

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

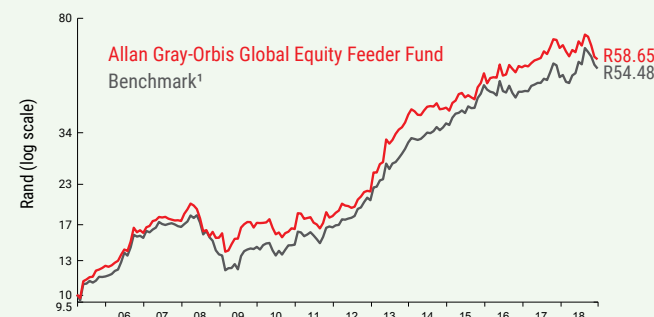
*Only available to investors with a South African bank account.

Fund information on 31 December 2018

Fund size	R16.8bn
Number of units	286 753 675
Price (net asset value per unit)	R58.41
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2018.
2. This is based on the latest numbers published by IRESS as at 30 November 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.

% Returns	Fund		Benchmark ¹		CPI inflation ²	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
Cumulative:						
Since inception (1 April 2005)	486.5	153.8	444.8	135.7	117.5	31.0
Annualised:						
Since inception (1 April 2005)	13.7	7.0	13.1	6.4	5.8	2.0
Latest 10 years	14.4	9.6	15.0	10.2	5.2	1.7
Latest 5 years	8.7	2.1	11.7	4.9	5.4	1.6
Latest 3 years	3.6	6.5	4.2	7.1	5.5	2.0
Latest 2 years	3.1	0.6	9.1	6.4	4.9	2.2
Latest 1 year	-8.2	-21.5	6.6	-8.8	5.2	2.2
Year-to-date (not annualised)	-8.2	-21.5	6.6	-8.8	5.2	2.2
Risk measures (since inception)						
Maximum drawdown ³	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months ⁴	62.4	58.8	61.8	63.0	n/a	n/a
Annualised monthly volatility ⁵	15.4	16.7	14.0	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

Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the last 10 and five-year periods 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 2018
Cents per unit	0.6759

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 31 December 2018	1yr %	3yr %
Total expense ratio	2.17	1.97
Fee for benchmark performance	1.50	1.50
Performance fees	0.62	0.41
Other costs excluding transaction costs	0.05	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	0.10	0.13
Total investment charge	2.27	2.10

Top 10 share holdings on 31 December 2018

Company	% of portfolio
NetEase	8.4
AbbVie	6.4
XPO Logistics	5.2
Naspers	4.1
Celgene	4.0
Vale	3.5
Sberbank of Russia	3.1
Dollar General	2.9
Anthem	2.8
Autohome	2.8
Total (%)	43.2

Asset allocation on 31 December 2018

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	99.2	39.0	12.5	13.9	23.1	10.6
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	39.0	12.5	13.9	23.1	11.5

Currency exposure of the Orbis Global Equity Fund

Fund	100.0	47.4	23.8	8.5	9.6	10.7
Index	100.0	59.9	21.1	8.9	5.6	4.5

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

The last year was brutal. It offered more than its share of pain and was deeply disappointing. The Orbis Global Equity Fund lost about 20% of its value in 2018 – more than twice that of the broader decline in global equities. About 60% of our stock selections underperformed, consistent with similar bouts in the past. Emotionally, however, it felt more like 100%. Our craft is to acknowledge and set aside those emotions to capitalise on the advantage this emotional control offers. It's the actions we take now and in these situations that will compound to make the greatest difference.

Successful long-term investing is not about avoiding these uncomfortable times, but rather about having the courage to embrace the rewards that they can offer. Nothing illustrates this better than our recent experience with XPO Logistics. When we last wrote about the company in the first quarter of 2018, it was the Fund's largest position and trading at about US\$100 per share. The company, one of the largest transportation and logistics companies in the world, had a productive start to the year and was the top contributor to the Fund's performance for the nine months ended 30 September. As recently as October, XPO shares traded at nearly US\$115 before hitting an intra-day low of US\$41 in mid-December. Much of this seemed to be fuelled by a combination of concerns about the global economy as well as a sharp rise in risk aversion.

The most visible part of the rout was a sensational 70-page 'sell' report from a short seller on 13 December. The previous day, the more substantive development was XPO's reduction of its 2019 guidance for operating cash flow (or EBITDA) from 15% to 18% year-over-year growth to a lower 12% to 15% range, given softness they cited in Europe. What followed over the next several days was a period of intense primary research, thesis interrogation and reflection.

XPO's stock has demonstrated huge *price volatility* at times and has not been a stock for the faint of heart. But what really matters to us is *intrinsic value*. Is the company worth massively less than our own internal estimates and 50% of what it was a few months ago? In our view, the answer is 'no'. None of the principal claims in the short seller's report hold up relative to our primary research, and we calculate little impairment to XPO's intrinsic value.

To use a technical term, we believe the opportunity to own XPO at current prices is 'juicy'. In XPO, we pay about a 40% discount to the S&P 500, yet we get what we regard as a world-class business that plays in a large, growing addressable market; owns scarce supply chain assets; earns high incremental returns on capital and is a prime beneficiary of the secular boom in e-commerce. We expect XPO to organically grow its free cash flow at a mid-teens rate annually over our investment horizon, with acquisitions as an incremental kicker.

We have taken advantage of the recent sell-off to begin rebuilding the Fund's position and have now bought back nearly the entire amount that we trimmed

earlier in the year. And XPO, for its part, has also used the opportunity to authorise a US\$1 billion buy-back of its own shares – equivalent to 15% of shares outstanding.

While we believe the hurt experienced in XPO will prove rewarding in time, in other cases the sell-offs have just plain hurt. Another key detractor in 2018 was Pacific Gas & Electric (PG&E), which collapsed by more than 50% in early November as the worst wildfires in the history of California raged. We built our PG&E position to a bit over 2% of the Fund after state legislation was passed this summer that authorised a process to fund wildfire claims from 2017 as well as future claims. The legislation had a quirky loophole and did not address claims that might occur in 2018. We recognised this as a risk at the time, albeit a low probability one. Sadly, that risk was realised and it appears the fires could result in liabilities of more than US\$10 billion. At this point, the prospect of bankruptcy is real. It was our judgement that the odds of further downside was meaningful relative to the potential upside, so we exited the position in November.

What's striking in each of these examples is how swiftly and almost irrationally the shares were punished. The insatiable appetite for perceived 'safety' has been quite punitive for the types of shares that we currently own, but we believe these market conditions represent opportunity for those who can take a more patient view.

The same can be said of investing with Orbis. Some of our most rewarding decisions have come at trying times for our clients. Our Global Equity Strategy has lagged the MSCI World Index by more than 10% multiple times in its nearly 30-year history. But here is the silver lining – all prior drawdowns proved rewarding for those who could endure the discomfort and look to the horizon.

Today we find ourselves at another painful juncture. Stepping back and looking at the portfolio, a number of companies are trading at fat discounts to our intrinsic value estimates – and some of these discounts look extreme. While we would not count on a quick rebound, we can say that a large portion of what we own is squarely in the 'juicy' bucket and in those cases, we have either already added capital or are eagerly waiting to add more.

Over the quarter, most of the concentrations in the Fund were unchanged. One exception is our exposure to UK Consumer Staples, which is a new key concentration in the Fund. This was driven in part by adding to Imperial Brands, a multinational tobacco company. The largest individual purchase was Naspers.

Adapted from an Orbis commentary by Adam Karr

For the full commentary please see www.orbis.com

**Fund manager quarterly
commentary as at
31 December 2018**

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 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**.