIQUIDITY RISK

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

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

The Funds in aggregate have an overdraft facility of R1 billion with First National Bank. This is limited to 10% of the market value of the borrowing Fund. As at 31 December 2012 the Allan Gray-Orbis Global Fund of Funds had utilised R0.5 million of its overdraft facility.

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

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

CREDIT RISK

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

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

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

The carrying amount of financial assets recorded in the financial statements represents unitholders' maximum exposure to credit risk. At 31 December 2012 the Funds did not consider there to be any significant concentration of credit risk which needed to be provided for. Accounts receivable are considered to be of a high credit quality.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

CREDIT RISK (CONTINUED)

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

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%

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, which are traded in active liquid markets, is determined with reference to quoted market prices. Loans and receivables are usually held for the instruments' entire life. 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 appropiate valuation techniques.

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

- 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).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

8.2 FAIR VALUE (CONTINUED)

Investments in listed instruments, bonds and foreign instruments are measured at fair value, based on quoted prices in active markets. Therefore these are classified within level 1. The table below shows the fair values of these instruments at 31 December 2012.

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

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

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 2012.

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

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	-	-

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 and Board Notice 80 of 2012.

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

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

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

	2012		2011	
	MARGIN DEPOSIT R'000	SHORT EXPOSURE R'000	MARGIN DEPOSIT R'000	SHORT EXPOSURE R'000
Allan Gray Stable Fund	267 166	5 240 859	291 511	4 220 627
Allan Gray Balanced Fund	96 093	1 823 783	102 557	1 484 861
Allan Gray Optimal Fund	46 151	875 921	103 385	1 496 858

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	384 015 219	1 925 229 455	2 096 761 358	2 075 217 606	6 481 223 638
Money market instruments	8 446 875 766	-	-	-	8 446 875 766
Money at call	839 741 734	-	-	-	839 741 734
Non-interest bearing equity investments	-	-	-	-	46 136 125 101
TOTAL INVESTMENTS PER STATEMENT OF FINANCIAL POSITION	9 670 632 719	1 925 229 455	2 096 761 358	2 075 217 606	61 903 966 239

Accounts payable and accounts receivable are not interest bearing.

Coupon rates on bonds are fixed and range between 2.50% and 11.68%. Yields on the money market instruments are fixed and range between 1% and 6.25% and money at call earns variable interest at rates ranging between 4.65% and 4.90%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

8.4 INTEREST-BEARING INSTRUMENTS (CONTINUED)

ALLAN GRAY STABLE FUND

MATURITIES	< 1 YEAR R	1 TO 3 YEARS R	3 TO 7 YEARS R	> 7 YEARS R	TOTAL R
Bonds	118 846 274	911 873 300	167 000 000	1 089 564 804	2 287 284 378
Money market instruments	9 963 583 127	-	-	-	9 963 583 127
Money at call	456 165 559	-	-	-	456 165 559
Non-interest bearing equity investments	-	-	-	-	16 282 477 064
TOTAL INVESTMENTS PER STATEMENT OF FINANCIAL POSITION	10 538 594 960	911 873 300	167 000 000	1 089 564 804	28 989 510 128

Accounts payable and accounts receivable are not interest bearing.

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 4.90% and 6.25% and money at call earns variable interest at rates ranging between 4.65% and 4.90%.

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	7 509 117 584	-	-	-	7 509 117 584
Money at call	290 000 000	-	-	-	290 000 000
TOTAL INVESTMENTS PER STATEMENT OF FINANCIAL POSITION	7 799 117 584	-	-	-	7 799 117 584

Accounts payable and accounts receivable are not interest bearing.

Yields on the money market instruments are fixed and range between 4.90% and 5.73% and money at call earns variable interest rates ranging between 4.70% and 4.90%

ALLAN GRAY BOND FUND

MATURITIES	< 1 YEAR R	1 TO 3 YEARS R	3 TO 7 YEARS R	> 7 YEARS R	TOTAL R
Bonds	17 454 976	93 835 279	123 708 384	349 986 375	584 985 014
Money market instruments	191 605 094	-	-	-	191 605 094
Money at call	28 000 000	-	-	-	28 000 000
TOTAL INVESTMENTS PER STATEMENT OF FINANCIAL POSITION	237 060 070	93 835 279	123 708 384	349 986 375	804 590 108

Accounts payable and accounts receivable are not interest bearing.

Coupon rates for the bond portfolio are fixed and range between 6.18% and 12.50%. Yields on the money market instruments are fixed and range between 5.10% and 6.05% and money at call earns variable interest rate at 4.85%.

