

## 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 | R20 000 |
| Additional lump sum                   | R500    |
| Minimum debit order*                  | R500    |

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

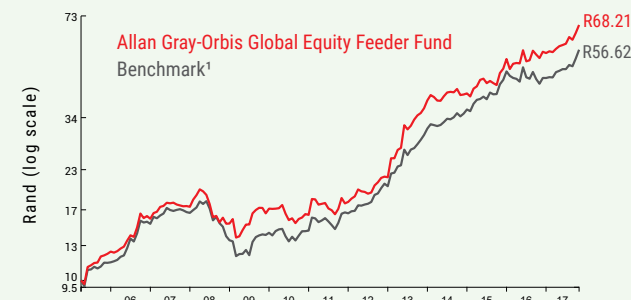
## Fund information on 31 October 2017

|                                  |             |
|----------------------------------|-------------|
| Fund size                        | R21.0bn     |
| Number of units                  | 309 230 449 |
| Price (net asset value per unit) | R67.94      |
| Class                            | A           |

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 October 2017.
2. This is based on the latest numbers published by IRESS as at 30 September 2017.
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 occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 March 2009 and the benchmark's 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.

## 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> |      |
|--|-------|-------|------------------------|-------|----------------------------|------|
| Cumulative:                                | ZAR   | US\$  | ZAR                    | US\$  | ZAR                        | US\$ |
| Since inception (1 April 2005)             | 582.1 | 200.1 | 466.2                  | 149.1 | 106.0                      | 27.6 |
| Annualised:                                |       |       |                        |       |                            |      |
| Since inception (1 April 2005)             | 16.5  | 9.2   | 14.8                   | 7.6   | 5.9                        | 2.0  |
| Latest 10 years                            | 14.6  | 6.1   | 12.8                   | 4.4   | 6.0                        | 1.7  |
| Latest 5 years                             | 25.8  | 14.1  | 23.1                   | 11.6  | 5.5                        | 1.3  |
| Latest 3 years                             | 19.2  | 9.6   | 18.2                   | 8.6   | 5.3                        | 1.2  |
| Latest 2 years                             | 19.8  | 18.5  | 13.9                   | 12.7  | 5.6                        | 1.9  |
| Latest 1 year                              | 28.3  | 22.9  | 29.1                   | 23.7  | 5.1                        | 2.2  |
| Year-to-date (not annualised)              | 23.5  | 19.4  | 23.7                   | 19.6  | 3.8                        | 1.5  |
| 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>    | 65.6  | 60.3  | 64.2                   | 62.9  | n/a                        | n/a  |
| Annualised monthly volatility <sup>5</sup> | 15.0  | 16.7  | 13.3                   | 15.4  | 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  |

## Meeting the Fund objective

Since inception and over the last 10 years and five-year periods the Fund has outperformed its benchmark. The fund has provided returns significantly in excess of CPI inflation for all three 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 2016</b> |
| <b>Cents per unit</b>   | <b>0.3806</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 one and three-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.

| <b>TER and Transaction costs breakdown for the 1 and 3-year period ending 30 September 2017</b> | <b>1yr %</b> | <b>3yr %</b> |
|---|--------------|--------------|
| <b>Total expense ratio</b>  | <b>1.78</b>  | <b>1.87</b>  |
| Fee for benchmark performance   | 1.49         | 1.50         |
| Performance fees  | 0.22         | 0.30         |
| Other costs excluding transaction costs   | 0.06         | 0.06         |
| VAT   | 0.01         | 0.01         |
| <b>Transaction costs (including VAT)</b>  | <b>0.20</b>  | <b>0.15</b>  |
| <b>Total investment charge</b>  | <b>1.98</b>  | <b>2.02</b>  |

## Top 10 share holdings on 31 October 2017

| <b>Company</b>           | <b>% of portfolio</b> |
|--------------------------|-----------------------|
| XPO Logistics            | 5.2                   |
| AbbVie                   | 4.6                   |
| Charter Communications   | 4.3                   |
| Arconic                  | 3.0                   |
| Anthem                   | 2.9                   |
| Sberbank of Russia       | 2.8                   |
| NetEase                  | 2.7                   |
| British American Tobacco | 2.7                   |
| Honda Motor              | 2.6                   |
| Motorola Solutions       | 2.4                   |
| <b>Total (%)</b>         | <b>33.2</b>           |

