

Reduction in Fees

In GrayIssue 32 we announced the significant reduction in minima on the Allan Gray range of retirement products and the Endowment Policy. We are now pleased to announce the reduced management fee of the Allan Gray Money Market Fund and the reduced fixed fee of the Allan Gray Global Fund of Funds.

	Old fee	New fee
Allan Gray Money Market	0.5% p.a. excl VAT	0.25% p.a. excl VAT
Allan Gray Global Fund of Funds	1.25% p.a. excl VAT	0% p.a.

Since its establishment in 1974, Allan Gray has consistently achieved superior returns at lower than average risk of loss whilst continuing to focus on providing simple, cost effective and sustainable products that are accessible to a wide range of South African investors. The new minima and revised fee structures mean that a broader range of investors can now access Allan Gray's investment management expertise.

The Allan Gray Money Market Fund management fee has been reduced from the standard 0.5% per annum charge to one of 0.25% per annum effective 1 July 2004. This Fund invests in selected money market instruments where the average term to maturity does not exceed 90 days. The Money Market Fund has always been seen as a 'parking place' for investors' capital as opposed to a 'wealth-creating' entity. The fee change has therefore been made in order to assist investors and is in line with the wholesale nature of money market investments.

The Allan Gray Global Fund of Funds (a Rand-denominated offshore fund investing in the Orbis funds with the balance invested in the Allan Gray Money Market Fund) no longer has a fixed fee. The fixed fee of 1.25% per annum excluding VAT has been reduced to 0%. The only fees that will be charged on the Fund are those of the underlying Orbis funds, a portion of which is rebated to Allan Gray. The fee reduction can be attributed mainly to the fact that traditionally, Allan Gray has not been a proponent of many layers of fees (predominantly found in fund of funds). Given that the Fund invests only in Orbis funds, the assets remain in the broader Allan Gray group thus providing an opportunity to reduce the fee. In line with its new balanced mandate, the Fund has a more conservative benchmark and it was felt that the existing fee levels are not sustainable. The benchmark of the Fund is 60% of the FTSE World Index and 40% of the JP Morgan Government Bond Index Global.

Commentary by Johan de Lange, Managing Director, Allan Gray Unit Trust Management Limited

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. A fund of funds unit trust only invests in other unit trusts, which levy their own charges, which could result in a higher fee structure for these portfolios. All of the unit trusts may be capped at any time in order for them to be managed in accordance with their mandates. Allan Gray Unit Trust Management Limited is a member of the Association of Collective Investments.