OTHER FUNDS

The Allan Gray Equity Fund had money at call amounting to R917 147 813 at 31 December 2012, earning variable interest at rates ranging between 4.70% and 4.90%.

The Allan Gray Optimal Fund had R89 151 318 at call at 31 December 2012, earning variable interest at rates ranging between 4.65% and 4.90%.

The Allan 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 2012.

APPROVAL OF THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 2012 set out on pages 85 to 106 have been approved by the board of directors and are signed on its behalf by:

E D Loxton	R W Dower
Chairman	Director and Public Officer
Cape Town	Cape Town
22 February 2013	22 February 2013

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

CERTIFICATION BY THE COMPANY SECRETARY

For the year ended 31 December 2012

I hereby confirm, in terms of the Companies Act, No. 71 of 2008, that for the year ended 31 December 2012 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 Pickering
Company Secretary

Cape Town
22 February 2013

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Allan Gray Unit Trust Management (RF) Proprietary Limited set out on pages 85 to 106, which comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 December 2012, we have read the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst + Young

Ernst & Young Inc.
Director - Christopher Clyde Sickle
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town
22 February 2013

REPORT OF THE DIRECTORS

For the year ended 31 December 2012

The directors of Allan Gray Unit Trust Management (RF) Proprietary Limited have pleasure in presenting their report for the year ended 31 December 2012.

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	2012		2011	
	UNITS	FAIR VALUE R	UNITS	FAIR VALUE R
Allan Gray Balanced Fund	7 392	497 069	7 298	443 524

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 2012 and the Statement of Financial Position as at 31 December 2012.

DIVIDENDS

DECLARATION DATE	RANDS PER SHARE
12 April 2011	69.00
10 October 2011	204.98
26 March 2012	217.99
11 October 2012	370.98

In 2012 the Company declared total dividends of R589 million (2011: R274 million).

DIRECTORS

There were no changes to the board of directors during the year.
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 2012

	NOTES	2012 R	2011 R
INCOME			
REVENUE		1 758 297 028	1 253 200 638
Management fees	15	1 590 318 805	1 111 019 510
Income from the Company's investment in the Funds:			
- Dividends		5 439	3 921
- Interest		5 361	6 352
Interest earned		10 617 269	4 663 592
Income from related party	15	157 350 154	137 507 263
OTHER INCOME		8 044 732	20 818 784
Unrealised gain on investment at fair value through profit or loss		47 700	36 868
Net foreign exchange gain		7 997 032	20 781 916
OPERATING COSTS		767 378 910	674 997 387
Linked investment service provider costs		335 728 918	306 146 516
Audit fees			
- Fees for audit		600 563	489 421
- Other services		56 912	69 237
Fees charged by the holding company	15	416 726 977	353 347 769
Other operating expenses		14 265 540	14 944 444
DONATION	15	49 945 583	29 955 940
PROFIT BEFORE TAXATION		949 017 267	569 066 095
Taxation expense	4	287 529 933	179 865 395
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		661 487 334	389 200 700
Profit and total comprehensive income attributable to equity holders		661 487 334	389 200 700

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 R	2011 R
ASSETS			
Non-current assets		497 069	443 524
Investment at fair value through profit or loss	5	497 069	443 524
Current assets		382 973 014	319 601 670
Trade and other receivables	6	194 111 107	187 378 419
Cash	7	24 212 406	14 818 951
Group treasury: cash equivalent	7	154 168 833	117 404 300
Taxation receivable		10 480 668	-
TOTAL ASSETS		383 470 083	320 045 194
EQUITY AND LIABILITIES			
Total equity attributable to equity holder		310 526 163	238 038 829
Share capital	8	1 000 060	1 000 060
Share premium	8	2 000 000	2 000 000
Retained income		307 526 103	235 038 769
Non-current liabilities		19 619	-
Deferred taxation liability	9	19 619	-
Current liabilities		72 924 301	82 006 365
Trade and other payables	10	72 924 301	76 952 235
Taxation payable		-	5 054 130
TOTAL EQUITY AND LIABILITIES		383 470 083	320 045 194

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	SHARE CAPITAL R	SHARE PREMIUM R	RETAINED INCOME R	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER R
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
Transactions with equity holder:				
- Ordinary dividend	-	-	(589 000 000)	(589 000 000)
Change in total comprehensive income:				
- Profit for the year	-	-	661 487 334	661 487 334
BALANCE AS AT 31 DECEMBER 2012	1 000 060	2 000 000	307 526 103	310 526 163

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	NOTES	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	11.1	938 341 498	564 355 362
Working capital changes	11.2	(10 760 622)	(63 249 345)
Cash generated from operations		927 580 876	501 106 017
Interest received		10 622 630	4 669 944
Dividends received		5 439	3 921
Dividends paid		(589 000 000)	(274 000 000)
Taxation paid	11.3	(303 045 112)	(171 424 849)
Net cash flow from operating activities		46 163 833	60 355 033
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments in the Funds		(5 845)	-
Net cash flow from investing activities		(5 845)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		46 157 988	60 355 033
Cash and cash equivalents at beginning of year		132 223 251	71 868 218
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	178 381 239	132 223 251

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 this 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 2012.

