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 (with an additional 5% for African ex-SA investments). 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: South African - Multi Asset - 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

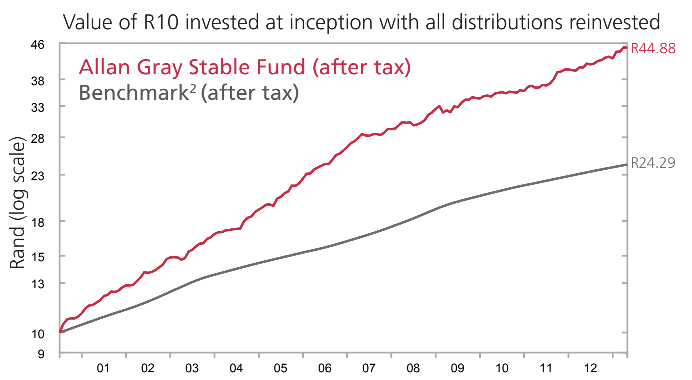
Minimum lump sum per investor account:	R20 000
Additional lump sum:	R500
Minimum debit order*:	R500

*Only available to South African residents.

Fund information on 30 April 2013

Fund size:	R29 633m
Fund price:	R26.52
Number of share holdings:	73

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	348.8	142.9	409.6	226.5	106.7
Annualised:					
Since inception	12.4	7.2	13.5	9.7	5.9
Latest 10 years	11.7	6.6	12.6	8.9	5.3
Latest 5 years	8.2	6.2	9.0	8.3	5.9
Latest 3 years	8.4	5.0	8.9	6.7	5.3
Latest 2 years	11.0	4.8	11.5	6.5	6.0
Latest 1 year	11.0	4.7	11.4	6.3	5.9
Year-to-date (unannualised)	5.8	1.5	5.9	2.0	2.5
Risk measures (since inception)					
Maximum drawdown[5]	-4.3	n/a	n/a	n/a	n/a
Percentage positive months[6]	79.2	100.0	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 April 2013.
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 March 2013.
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 2013 is 1.64% and included in this is a performance fee of 0.43% and trading costs of 0.06%. The annual management fee rate for the three months ending 30 April 2013 was 1.80% (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 31 March 2013

The Fund's single largest stock exposure is to British American Tobacco (4.9% directly, and 0.5% indirectly via Reinet). BAT bears many of the hallmarks of an ideal 'Stable Fund' share. Its reported profits are backed up by free cash flow, most of which is distributed to shareholders by way of dividends and share buybacks. The company has considerable pricing power, which affords it the opportunity to grow its profits in line with inflation over time, without further capital investment. BAT operates in over 100 countries, which lends stability to its profits. One could argue that BAT is in itself already a pretty well-diversified investment (at least geographically).

Of course there are risks attached to an investment in BAT (as there are with all equity investments). In some countries BAT's brands are being attacked by plain packaging legislation. Other countries introduce sudden and disruptive increases in excise taxes from time to time. The threat of the illicit trade constantly hangs over the industry.

In assessing these risks, one needs to remember that approximately 70% of the gross revenue collected by BAT is paid over by the company to governments in the form of excise and income taxes (ignoring VAT). Only 7% of gross revenue is retained by the company as profits. BAT is a very efficient tax collector for governments around the world, and in many ways their interests are aligned. It is certainly preferable for people to smoke a BAT cigarette on which full taxes have been paid, than an illicit cigarette supplied by organised crime syndicates.

While the 6.5% free cash flow yield on the share is enough to warrant a significant position, there is additional potential upside from efficiency gains and cost savings, change in mix towards BAT's global drive brands, underlying growth in emerging markets and in the long term, new innovative products.

Unfortunately, there are not too many opportunities like BAT to be found on the JSE at present, and so the Fund continues to maintain a conservative overall equity exposure.

Top 10 share holdings on 31 March 2013 (SA and Foreign) (updated quarterly)

Company	% of portfolio
British American Tobacco	4.9
Sasol	3.6
SABMiller	2.8
Remgro	1.8
Micron Technology	1.1
Anglo American[8]	1.1
Sanlam	1.1
Standard Bank	1.0
American Intl. Group	0.9
Telefonaktiebolaget LM Ericsson	0.8
Total	**19.0**

8. Including Anglo American Stub Certificates.

Asset allocation on 30 April 2013

Asset class	Total	SA	Foreign
Net Equity	14.4	10.0	4.4
Hedged Equity	35.7	17.1	18.5
Property	0.4	0.3	0.1
Commodities (Gold)	3.1	3.1	0.0
Bonds	4.7	4.7	0.0
Money Market and Bank Deposits	41.8	39.2	2.6
Total	**100.0**	**74.3**	**25.7**[9]

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	24.3%
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 Jun 2012	30 Sept 2012	31 Dec 2012	31 Mar 2013
Cents per unit	17.8014	12.3897	14.3128	13.4051

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

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