

# Allan Gray Africa Equity (Rand) Fund Limited

# ALLAN GRAY

Fund fact sheet details at 30 April 2012

**Fund status:** Currently restricted to existing investors only  
**Inception date:** 1 July 1998

## Fund objective and benchmark

The Fund remains predominantly invested in South African equities. It seeks to earn higher returns in South African rands than the South African stock market, without greater risk of loss. The Fund's benchmark is the FTSE/JSE Africa All Share Index, including income ('JSE Index') and its currency benchmark is 100% South African rand.

## Annual investment management fee

The annual management fee ranges from 0.5% to 2.5% depending on the relative return of the Fund to the benchmark, before fees. The fee is calculated on a base of 1.5% plus one twenty-fifth of the cumulative three-year relative performance, subject to a floor of 0.5% and cap of 2.5%. For example if the cumulative three year performance of the fund is 20% and that of the benchmark is 15%, the fee rate is:  $1.5\% + (20\% - 15\%) / 25 = 1.7\%$ .

## Fund information

**Fund size:** R1 856 m  
**Fund price:** R1307.05  
**R/\$:** 7.78  
**Minimum lump sum per investor account:** US\$50 000  
**Load:** None  
**Dealing day:** Weekly (Thursday)

## Fund manager commentary

The Allan Gray Africa Equity Fund's holding in South African banks is approximately equal to the weighting in the FTSE/JSE All Share Index, however the individual positions are very different. The Fund holds Standard Bank (5% of Fund) and Investec (3.7% of Fund), while the holding in ABSA, Nedbank and FirstRand is zero. We are particularly excited about Investec's prospects.

Investec is made up of two core businesses: banking and wealth/asset management. The bank has disappointed over the past three years as lending decisions made in the good times have led to rising bad debts and poor returns. The majority of these bad loans are now provided for, but the recovery to a normal level of profitability will likely take time, as is the case with many international banks. The slow recovery and low returns on equity in the medium term mean the banking business's R39 of tangible net asset value (NAV) will attract a discount. In contrast, the asset management business has performed well over the recent past, growing assets and profits pleasingly. Asset management businesses require very little capital and Investec is no different. In fact only 4% of the tangible NAV is attributable to the asset management business, while the remainder is invested in the bank. We value the asset management business at R28 per share using an 11x price-earnings ratio (P/E) on our estimate of normal earnings. The share is trading at R44.30, which indicates that the market is placing a substantial discount on the bank. If the bank is valued at a more reasonable 25% discount to book, the resulting valuation is R57, which to our minds is an exciting proposition.

## Country of primary listing as at 30 April 2012

Country	% of Fund
South Africa	48.6
Egypt	18.9
United Kingdom	13.5
Kenya	7.6
France	3.3
Zimbabwe	2.9
Nigeria	2.8
BRVM	0.9
Australia	0.6
Rwanda	0.6
Tanzania	0.3
Canada	0.2
<b>Total</b>	<b>100.0</b>

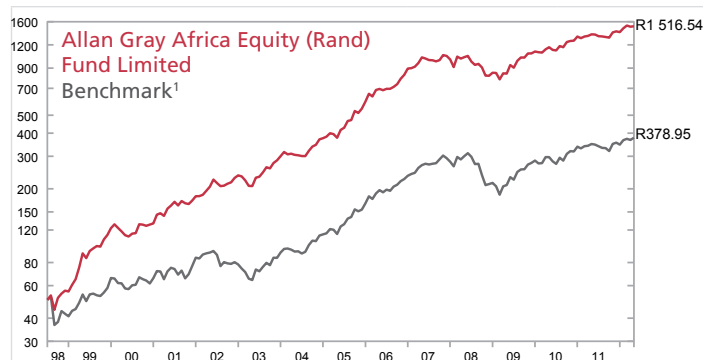
## Sector allocation at 30 April 2012

Sector	% of Fund	JSE Index
Oil & gas	10.9	4.9
Basic materials	17.8	30.8
Industrials	12.9	6.4
Consumer goods	15.3	18.1
Healthcare	2.4	2.2
Consumer services	1.4	10.5
Telecommunications	10.1	6.5
Utilities	3.3	0.0
Financials	20.4	20.3
Technology	0.0	0.3
Fixed interest/Liquidity	5.5	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

## Performance

### Value of R50 invested at inception (dividends reinvested)



% Returns	Fund	Benchmark <sup>1</sup>
Since inception (unannualised)	2933.1	657.9
Since inception (annualised)	28.0	15.8
Latest 10 years (annualised)	22.1	15.4
Latest 5 years (annualised)	8.1	7.1
Latest 3 years (annualised)	21.7	21.8
Latest 1 year	10.6	8.2
Year to date (unannualised)	7.6	9.0
Month to date (unannualised)	0.5	2.8
<b>Risk measures (Since inception)</b>		
Maximum drawdown <sup>2</sup>	26.0	42.0
Percentage positive months	62.0	59.0
Annualised monthly volatility	17.9	20.7
Beta vs JSE index	0.7	1.0
Annualised monthly tracking error	11.7	0.0

1. FTSE/JSE Africa All Share Index including income. Source: FTSE International Limited, performance calculated by Allan Gray as at 30 April 2012.
2. Maximum percentage decline over any period.



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Shares in the Fund are available by Prospectus only. Certain capitalised terms are defined in the Prospectus. While we have endeavoured to ensure the accuracy of the information herein, such information is not guaranteed as to accuracy or completeness. Returns are net of fees, include income and assume reinvestment of dividends. Past performance is not a reliable indicator of future results. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. When making an investment in the Fund, an investor's capital is at risk. The investment objective of the Fund should be compared with the investor's objective and then the performance of the investment and whether it represents value for money should be evaluated as part of the financial planning process. Returns may decrease or increase as a result of currency fluctuations. FTSE/JSE Africa All Share Index data source is FTSE International Limited. 'FTSE' is a trademark of the London Stock Exchange Limited and is used by FTSE International Limited under licence. Allan Gray International (Pty) Limited, an authorised financial services provider, is the appointed investment manager of the Fund. Allan Gray Proprietary Limited, an authorised financial services provider in South Africa, is the appointed investment adviser.