

# Allan Gray-Orbis Global Equity Feeder Fund

ALLAN GRAY

**Fund managers:** This Fund invests solely into the Orbis Global Equity Fund, managed by Orbis Investment Management Limited

**Inception date:** 1 April 2005

**Class:** A

## Fund description and summary of investment policy

The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray's offshore investment partner, Orbis. The Orbis Global Equity Fund invests in shares listed on stock markets around the world and aims to be fully invested at all times. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund is fully invested outside South Africa, the units in the Fund are priced and traded daily in rands.

**ASISA unit trust category:** Global - Equity - General

## Fund objective and benchmark

The Fund aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the FTSE World Index, including income.

## How we aim to achieve the Fund's objective

The Fund invests only in the Orbis Global Equity Fund. The Orbis Global Equity Fund is managed to remain fully invested in selected global equities. Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables Orbis 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. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally.

## Suitable for those investors who

- Seek exposure to diversified international equities to provide long-term capital growth
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with global stock market and currency fluctuation and risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a fully invested global equity 'building block' in a diversified multi-asset class portfolio

## 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 does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet, which can be found at [www.allangray.co.za](http://www.allangray.co.za).

The annual management fee charged by Orbis is 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 March 2015	%
Fee for benchmark performance	1.50
Performance fees	0.72
Other costs including trading costs	0.23
VAT	0.00
<b>Total expense ratio</b>	<b>2.45</b>

## Fund information on 31 May 2015

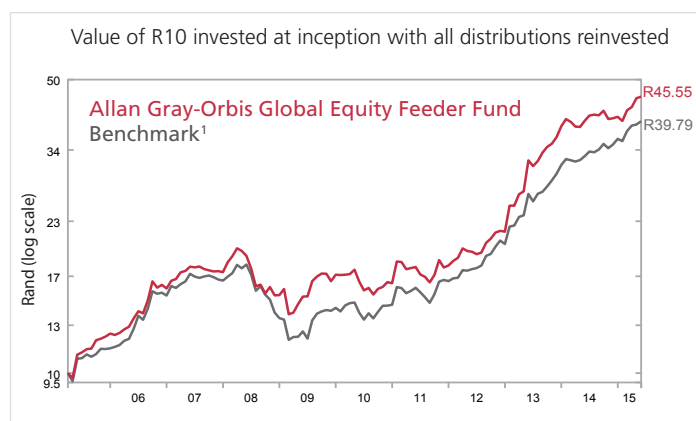
**Fund size:** R14.7bn

**Price (net asset value per unit):** R45.37

## 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 annually.	<b>31 Dec 2014</b>
Cents per unit	0.1763

## Performance net of all fees and expenses



% Returns	Fund		Benchmark <sup>1</sup>		CPI inflation <sup>2</sup>	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
<i>Unannualised:</i> Since Inception	355.5	133.8	297.9	104.3	81.4	22.2
<i>Annualised:</i> Since Inception	16.1	8.7	14.6	7.3	6.1	2.0
Latest 10 Years	15.2	8.7	13.9	7.5	6.1	2.0
Latest 5 Years	22.5	11.9	23.4	12.7	5.4	1.7
Latest 3 Years	32.8	18.3	31.1	16.7	5.5	1.0
Latest 2 Years	19.1	9.0	22.1	11.7	5.3	0.9
Latest 1 Year	14.1	-0.7	21.1	5.4	4.5	-0.1
Year-to-date (unannualised)	11.7	6.7	10.1	5.2	2.8	-0.1

## Risk measures (since inception)

Maximum Drawdown <sup>3</sup>	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage Positive Months <sup>4</sup>	66.4	60.7	66.4	61.5	n/a	n/a
Annualised Monthly Volatility <sup>5</sup>	14.9	17.2	13.0	16.4	n/a	n/a
Highest annual return <sup>6</sup>	78.2	63.0	54.2	58.4	n/a	n/a
Lowest annual return <sup>6</sup>	-29.7	-44.8	-32.7	-47.3	n/a	n/a

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 May 2015.
2. This is based on the latest numbers published by INET BFA as at 30 April 2015.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 6 June 2008 to 10 March 2009 and maximum benchmark drawdown occurred from 5 June 2008 to 6 March 2009. Drawdown is calculated on the total return of the Fund/benchmark (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.
6. This is the highest or lowest consecutive 12 month returns the Fund has experienced since inception, along with the benchmark performance for the corresponding period. This is a measure of how much the Fund's returns have varied per rolling 12 month period. The highest annual Rand return occurred from 1 January 2013 to 31 December 2013 and the lowest annual Rand return occurred from 1 April 2008 to 31 March 2009. All rolling 12 month figures for the Fund and the benchmark are available from our Client Service Centre on request.