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

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

STATEMENTS		EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	IMPACT
IFRS 7	Amendment re enhanced derecognition 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

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

STATEMENTS		EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
	2012 Annual improvements	1 January 2013	No material impact
IFRS 7	Offsetting financial assets and financial liabilities	1 January 2013	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 32	Offsetting financial assets and financial liabilities	1 January 2014	No material impact
IAS 1	Financial statement presentation (presentation of other comprehensive income)	1 January 2013	No material impact

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. ACCOUNTING POLICIES

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

3.1 REVENUE

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

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

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

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

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

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

3.3 DEFERRED TAXATION

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable

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

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

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

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* or *loans and receivables*. Financial assets are recognised on the trade date at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Detail on how fair value is determined may be found in note 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.

LOANS AND RECEIVABLES

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

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

Cash and 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.

LOANS AND RECEIVABLES

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

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, in the case of financial liabilities held at amortised cost, 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.

4. TAXATION EXPENSE

	2012 R	2011 R
SA normal taxation		
- current year	265 710 501	159 365 606
- prior year under accrual	42	-
Secondary tax on companies	21 799 771	20 499 789
Deferred taxation		
- Fair value adjustments on revaluation of investments at fair value through profit or loss	19 619	-
	287 529 933	179 865 395

Reconciliation of taxation rate:	%	%
Standard taxation rate	28.00	28.00
Adjusted for:		
- Non-deductible expenses	-	0.01
- Secondary tax on companies	2.30	3.60
EFFECTIVE TAXATION RATE	30.30	31.61

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 12 April 2011.

5. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012		2011	
	COST R	FAIR VALUE R	COST R	FAIR VALUE R
Allan Gray Balanced Fund				
- 7 392 units (2011: 7 298)	391 862	497 069	386 017	443 524

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

6. TRADE AND OTHER RECEIVABLES

	2012 R	2011 R
Investment income receivable	145 594	288 472
Receivables from related parties - refer to note 15	184 472 432	182 152 651
Other receivables	7 679 481	4 635 915
Prepayments	1 813 600	301 381
	194 111 107	187 378 419

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

7. CASH AND CASH EQUIVALENTS

	2012 R	2011 R
Cash	24 212 406	14 818 951
- First National Bank current account	231 406	294 951
- First National Bank call account	23 981 000	14 524 000
Group treasury: cash equivalent - refer note 15	154 168 833	117 404 300
	178 381 239	132 223 251

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 2012 amounted to R33 093 493 (2011: R21 035 062).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

8. SHARE CAPITAL AND SHARE PREMIUM

	2012 R	2011 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

	2012 R	2011 R
Opening balance	-	-
Charged directly to income	19 619	-
CLOSING BALANCE	19 619	-

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

10. TRADE AND OTHER PAYABLES

	2012 R	2011 R
Payables to related parties - refer to note 15	53 580 551	48 829 455
Accruals and other payables	19 343 750	28 122 780
	72 924 301	76 952 235

Payables are interest free and are generally settled within 30 days.

11. NOTES TO THE STATEMENT OF CASH FLOWS

	2012 R	2011 R

11.1 CASH GENERATED BY OPERATIONS BEFORE WORKING CAPITAL CHANGES

Profit before taxation	949 017 267	569 066 095
Adjustments for:		
Unrealised gain on the investment at fair value through profit or loss	(47 700)	(36 868)
Interest income	(10 622 630)	(4 669 944)
Dividend income	(5 439)	(3 921)
	938 341 498	564 355 362

11.2 WORKING CAPITAL CHANGES

Increase in trade and other receivables	(6 732 688)	(75 969 661)
(Decrease) / increase in trade and other payables	(4 027 934)	12 720 316
	(10 760 622)	(63 249 345)

11.3 TAXATION PAID

Amount payable / (receivable) at beginning of year	5 054 130	(3 386 416)
Amount charged through income	287 510 314	179 865 395
Amount receivable / (payable) at end of year	10 480 668	(5 054 130)
AMOUNT PAID	303 045 112	171 424 849

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.

13. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise:

- Investment at fair value through profit or loss: This consists of a discretionary holding in the Funds.
- Cash and cash equivalents: These arise from operating activities and are 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 investment at fair value through profit or loss 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 appropriate interest rates. Trade and other payables and trade and other receivables arise from daily operations and are managed in such a way to achieve an operating cycle of not more than 30 days.

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 limited to the carrying value per the Statement of Financial Position since all the balances are unsecured. The Funds and Orbis are both related parties of the Company (see note 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 2012 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 2012 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 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$ 18 185 005 (2011: US$ 14 539 052) held in a US dollar bank account on behalf of the Company. Trade and other receivables include a balance of US$ 5 019 766 (2011: US$ 4 299 940) receivable directly from Orbis.

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

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

% RATE CHANGE	2012 Rm	2011 Rm
+-5	9.8	7.6
+-10	19.6	15.2
+-20	39.2	30.4

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. As at 31 December 2012 the Allan Gray Global Fund of Funds had utilised R0.5m of its overdraft facility.

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 2012 this capital requirement was R75 985 647.

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 2012, 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. Loans and receivables 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.

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'), fellow subsidiaries Allan Gray Investment Services Proprietary Limited ('AGIS') and Allan Gray Life Limited, the Funds, the Allan Gray Orbis Foundation and Orbis. All transactions with related parties are conducted at arm's length and terms are not more favourable than those arranged with third parties. Settlement terms are within two weeks of receipt of the invoice.

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 R416.7 million (2011: R353.3 million). The balance owed by Allan Gray Unit Trust Management (RF) Proprietary Limited to AGL as at 31 December 2012 is R35.9 million (2011: R34.0 million).

Dividends paid to AGL amounted to R589 million during the year (2011: R274 million).

PAYMENTS TO ALLAN GRAY INVESTMENT SERVICES PROPRIETARY LIMITED

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

The Company pays AGIS a monthly fee, based on funds invested in bulk by AGIS clients and those investing via the endowment and retirement products administered by the AGIS platform. Total fees incurred during the year amounted to R191.7 million

(2011: R160.0 million). The balance owed by the Company to AGIS at 31 December 2012 was R17.7 million (2011: R14.8 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 R49.9 million (2011: R30.0 million) to the Allan Gray Orbis Foundation in 2012.

ALLAN GRAY LIFE LIMITED

Living Annuity and Endowment policies issued by Allan Gray Life Limited invest in the 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 R157.4 million (2011: R137.5 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 2012 the outstanding balance due from Allan Gray Group Proprietary Limited was R154.2 million (2011: R117.4 million) and the balance due from Orbis was R42.6 million (2011: R34.7 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.

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 2012.

	VAT EXCLUSIVE AMOUNTS			
	MANAGEMENT FEES EARNED		AMOUNTS RECEIVABLE FROM THE FUNDS	
	2012 R	2011 R	2012 R	2011 R
Allan Gray Equity Fund	665 498 073	448 271 440	59 244 489	66 209 404
Allan Gray Balanced Fund	535 835 575	347 704 224	49 841 328	46 825 296
Allan Gray Stable Fund	352 874 629	265 992 796	29 351 772	30 271 033
Allan Gray Optimal Fund	14 099 199	26 386 998	935 428	1 666 862
Allan Gray Bond Fund	1 677 808	1 708 812	168 343	207 650
Allan Gray Money Market Fund	20 333 521	20 955 240	1 647 743	1 821 871
	1 590 318 805	1 111 019 510	141 189 103	147 002 116

DIRECTORS' FEES

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

	2012 R	2011 R
IAS24 disclosure		
Short-term employee benefits	6 924 001	4 518 119
Post-employment benefits	236 703	215 465
	7 160 704	4 733 584

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. A feeder fund is a unit trust fund that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme. This could result in a higher fee structure for these Funds. Permissible deductions from the total portfolio may include bank charges, trustee/ custodian fees, auditor's fees, manager's annual management fee, securities transfer tax ('STT') and brokerage fees.

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

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

INITIAL ADVISER FEES

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

FTSE/JSE

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

ALLAN GRAY UNIT TRUST MANAGEMENT (RF) PROPRIETARY LIMITED

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

TAX NOTES

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

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

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

COMMUNICATION WITH INVESTORS

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

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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V&A Waterfront Cape Town 8001

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DIRECTORS

Executive Directors

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

Non-executive Directors

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

COMPANY SECRETARY

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

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