ALLANGRAY

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

Allan Gray-Orbis Global Equity Feeder Fund

30 June 2018

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's investment universe is global, 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.

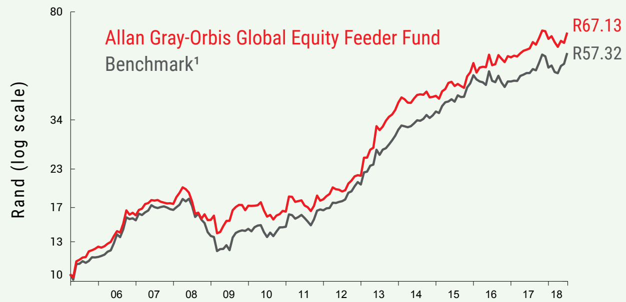
Fund information on 30 June 2018

Fund size	R20.4bn
Number of units	305 410 026
Price (net asset value per unit)	R66.86
Class	A

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 30 June 2018.
2. This is based on the latest numbers published by IRESS as at 31 May 2018.
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[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (1 April 2005)	571.3	202.5	473.2	158.3	112.7	29.7
Annualised:						
Since inception (1 April 2005)	15.5	8.8	14.1	7.4	5.9	2.0
Latest 10 years	14.2	7.9	12.8	6.6	5.5	1.5
Latest 5 years	16.6	9.4	17.5	10.2	5.4	1.6
Latest 3 years	15.1	10.4	13.7	9.0	5.3	1.9
Latest 2 years	13.7	17.3	11.6	15.2	4.9	2.3
Latest 1 year	13.3	7.5	17.1	11.1	4.4	2.7
Year-to-date (not annualised)	5.1	-6.4	12.2	-0.1	2.9	1.3
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	64.2	59.7	63.5	62.9	n/a	n/a
Annualised monthly volatility[5]	15.1	16.5	13.6	15.2	n/a	n/a
Highest annual return[6]	78.2	63.0	54.2	58.4	n/a	n/a
Lowest annual return[6]	-29.7	-44.8	-32.7	-47.3	n/a	n/a

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Meeting the Fund objective

Since inception and over the last 10 years the Fund has outperformed its benchmark. Over the last five-year period it has underperformed 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.	31 Dec 2017
Cents per unit	**0.5811**

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

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.

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 June 2018	1yr %	3yr %
Total expense ratio	**2.18**	**1.97**
Fee for benchmark performance	1.50	1.50
Performance fees	0.62	0.41
Other costs excluding transaction costs	0.05	0.05
VAT	0.01	0.01
Transaction costs (including VAT)	**0.11**	**0.14**
Total investment charge	**2.29**	**2.11**

Top 10 share holdings on 30 June 2018

Company	% of portfolio
XPO Logistics	7.0
NetEase	5.6
Facebook	5.2
AbbVie	4.8
Vale	3.3
Symantec	3.0
Celgene	3.0
Mitsubishi	3.0
Sberbank of Russia	2.8
Nike	2.8
Total (%)	**40.5**

Asset allocation on 30 June 2018

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	99.2	49.5	11.5	13.4	17.3	7.5
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	0.8	0.0	0.0	0.0	0.0	0.8
Total	**100.0**	**49.5**	**11.5**	**13.4**	**17.3**	**8.3**
Currency exposure of the Orbis Global Equity Fund						
Fund	100.0	51.2	24.4	9.4	7.4	7.5
Index	100.0	59.3	21.9	9.0	5.5	4.3

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

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Fund manager quarterly commentary as at 30 June 2018

Unlikely bedfellows

At first glance, Facebook and Peabody Energy make unlikely bedfellows. How much common ground can there be between the growth-rich business of mining for data and the growth-starved business of mining for coal? Perhaps more than first meets the eye. Dig deeper and it's evident that there is enormous economic demand for high-quality sources of both coal and data. Both are also targets of popular and regulatory backlash that threatens to restrict supply. And in both cases, we believe the prospects for each are somewhat brighter than implied by the current stock market price.

