Allan Gray Stable Fund

Fund managers:	Ian Liddle, Mark Dunley-Owen (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. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited plus 2%.

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

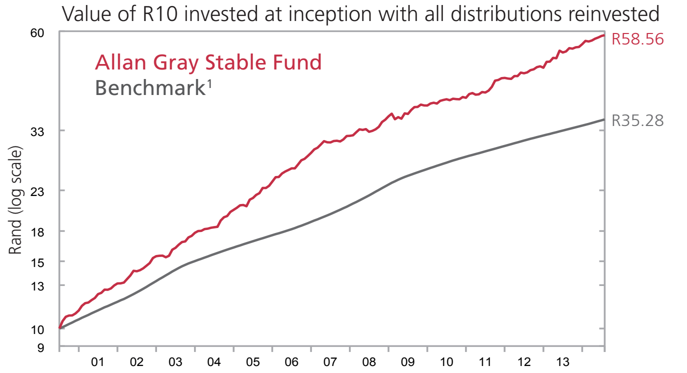
- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a unit trust that complies with retirement fund investment limits

Fund information on 31 July 2014

Fund size:	R37 466m
Fund price:	R29.66
Number of share holdings:	77

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	485.6	252.8	121.2
Annualised:			
Since inception	13.4	9.4	5.8
Latest 10 years	12.2	8.4	6.0
Latest 5 years	9.4	6.9	5.4
Latest 3 years	11.8	6.4	5.9
Latest 2 years	11.9	6.3	6.1
Latest 1 year	10.3	6.4	6.6
Year-to-date (unannualised)	5.6	3.8	4.1
Risk measures (since inception)			
Maximum drawdown[3]	-4.1	n/a	n/a
Percentage positive months[4]	81.1	100.0	n/a
Annualised monthly volatility[5]	4.2	0.7	n/a

1. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited plus 2%, performance as calculated by Allan Gray as at 31 July 2014.
2. This is based on the latest numbers published by I-Net Bridge as at 30 June 2014.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 12 May 2006 to 14 June 2006. Drawdown is calculated on the total return of the Fund (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. 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.

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.

Annual management fee and total expense ratio (TER)

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee:	1.50% p.a. excl. VAT
Minimum fee:	0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark.

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12 month period. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 2 for further information).

TER breakdown for the year ending 30 June 2014	%
Fees for benchmark performance	1.01
Performance fees	0.62
Other costs including trading costs	0.09
VAT	0.16
Total expense ratio	**1.88**

Allan Gray Stable Fund

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Fund manager quarterly commentary as at 30 June 2014

The Fund's net equity exposure is 18.4%, towards the low end of its 12% to 39% range since inception. This reflects our concern about asset prices. However, the net equity exposure has increased marginally over the last year.

The Fund's objective is to beat the return on bank deposits while minimising the risk of capital loss. Despite high asset prices, there are select opportunities to invest in lower risk assets that meet this objective. The small increase in the Fund's net equity exposure over the last year is largely attributable to increasing exposure to companies such as Sasol, SABMiller and Standard Bank. Their strong cash flow and competitive position, above-average management and reasonable valuation make them attractive.

Similarly, the Fund has invested in bond-like instruments offering attractive yields with low duration and credit risk. Preference shares issued by higher-quality companies are one such example.

We are increasingly aware of the risks as asset prices continue to rise. The Fund has significant exposure to cash and more than half of its equity exposure is hedged. However, the Fund also continues to maintain a net exposure to high-quality companies which should outperform cash over the long-term, even if share prices were to fall over the shorter term.

Commentary contributed by Mark Dunley-Owen

Top 10 share holdings on 30 June 2014 (SA and Foreign) (updated quarterly)

Company	% of portfolio
British American Tobacco	4.5
Sasol	4.2
SABMiller	3.1
Standard Bank	2.5
Remgro	1.3
Reinet Investments SA	1.0
Growthpoint Properties	0.9
Samsung Electronics	0.9
NetEase	0.8
Sanlam	0.6
Total	**20.0**

Asset allocation on 31 July 2014

Asset class	Total	SA	Foreign
Net Equity	19.2	12.9	6.4
Hedged Equity	29.9	15.0	14.9
Property	3.0	2.7	0.3
Commodity-linked	4.5	4.5	0.0
Bonds	11.0	10.6	0.3
Money Market and Bank Deposits	32.4	28.8	3.5
Total (%)	**100.0**	**74.5**	**25.5**[6]

6. This includes African ex-SA assets.

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

Minimum	12.4% (January 2010)
Average	23.5%
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 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014
Cents per unit	14.2539	14.3869	16.8936	18.7388

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

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