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

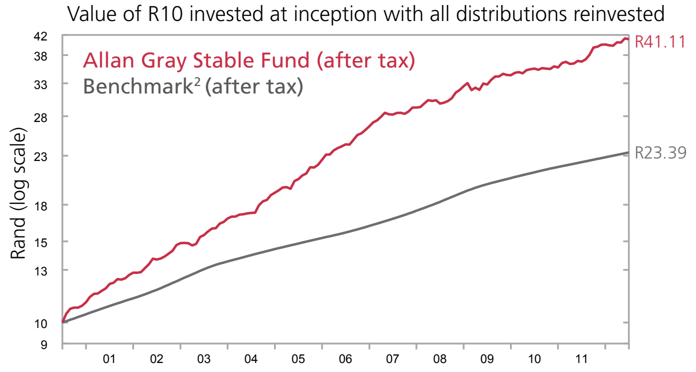
Minimum lump sum per investor account:	R20 000
Additional lump sum:	R500
Minimum debit order*:	R500

*Only available to South African residents.

Fund information on 30 June 2012

Fund size:	R29 037m
Fund price:	R24.78
Number of share holdings:	70

Performance net of all fees and expenses



% Returns	Fund[1]	Benchmark[1,2]	Before tax[3] Fund	Before tax[3] Benchmark	CPI inflation[4]
Unannualised:					
Since inception	311.1	133.9	365.7	210.4	96.1
Annualised:					
Since inception	12.5	7.3	13.7	9.9	5.8
Latest 10 years	11.6	7.1	12.7	9.6	5.6
Latest 5 years	7.8	6.8	8.7	9.3	6.7
Latest 3 years	7.8	5.4	8.5	7.3	4.9
Latest 2 years	7.6	5.1	8.1	6.9	5.1
Latest 1 year	11.8	5.0	12.3	6.7	5.7
Year-to-date (unannualised)	2.6	2.4	2.8	3.3	2.7
Risk measures (since inception)					
Maximum drawdown[5]	-4.3	n/a	n/a	n/a	n/a
Percentage positive months[6]	79.2	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 30 June 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 31 May 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 March 2012 is 1.52% and included in this is a performance fee of 0.29% and trading costs of 0.06%. The annual management fee rate for the three months ending 30 June 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

Fund manager quarterly commentary as at 30 June 2012

One of the classic mistakes of investors is to stretch for yield at just the wrong time. In other words, these investors want to be conservatively positioned, but they erroneously believe that they can maintain their conservative positioning while making riskier loans to institutions which offer to pay higher interest rates. This is how 'Masterbond-type' disasters unfold.

Global bond investors are now distinguishing more between 'good' and 'bad' credits. For example, Spain presently has to pay yields over 6% on its 10-year bond yields, while Germany currently pays a yield of around 1.5% on its 10-year bonds. Investors may find it tempting to stretch for this additional yield, but we believe that the trend of widening credit spreads could well have further to run as the excessive leverage built up in the latter part of the 20th century continues to deflate.

There will surely come a time when the rewards of lending to risky institutions or enterprises outweigh the risks, but we do *not* believe that that time is now. Although passing up the opportunity to earn higher yields on more risky loans may weigh on the Fund's relative short-term performance, we believe that it better positions the Fund as a store of value in the event of another crisis, such as we saw in 2008. So for the time being the Fund is prepared to tolerate the low interest rates paid by safer counterparties.

We believe that the Fund's hedged equity positions offer an alternative avenue for seeking cash-beating returns without taking significant credit risk. These hedged equity positions will generate returns in excess of cash returns to the extent that the Fund's selected equities outperform the stock market index futures contracts used to hedge stock market exposure. Of course, the reverse is true too. If the Fund's selected equities underperform the relevant stock market indices, then the Fund will earn lower returns than cash on its hedged equities. We believe this risk is more acceptable for the Fund right now than the risk of a substantial write down on a loan to a borrower who may soon prove to be bankrupt.

Top 10 share holdings on 30 June 2012 (SA and Foreign) (updated quarterly)

Company	% of portfolio
British American Tobacco	4.5
Sasol	2.9
SABMiller	2.3
Remgro	1.5
Standard Bank	1.0
Sanlam	1.0
Anglogold Ashanti	1.0
Anglo American[8]	0.9
INPEX	0.7
Impala Platinum	0.6
Total	**16.4**

8. Including Anglo American Stub Certificates.

Asset allocation on 30 June 2012

Asset class	Total	SA	Foreign[9]
Net Equity	16.9	9.9	7.0
Hedged Equity	26.9	15.1	11.8
Property	0.4	0.4	0.0
Commodities (Gold)	2.7	2.7	0.0
Bonds	8.4	8.4	0.0
Money Market and Bank Deposits	44.8	38.1	6.7
Total	**100.0**	**74.5**	**25.5**

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	24.8%
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 2011	31 Dec 2011	31 Mar 2012	30 Jun 2012
Cents per unit	17.2251	16.2721	16.1632	17.8014

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

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Disclaimer

The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Allan Gray Unit Trust Management (RF) Proprietary Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The Company has been approved by the Regulatory Authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana.

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 (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).

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 Proprietary Limited and are for lump sum investments with income distributions reinvested.