# Allan Gray-Orbis Global Equity Feeder Fund

Fund manager quarterly commentary as at 31 March 2015

At Orbis and Allan Gray, we aim to buy shares of companies that are priced at a significant discount to our assessment of intrinsic value. If we are correct in our analysis, we believe that share prices will come to reflect the underlying value of the businesses. What we are less sure of is the timing.

In painful periods, prices can become increasingly detached from underlying value. One trait these periods typically share is the degree to which shares are 'trending', or the tendency for shares that have outperformed to continue outperforming, and vice versa. Like the late 1990s, the last five years has been a strongly trending market, and it has been difficult for value-oriented managers like Orbis to keep pace. That's not to say that mistakes have not contributed to below-par performance in either of these periods, only that there have been other headwinds that have been less under Orbis' control.

With real interest rates negative in a number of regions and many bonds offering negative real yields, investors have struggled to generate a positive real return with safer assets. This has encouraged investors to take on more risk. Assets which have benefited are those with stable bond-like characteristics such as high-yielding equities in defensive businesses.

This explains why Orbis has found fewer assets trading at discounts to intrinsic value in popular areas of the market – and why not owning those same shares has been costly to relative performance over the past five years. The encouraging flip side is that the major laggards are beginning to look particularly cheap on a relative basis.

Korean equities fall squarely into the laggard bucket. Their prices remain depressed partly because they have not benefited from the factors that have contributed to above-normal trending in global markets. Korea has not implemented quantitative easing, and with low dividends, the market offers little appeal for yield-seekers. For bargain hunters, however, Korea has a lot to offer. At current levels, Orbis' favourite Korean shares are trading comfortably below 10 times what they consider to be normal earnings. In contrast, in the US sentiment is more bullish with the market's valuation above 15 times next year's estimated earnings – which are arguably above normal levels.

Other examples of attractive laggards include The Royal Bank of Scotland (RBS). RBS has generated little interest from investors, given its leverage and lack of dividend since the end of 2007. However, a new management team is in the process of shrinking the balance sheet, which is delaying the payment of dividends and obscuring the value of the underlying franchises. As this completes, we expect RBS to emerge as a well capitalised bank with excellent profitability and a solid dividend payout ratio.

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The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

## Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Management Company') is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates nine unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board (FSB). The Management Company is a member of the Association for Savings & Investment SA (ASISA) and is incorporated under the laws of South Africa. The Management 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. Allan Gray Proprietary Limited (the 'Investment Manager'), an authorised financial services provider, is the appointed investment manager of the Management Company. The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or [www.rmb.co.za](http://www.rmb.co.za)

## Performance

Collective Investment Schemes in Securities (unit trusts or funds) 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 future performance. Movements in exchange rates may also cause of the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

## Fund mandate

The Fund may be closed to new investments at any time in order to be managed according to its mandate. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of its market value to bridge insufficient liquidity.

## Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund 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 Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on [www.allangray.co.za](http://www.allangray.co.za)

# ALLAN GRAY

Of course, the laggards may continue to lag and we do not claim an expertise in knowing how or when it will end. What we do know for certain is that momentum-driven markets have typically ended badly in the past. By focusing relentlessly on intrinsic value, it is during these times that we can earn our keep as stewards of your capital.

Adapted from commentary contributed by Graeme Forster

## Top 10 share holdings on 31 May 2015

Company	% of portfolio
NetEase	6.1
Motorola Solutions	4.7
eBay	4.6
Apache	3.1
Samsung Electronics	2.9
Charter Communications	2.6
Liberty Global	2.5
Gazprom	2.3
QUALCOMM	2.3
KB Financial Group	2.3
<b>Total</b>	<b>33.3</b>

## Geographical exposure on 31 May 2015

This Fund invests solely into the Orbis Global Equity Fund

Region	Fund's % exposure to:		% of World Index
	Equities	Currencies	
United States	45	55	53
Canada	0	3	3
<b>North America</b>	<b>45</b>	<b>58</b>	<b>57</b>
Greater China	10	2	3
Korea	10	2	2
Other	4	4	1
<b>Asia ex-Japan</b>	<b>24</b>	<b>8</b>	<b>6</b>
Continental Europe	12	15	16
United Kingdom	9	8	8
<b>Europe</b>	<b>21</b>	<b>23</b>	<b>24</b>
<b>Japan</b>	<b>7</b>	<b>9</b>	<b>9</b>
<b>Other</b>	<b>3</b>	<b>3</b>	<b>5</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

## Fees

Permissible deductions may include management fees, brokerage, Securities Transfer Tax (STT), auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

## Total expense ratio (TER)

The 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 FSB Investor Protection Levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. The Fund's 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.

## FTSE World Index

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## Feeder fund

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. Allan Gray does not charge any additional fees in its feeder funds.

## Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

## Foreign exposure

The Fund invests in a foreign fund managed by Orbis Investment Management Limited, our offshore investment partner.