Allan Gray Stable Fund

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 retirement fund investment limits

Minimum investment amounts

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

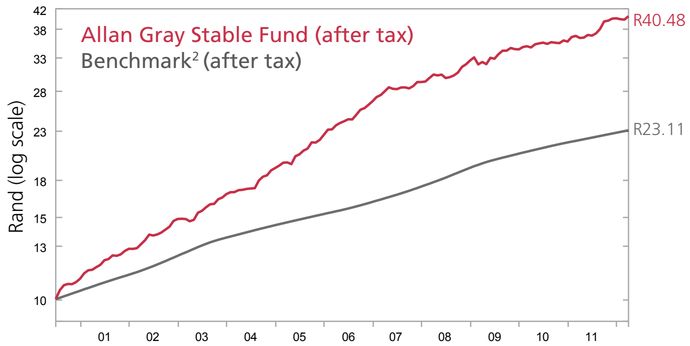
*Only available to South African residents.

Fund information on 31 March 2012

Fund size:	R28 569m
Fund price:	R24.54
Number of share holdings:	69

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	304.8	131.1	357.9	205.5	93.1
Annualised:					
Since inception	12.6	7.4	13.8	10.0	5.8
Latest 10 years	11.9	7.2	13.0	9.7	5.8
Latest 5 years	7.7	7.0	8.6	9.4	6.9
Latest 3 years	7.8	5.6	8.6	7.6	5.2
Latest 2 years	8.0	5.2	8.6	7.0	4.9
Latest 1 year	11.3	5.0	11.9	6.7	6.1
Year-to-date (unannualised)	1.1	1.2	1.1	1.6	1.2
Risk measures (since inception)					
Maximum drawdown[5]	-4.3	n/a	n/a	n/a	n/a
Percentage positive months[6]	80.1	100	n/a	n/a	n/a
Annualised monthly volatility[7]	4.2	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 March 2012.
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 as at 29 February 2012.
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 31 December 2011 is 1.39% and included in this is a performance fee of 0.17% and trading costs of 0.06%. The annual management fee rate for the three months ending 31 March 2012 was 1.58% (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.

Allan Gray Stable Fund

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Fund manager quarterly commentary as at 31 March 2012

At current price levels we believe that there are relatively few opportunities on the JSE to beat cash returns with low risk. These opportunities abounded nine years ago, when we were fortunate to be offered high-quality companies for prices which represented low multiples of low earnings.

Why have these opportunities disappeared? After all, many of these high-quality companies are still listed on the JSE today. The opportunities have vanished as the overall level of share prices has increased. The FTSE/JSE All Share Index has increased from 7 680 at the end of March 2003 to 33 554 at the end of March 2012.

Investing in a high-quality company can still be a risky proposition if one overpays for a share in its business (although not as risky as overpaying for a share in a poor quality business). The company itself may continue to grow revenues and profits steadily in excess of inflation while regularly distributing a decent slice of its profits as a dividend, but if you overpay for a share in that company you still run a substantial risk of capital loss.

The Fund's investments in British American Tobacco, Sasol and SABMiller have proven effective contributors to low-risk, cash-beating returns over the last three years. But their price appreciation over this past period makes it harder for them to deliver similar cash-beating returns over the next three years. A major portion of the 25% of the Fund invested in JSE-listed shares is hedged against a decline in the overall stock market.

The present lack of opportunity on the JSE does not preclude the Fund from pursuing its dual objective of long-term returns in excess of bank deposits while minimising the risk of loss over any two-year period. The Fund's foreign exposure, opportunities to pick up additional yield with low risk in the bond and money markets, and the Fund's hedged equity exposure all hold the potential to contribute to cash-beating returns despite the high prices prevailing in the South African equity market.

Top 10 share holdings on 31 March 2012 (SA and Foreign) (updated quarterly)

Company	% of portfolio
British American Tobacco	4.2
Sasol	2.7
SABMiller	2.6
Remgro	1.6
Standard Bank	1.0
Anglogold Ashanti	1.0
Sanlam	0.9
Anglo American[8]	0.9
Rakuten	0.7
Gold Fields	0.6
Total	**16.1**

8. Including Anglo American Stub Certificates.

Asset allocation on 31 March 2012

Asset class	Total	SA	Foreign[9]
Net Equity	17.3	9.2	8.1
Hedged Equity	26.1	15.5	10.6
Property	0.3	0.3	0
Commodities (Gold)	2.6	2.6	0
Bonds	8.8	8.8	0
Money Market and Bank Deposits	44.8	37.9	6.9
Total	**100.0**	**74.4**	**25.6**

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

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

Minimum	12.4% (January 2010)
Average	25.0%
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 Jun 2011	30 Sept 2011	31 Dec 2011	31 Mar 2012
Cents per unit	17.1335	17.2251	16.2721	16.1632

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

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