Peabody Energy

Peabody Energy is the world's largest publicly traded non-state-owned pure-play coal miner. Amid all the talk of a shift to cleaner fuel sources like gas and renewables, it's sobering to note that coal's share of electricity production was 38% last year – exactly where it was 20 years ago. As global demand for electricity has increased, coal has proved its worth as a cheap and reliable fuel. It is not without its problems: the environmental cost of burning coal is well known and beyond dispute. However, the social cost of not burning coal should not be ignored either. Consider China – its drastic 2016 directive to cut coal production proved so punitive for households and small businesses that it was relaxed just months later.

If coal isn't going away, at least those who rely on it can burn higher quality sources. That's where producers like Peabody stand to benefit. Its most valuable mines are located in Australia and have higher energy-content coal than the Indonesian mines that account for most of China's thermal coal imports. By gradually switching from Indonesian to Australian coal, the Chinese can generate the same amount of electricity with less coal, thereby releasing fewer pollutants into the air. As a result, Australian mines are struggling to keep up with demand – but you'd never know that from market sentiment.

Peabody has learned its lessons the hard way. In the commodity bull market that peaked in 2011, Peabody took on too much debt, then found it could not pay its obligations when the price of coal turned south, eventually filing for bankruptcy in April 2016. Investors are worried about a repeat, but while Peabody's operations haven't changed much since the last peak, its financial position is markedly different. Net debt has fallen from US$5.7 billion to zero, and capital expenditure is down by almost 75%. The result? Free cash flow has more than doubled from the last peak, while the company's enterprise value is down by over 70%. In terms of cash flow yield, Peabody is a true outlier.

The risk, of course, is that Peabody's present could be much brighter than its future. We think that's unlikely, but it highlights one challenge of being a contrarian investor: if you are contrarian and wrong, it is generally for reasons that were obvious to everyone else! Many people hate coal, and if regulators go for broke and attempt to reduce coal use at any cost, they could hurt Peabody's fundamental prospects.

Facebook

Facebook is an outlier in a different respect: its growth rate has been spectacular, but it is still priced at a multiple that is close to the market average. It too has more than its share of haters, with the Cambridge Analytica fiasco putting personal data squarely in the regulators' spotlight. But, as with Peabody's coal, there has been no let-up in demand for Facebook's services. Users are still engaging with Facebook, Instagram, and WhatsApp as much as they did before the scandal, while advertisers have shown no signs of deserting Facebook en masse.

Facebook generates revenue primarily from ads. Their ability to deliver more relevant ads – and to charge a premium for them – is unparalleled because of the amount of data it has on users. If anything, regulation that discourages sharing this data with third parties would strengthen Facebook's position, potentially letting the company capture revenue which previously had to be shared.

Increased regulatory scrutiny for Facebook and Peabody may unnerve many investors. In our view, whilst increased regulation may act as barrier to corporate success, it also prevents further competition. This is beneficial for Facebook and Peabody. We believe both offer compelling returns for long-term investors.

Recent underperformance: a normal part of our approach

Of course, a consistent approach does not automatically translate to consistent results. After the strong showing in 2017, our underperformance year-to-date is disappointing. But as co-investors alongside you, we know that these periods come with the territory when buying unpopular shares. Investor sentiment is fickle in the short term. Fortunately, the stock market has historically done a good job uncovering and rewarding true intrinsic value over the long term – and we have every reason to believe it will continue to do so.

Over the quarter, most of the concentrations in the Fund were unchanged. One exception is Tobacco, which is no longer a key overweight area. It was replaced by US Software and Services, a shift driven by the Fund's purchase of Facebook, which was its largest individual addition. The largest individual sale was Charter Communications.

Adapted from Orbis commentary contributed by Ben Preston

For the full commentary please see www.orbis.com

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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 11 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority ('FSCA'). 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

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

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 FSCA 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** or via our Client Service Centre on **0860 000 654**.