Allan Gray Stable Fund

ALLANGRAY

Fund manager: Ian Liddle (Most foreign assets are invested in Orbis funds)
Inception date: 1 July 2000
Class: A

Fund description

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund may buy foreign assets up to a maximum of 25% of the Fund. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 40%. The Fund's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund or a balanced fund.

ASISA unit trust category: Domestic Asset Allocation - Prudential - Low Equity

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%.

How we aim to achieve the Fund's objective

A major portion of the Fund is typically invested in money market instruments. We seek to deploy the Fund's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Fund's stock market exposure in consideration of the Fund's capital preservation objectives. The Fund may also invest in bonds, property and commodities. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- 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 pension fund investment limits

Minimum investment amounts

Minimum lump sum per investor account:	R20 000
Minimum lump sum per fund:	R5 000
Minimum debit order per fund*:	R500
Additional lump sum per fund:	R500

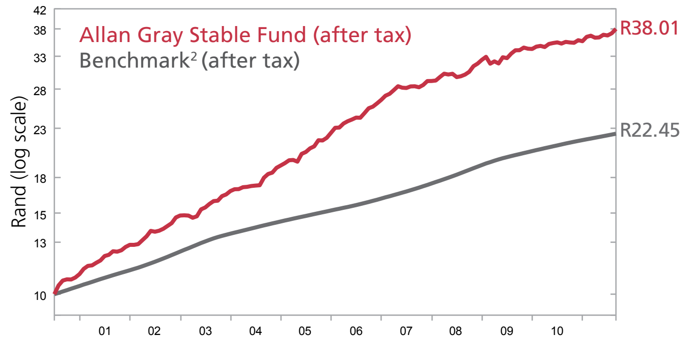
*Only available to South African residents.

Fund information on 31 August 2011

Fund size:	R26 283m
Fund price:	R23.30
Number of share holdings:	63

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund[1]	Benchmark[1,2]	Before tax[3] Fund	Before tax[3] Benchmark	CPI inflation[4]
Unannualised:					
Since inception	280.1	124.6	328.9	194.1	88.1
Annualised:					
Since inception	12.7	7.5	13.9	10.1	5.9
Latest 10 years	11.8	7.4	13.0	10.0	5.9
Latest 5 years	8.9	7.2	9.8	9.8	6.9
Latest 3 years	8.0	6.5	8.9	8.8	5.2
Latest 2 years	5.5	5.5	6.3	7.5	4.5
Latest 1 year	6.8	5.1	7.4	6.8	5.3
Risk measures (since inception)					
Maximum drawdown[5]	-4.3	n/a	n/a	n/a	n/a
Percentage positive months[6]	80.6	100	n/a	n/a	n/a
Annualised monthly volatility[7]	4.1	0.5	n/a	n/a	n/a

1. Fund and benchmark performance adjusted for income tax at an assumed rate of 25%. (See Fund objective)
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 August 2011.
3. Actual performance of the Fund and benchmark before making any adjustments for tax.
4. This is based on the latest numbers published by I-Net Bridge.
5. Maximum percentage decline over any period. The maximum drawdown occurred from 12 January 2009 to 10 March 2009. Drawdown is calculated on the total return of the Fund (i.e. including income).
6. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
7. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

Total expense ratio (TER)

The TER for the year ending 30 June 2011 is 1.29% and included in this is performance fee of 0.06% and trading costs of 0.06%. The annual management fee rate for the three months ending 31 August 2011 was 1.18% (annualised). These figures are inclusive of VAT, where applicable. Fund returns are quoted after deduction of costs incurred within the Fund so the TER should not be deducted from Fund returns (refer to page 2 for further information).

Annual management fee

The annual management fee rate is dependent on the return of the Fund relative to its benchmark. The 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 rate of 25%, over a rolling two-year period. The fee hurdle (above which a fee greater than the minimum fee of 0.5% is charged) is performance equal to the benchmark minus 5%. For performance equal to the benchmark a fee of 1.0% (excl. VAT) per annum is payable. The manager's sharing rate is 10% of the out- and underperformance of the benchmark over a rolling two-year period and a maximum fee of 1.5% (excl. VAT) applies. If however, the Fund's cumulative return over a rolling two-year period is equal to or less than 0%, no annual management fee will be charged. 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 within the Orbis funds. These fees and other expenses are included in the total expense ratio.

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Fund manager quarterly commentary as at 30 June 2011

The FTSE/JSE All Share Index traded in a range between 30 000 to 33 000 points over the first half of the year, but it ended the first half at much the same level as it started the year. The Fund sidestepped most of this volatility as it maintained a relatively low net exposure to South African shares over the first half. The FTSE/JSE All Share Index is currently priced at 18 times its average annual inflation-adjusted profits over the last decade. This is expensive compared with its 41-year average of 13.5 times. The current 2.5% dividend yield on the index is low compared to its long-term average of 4.4%. At the current high prices for most South African shares, we believe that the risk of loss from holding shares over the next two years is unacceptably high for the Fund. The bulk of the Fund's exposure to South African shares is currently hedged by a short position in futures contracts on the FTSE/JSE Top 40 Index. This allows the Fund to benefit should its stock selections outperform the overall market while substantially reducing its exposure to the overall direction of the stock market. The Fund has maintained its full foreign exposure.

Top 10 share holdings on 30 June 2011 (updated quarterly)

Company	% of portfolio
British American Tobacco	4.2
SABMiller	3.4
Sasol	3.3
Remgro	1.8
Anglogold Ashanti	1.5
Sanlam	1.1
Standard Bank	0.8
Reinet Investments SA	0.7
MTN	0.7
Gold Fields	0.6
Total	**18.1**

Asset allocation on 31 August 2011

Asset class	Total	SA	Foreign
Net Equity	20.2	7.1	13.1
Hedged Equity	25.1	15.5	9.6
Property	0.2	0.2	-
Commodities (Gold)	3.8	3.8	-
Bonds	10.2	10.2	-
Money Market and Bank Deposits	40.5	38.0	2.5
Total	**100.0**	**74.8**	**25.2**

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

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	12.4% (January 2010)
Average	25.3%
Maximum	39.4% (August 2004)

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.

	30 Sept 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011
Cents per unit	19.3605	18.4692	16.8426	17.1335

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Compliance with Regulation 28
The Fund is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits 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 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).

Unit price
Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio divided by the number of units in issue. Forward pricing is used and Fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the manager by 14:00 each business day to receive that day's price. Fluctuations and movements in exchange rates may also cause the value of underlying international investments to go up or down.

Fees
A schedule of fees, charges and maximum commissions is available on request from the manager. Commission and incentives may be paid and if so, would be included in the overall costs.

TER
*TERs are shown for class A units only
The Total Expense Ratio (TER) is the percentage of the fund's average assets under management that has been used to pay the fund's operating expenses over the past year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), trading costs (including brokerage, STT, STRATE and insider trading levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. All Allan Gray performance figures are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. TERs should then be used to evaluate whether the Fund performance offers value for money.

Performance
Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Performance figures are from Allan Gray Limited (GIPS compliant) and are for lump sum investments with income distributions reinvested.