## Asset allocation on 31 October 2017

This fund invests solely into the Orbis Global Equity Fund

|                    | <b>Total</b> | <b>North America</b> | <b>Europe</b> | <b>Japan</b> | <b>Asia ex-Japan</b> | <b>Other</b> |
|--------------------|--------------|----------------------|---------------|--------------|----------------------|--------------|
| Net equity         | 99.3         | 48.1                 | 17.3          | 11.5         | 18.5                 | 4.0          |
| Hedged equity      | 0.0          | 0.0                  | 0.0           | 0.0          | 0.0                  | 0.0          |
| Fixed interest     | 0.0          | 0.0                  | 0.0           | 0.0          | 0.0                  | 0.0          |
| Net current assets | 0.7          | 0.0                  | 0.0           | 0.0          | 0.0                  | 0.7          |
| <b>Total</b>       | <b>100.0</b> | <b>48.1</b>          | <b>17.3</b>   | <b>11.5</b>  | <b>18.5</b>          | <b>4.7</b>   |

### Currency exposure of the Orbis Global Equity Fund

|       |       |      |      |     |     |     |
|-------|-------|------|------|-----|-----|-----|
| Fund  | 100.0 | 51.3 | 25.9 | 9.1 | 9.7 | 4.0 |
| Index | 100.0 | 57.6 | 23.1 | 9.0 | 5.9 | 4.5 |

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

As a bottom-up stock picker, Orbis loves buying companies that trade at steep discounts to their true value, for reasons specific to each company. Orbis also loves clustered opportunities, where a number of shares with a common trait all trade at low valuations. When clusters represent large parts of the market, this can lead to opportunities that offer the best of both worlds: an especially attractive stock within an especially attractive part of the market. One such example is the number of such ideas that Orbis has identified in the broader cluster of companies that appear to have been excessively punished for their perceived uncertainty.

Wells Fargo is an example of a stock in the Orbis Global Equity Fund that has been severely penalised for uncertainty. Once almost universally seen as America's premier bank, Wells has gone from market darling to one of the most disliked stocks, thanks to a high profile 'fake accounts' scandal. Its shares have underperformed by roughly 15% over the past two years.

In similar situations in the past, it has been rewarding to look beyond near-term uncertainty and take a longer-term perspective. Although the scandal has certainly been damaging for Wells, the core franchise is intact and the bank's credit quality and capitalisation levels remain exceedingly strong. Even though current earnings are depressed due to high expense levels, low interest rates and muted marketing efforts in the wake of the scandal, the bank still manages to generate US\$5 billion of earnings per quarter – amounting to US\$20 billion per year relative to its market capitalisation of about US\$270 billion.

To put this in perspective, Wells' valuation on a normalised price-to-earnings basis is roughly 10 times and near an all-time low relative to the US market average of approximately 20 times. Wells should be able to sustain a 14-18% return on tangible equity; is committed to returning cash to shareholders; and is generating a 7% annualised yield once dividends and share buybacks are considered. In addition, it is particularly encouraging that the scandal has

prompted Wells to launch a massive US\$4 billion cost-cutting initiative. Orbis expects half of the savings to be reinvested in the business, but the rest should go straight to improving profits. This additional operating leverage should help drive low-teens earnings per share growth in the coming years. Beyond this self-help, the company could also benefit from corporate tax reform and reduced regulatory friction in the US.

These factors give Wells many of the hallmarks of a classic Orbis or Allan Gray investment. It is a company with an excellent long-term track record that is undergoing what appears to be a temporary setback. It is trading at a valuation which seems to offer a meaningful margin of safety at a time when equity prices are generally high. And with dismal expectations and poor sentiment, the stock's risk-reward proposition is skewed in favour of the upside. While none of this may satisfy investors who are craving short-term certainty, we believe the Orbis Global Equity Fund will be well rewarded for its patience if Wells can successfully repair its reputation in the years to come.

There have been no material changes to the Fund's geographical exposures or currency exposures in the last quarter. With regard to individual holdings, Sberbank of Russia, the country's banking leader, replaced KB Financial, Korea's largest retail bank, in the top 10 holdings. That change is largely due to price movements, as Sberbank outperformed global shares, while KB Financial fared worse. Amazon, the global e-commerce giant, exited the top 10 holdings as Orbis trimmed the position after strong performance caused the discount to intrinsic value to narrow.

**Adapted from Orbis commentaries contributed by Adam Karr**

**For the full commentary please see [www.orbisfunds.com](http://www.orbisfunds.com)**

**Fund manager quarterly commentary as at 30 September 2017**

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 11 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. Where annualised performance is mentioned, this refers to the average return per year over the period. 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 one and three-year periods. 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

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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.

## Foreign exposure

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

## Important information for investors

### Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website [www.allangray.co.za](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**.