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.

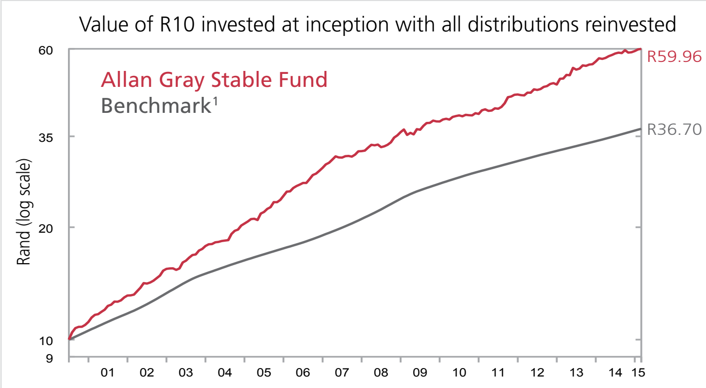
Suitable for those investors who

- 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 28 February 2015

Size:	R36.9bn
Price:	R29.99

Performance net of all fees and expenses



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised: Since Inception	499.6	267.0	123.4
Annualised: Since Inception	13.0	9.3	5.7
Latest 10 Years	11.1	8.3	5.9
Latest 5 Years	9.0	6.7	5.1
Latest 3 Years	10.0	6.5	5.2
Latest 2 Years	9.6	6.5	5.1
Latest 1 Year	6.4	6.9	4.4
Year-to-date (unannualised)	1.4	1.1	-0.2
Risk measures (since inception)			
Maximum Drawdown[3]	-4.1	n/a	n/a
Percentage Positive Months[4]	80.7	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 28 February 2015.
2. This is based on the latest numbers published by INET BFA as at 31 January 2015.
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 investors with a South African bank account.

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 31 December 2014	%
Fee for benchmark performance	1.02
Performance fees	0.45
Other costs including trading costs	0.08
VAT	0.16
Total expense ratio	**1.71**

Allan Gray Stable Fund

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Fund manager quarterly commentary as at 31 December 2014

The Fund outperformed its benchmark over the last three, five and 10-year periods, despite lagging the benchmark by 0.2% in 2014. Since its inception in July 2000, the Fund has returned 13.0% p.a., compared with the benchmark of 9.3% p.a, and CPI inflation of 5.8% p.a. The maximum drawdown has been 4.1%, while the lowest return over any two-year rolling period has been 5.8% p.a. The Fund has so far operated in a very favourable environment and it would be disappointing had it not achieved its objectives. The next 15 years will likely prove more challenging.

Over the bull market of the last five years, the Fund has underperformed most of its peers. This is partially explained by the Fund's lower risk tolerance – it aims to minimise the risk of loss over any two-year period. This is much more stringent than aiming to exhibit lower volatility than an average balanced portfolio. It is hard to prove that the Fund has incurred significantly less risk over the last five years, as the upward march of equity markets has not provided any stern tests of downside protection. When the tide does go out, we hope that Fund investors will be able to discern that we have not been 'swimming naked' (to borrow from a Buffett analogy).

With the benefit of hindsight, the Fund could have maintained the higher net equity exposure which it accumulated in the last quarter of 2008 for longer without compromising its risk objective. Moreover, we are disappointed by the lacklustre contribution from the substantial portion of the Fund invested in hedged equities, especially hedged global equities over the last year.

We constantly re-evaluate the Fund's portfolio. Despite these two disappointments, we consider the Fund's current relatively low net equity exposure of 17.6% to be prudent given stretched equity market valuations. We remain optimistic about the potential long-term return from hedged equities, when compared with other asset classes today.

Commentary contributed by Ian Liddle

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

Minimum	12.4 % (January 2010)
Average	23.2%
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.

	31 Mar 2014	30 Jun 2014	30 Sep 2014	31 Dec 2014
Cents per unit	16.8936	18.7388	19.6174	17.1442

Top share holdings on 31 December 2014 (SA and Foreign) (updated quarterly)[6]

Company	% of portfolio
British American Tobacco	4.7
Sasol	3.6
SABMiller	3.3
Standard Bank	2.5
Remgro	1.5
Growthpoint Properties	1.1
Total	**16.6**

Top credit exposures on 31 December 2014 (SA and Foreign) (updated quarterly)[6]

Issuer	% of portfolio
Standard Bank	8.2
FirstRand Bank	4.8
Barclays Africa	4.7
Nedbank	4.6
Investec Bank	2.8
African Bank	2.5
Republic of South Africa	1.1
Mercedes-Benz S.A.	1.1
Total	**29.8**

6. All share holdings and credit exposure 1% or more of portfolio.

Asset allocation on 28 February 2015

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	17.7	12.0	0.2	5.6
Hedged Equity	32.0	15.5	0.0	16.5
Property	2.5	2.2	0.0	0.3
Commodity-linked	4.5	4.5	0.0	0.0
Bonds	12.7	11.9	0.5	0.4
Money Market and Bank Deposits	30.6	27.8	0.1	2.7
Total (%)	**100.0**	**73.7**	**0.7**	**25.5**[7]

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

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
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.