

## ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND

**Fund managers:** This Fund invests solely into the Orbis Global Equity Fund, managed by Orbis Investment Management Limited.  
**Inception date:** 1 April 2005

### 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 Investment Management Limited. 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	<b>R20 000</b>
Additional lump sum	<b>R500</b>
Minimum debit order*	<b>R500</b>

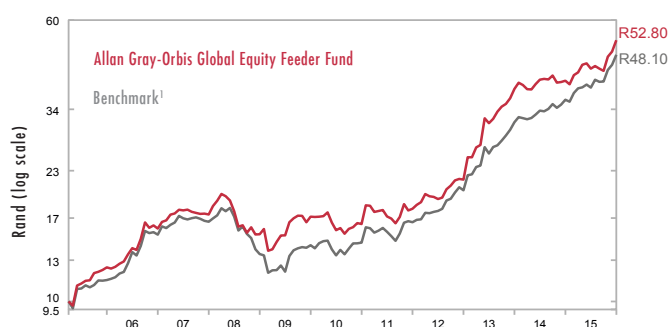
\*Only available to investors with a South African bank account.

### Fund information on 31 December 2015

Fund size	<b>R16.3bn</b>
Number of units	<b>310 010 428</b>
Price (net asset value per unit)	<b>R52.59</b>
Class	<b>A</b>

### Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark <sup>1</sup>		CPI inflation <sup>2</sup>	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
<b>Unannualised:</b>						
Since inception	428.0	110.4	381.0	91.6	85.2	23.3
<b>Annualised:</b>						
Since inception	16.7	7.2	15.7	6.2	5.9	2.0
Latest 10 years	15.6	5.7	15.4	5.5	6.1	1.9
Latest 5 years	26.4	6.6	27.0	7.1	5.5	1.6
Latest 3 years	34.5	9.8	33.4	8.9	5.3	1.0
Latest 2 years	16.8	-4.3	24.0	1.6	5.3	0.9
Latest 1 year	29.5	-4.1	33.2	-1.3	4.8	0.4
Year-to-date (unannualised)	29.5	-4.1	33.2	-1.3	5.0	0.8
<b>Risk measures (since inception)</b>						
Maximum drawdown <sup>3</sup>	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months <sup>4</sup>	65.9	58.1	66.7	59.7	n/a	n/a
Annualised monthly volatility <sup>5</sup>	15.0	17.3	13.1	16.3	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 December 2015.

2. This is based on the latest numbers published by INET BFA as at 30 November 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. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's lowest occurred during the 12 months ended 31 March 2009 and the benchmark's lowest annual return occurred during the 12 months ended 31 March 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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### Meeting the Fund objective

Since inception the Fund has outperformed its benchmark and its returns have exceeded CPI inflation by a significant margin. Over the latest 10-year period the Fund has performed in line with its benchmark, but it has lagged its benchmark by under 1% p.a. over the last five years. The Fund has provided returns significantly in excess of CPI inflation for both those periods. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the global stock market. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

### 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 2015</b>
<b>Cents per unit</b>	<b>0.2523</b>

### Annual management fee

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).

### Total expense ratio (TER) and Transaction costs

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 3-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 3-year period ending 31 December 2015	%
<b>Total expense ratio</b>	<b>2.01</b>
Fee for benchmark performance	1.49
Performance fees	0.47
Other costs excluding transaction costs	0.05
VAT	0.00
<b>Transaction costs (incl. VAT)</b>	<b>0.13</b>
<b>Total investment charge</b>	<b>2.14</b>

### Top 10 share holdings on 31 December 2015

Company	% of portfolio
NetEase	7.7
QUALCOMM	5.1
Motorola Solutions	4.6
Charter Communications	3.2
Apache	3.0
JD.com	2.9
Time Warner Cable	2.5
PayPal	2.3
Sberbank	2.3
XPO Logistics	2.3
<b>Total (%)</b>	<b>35.9</b>

### Geographical exposure on 31 December 2015

This fund invests solely into the Orbis Global Equity Fund

Region	Funds % exposure to:		% of World Index
	Equities	Currencies	
North America	45	58	58
Asia ex-Japan	25	7	5
Continental Europe	11	16	16
United Kingdom	10	7	7
Japan	5	10	9
Other	2	2	4
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

## ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND

## Fund manager quarterly commentary as at 31 December 2015

The Orbis Global Equity Fund's performance over the past year has been disappointing. However, at times like these, it is important to remember that performance does not come in a straight line – at the portfolio or individual stock level.

Consider the Chinese online gaming company NetEase. Since Orbis first invested in NetEase, in August 2008, the company's market value has increased over seven-fold, and its shares have outperformed the MSCI World Index by over 200%. Yet the long-term snapshot misses the bumps along the way; from Orbis' initial purchase through to early 2013 – a period of more than four years – NetEase underperformed the World Index.

As NetEase's mobile initiative has proved its strength, Orbis' assessment of the company's intrinsic value has increased and Orbis remains confident that its shares have not yet reached their long-term return potential. Orbis believes NetEase's industry-leading research and development capability will help it to deliver nearly 20% per annum earnings growth and it should also continue to benefit from the tailwind of greater internet penetration in China, which remains low relative to developed markets.

Another beneficiary of that trend is JD.com, the second largest e-commerce player in China, and a new investment in the second half of 2015. Trading at less than 0.5 times gross merchandise value, JD's valuation is well below levels that have proven to be extraordinary buying opportunities for other rapidly growing retailers in the past, such as Amazon and Walmart.

NetEase and JD are two examples of the many compelling long-term investment opportunities Orbis has identified in emerging markets. The gap between valuations in developed and emerging markets is now near its widest level in over 10 years. Historically, this could have been justified by similarly wide differences in fundamentals, but today there is little difference in the returns on equity between the two groups.

On the other hand, while developed market shares broadly trade at elevated valuations, following a six-year equity rally, Orbis has still managed to identify shares in these markets that it believes are capable of delivering superior long-term returns. Examples include Qualcomm and Motorola Solutions, the Fund's two largest US holdings.

Qualcomm produces chips for use in smartphones. With net cash holdings worth more than 25% of its market value and profit margins at stable, historical norms, its sizeable valuation discount relative to the S&P 500 Index appears unwarranted. Orbis believes Qualcomm will maintain revenue growth of over 10% per annum as smartphones become increasingly ubiquitous.

Similarly, Motorola Solutions, the leading provider of communications systems for law enforcement and emergency responders globally, is available at a discount to the market despite its strong competitive position and a cash-pile amounting to over 30% of its market capitalisation.

The Fund's low turnover in 2015 is a testament to Orbis retaining conviction in a large number of performance laggards. With highly concentrated portfolios, Orbis pursues only high-conviction investment ideas. Thus, for each laggard it elects to retain, it remains confident that the market will eventually reward its patience.

Over the last quarter, there have been no material changes to the Fund's exposure to different regions or currencies. With regards to individual holdings, US-based XPO Logistics, a logistics and transportation services provider, entered the top 10 holdings. Orbis initiated a position in XPO in the third quarter and incrementally purchased more shares as its conviction strengthened. Sberbank of Russia re-entered the top 10 holdings, on account of its strong outperformance.

*Adapted from Orbis commentary contributed by Graeme Forster  
For the full commentary please see [www.orbis.com](http://www.orbis.com)*

## ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND

### Notes for consideration

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 10 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board ('FSB'). The Management Company is incorporated under the laws of South Africa and 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 and is a member of the Association for Savings & Investment South Africa (ASISA). 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 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)

### 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) and Transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], STRATE and FSB Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. 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. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and Transaction costs is shown as the Total investment charge.

### FTSE World Index

FTSE is a trademark of the London Stock Exchange Group of Companies. The FTSE World Index is calculated by FTSE International Limited ('FTSE') in accordance with standard criteria and is the proprietary information of FTSE. All copyright subsisting in the FTSE World Index values and constituent lists vests in FTSE. All its rights are reserved.

### 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.

### Foreign exposure

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