# Allan Gray-Orbis Global Fund of Funds

ALLANGRAY

**Fund managers:** Ian Liddle (The underlying Orbis funds are managed by Orbis)
**Inception date:** 3 February 2004
**Class:** A

## Fund description

The Fund invests in a mix of equity and absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 40% and 75%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of an international equity-only fund. 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:** Foreign - Asset Allocation - Flexible

## Fund objective and benchmark

The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk. The Fund's benchmark is a portfolio made up 60% by the FTSE World Index, including income, and 40% the JP Morgan Global Government Bond index.

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

The Fund invests in equity and absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within all of the underlying funds, 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 them 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.

Depending on our assessment of the potential returns on global stock markets relative to their risk of capital loss, we actively manage the Fund's net exposure to equities by varying its exposure to the underlying Orbis funds. By varying the Fund's overall exposure to equities and also its geographic exposure, through selecting between the Orbis regional equity funds, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

## Suitable for those investors who

- Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a foreign medium 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 South African residents.

## Fund information on 30 November 2011

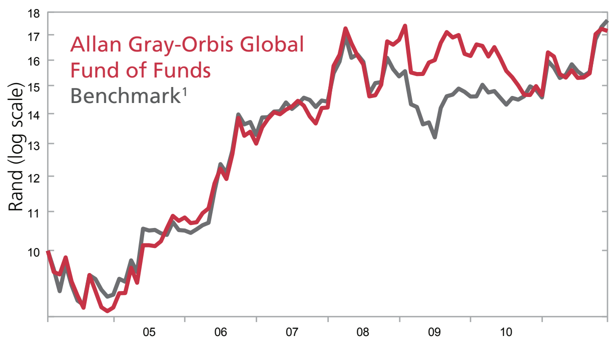
| | |
|---|---|
| Fund size: | R6 720m |
| Fund price: | R14.55 |

## 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 2010 |
|---|---|
| Cents per unit | 0.0787 |

## Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested




| % Returns | Fund | | Benchmark[1] | | CPI inflation[2] | |
|---|---|---|---|---|---|---|
| | ZAR | US$ | ZAR | US$ | ZAR | US$ |
| *Unannualised:* | | | | | | |
| Since inception | 71.7 | 48.3 | 76.5 | 52.4 | 56.1 | 21.7 |
| *Annualised:* | | | | | | |
| Since inception | 7.2 | 5.2 | 7.5 | 5.5 | 5.9 | 2.6 |
| Latest 5 years | 5.1 | 2.6 | 5.1 | 2.6 | 6.8 | 2.4 |
| Latest 3 years | 1.1 | 8.4 | 4.1 | 11.6 | 5.1 | 1.5 |
| Latest 2 years | 2.9 | -1.8 | 9.2 | 4.2 | 4.7 | 2.4 |
| Latest 1 year | 14.5 | 0.3 | 18.7 | 3.9 | 6.0 | 3.6 |
| Year-to-date (unannualised) | 17.1 | -4.3 | 20.9 | -1.2 | 5.7 | 3.0 |
| **Risk measures (since inception)** | | | | | | |
| Maximum drawdown[3] | -24.2 | -34.2 | -25.1 | -37.5 | n/a | n/a |
| Percentage positive months[4] | 54.3 | 60.6 | 53.2 | 61.7 | n/a | n/a |
| Annualised monthly volatility[5] | 14.0 | 12.3 | 12.9 | 11.6 | n/a | n/a |

1. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg), performance as calculated by Allan Gray as at 30 November 2011.
2. This is based on the latest numbers published by I-Net Bridge.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 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.

## Total expense ratio (TER)

The TER for the year ending 30 September 2011 is 1.79% and included in this is performance fee of 0.32% and trading costs of 0.15%. The annual management fee rate charged by Orbis in the underlying funds for the three months ending 30 November 2011 was 1.53% (annualised). These figures are inclusive of VAT, where applicable. Fund returns are quoted after deduction of costs incurred within the Fund so the TER should not be deducted from Fund returns (refer to page 2 for further information).

## Annual management fee

Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structures.

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## Fund manager commentary for the month ended 30 November 2011

Lately, markets have been rattled by uncertainty on macro issues – will the euro survive? Will China's housing market implode? Orbis does not try to answer these questions. Instead, Orbis analysts focus on finding those rare opportunities where a company trades below its intrinsic value. While this philosophy can lead to periods of underperformance, Orbis believes this approach is the best way to produce long-term value for clients.

The Orbis Japan Equity Fund has preferred domestic shares to exporters for some time. As always, this positioning has been driven by research on individual companies. Recently, many exporters have underperformed, making a few of them more attractive. Orbis has initiated positions in a few exporters, including Toyota Motor, now a top 10 holding in the Japan Fund.

The Fund has reduced exposure to Asian equities in favour of the Orbis Optimal SA Fund. Markets in Europe remain volatile as investors worry about the fate of the eurozone. While this has hurt some of Orbis' contrarian stock selections, it has also created promising opportunities for patient investors. Accordingly, Orbis has increased the Optimal SA Fund's hedged exposure to European shares.

At 30 November, the Fund was overweight North American and Asia ex-Japan currencies, underweight the yen, and underweight the euro.

## Top 10 share holdings on 30 November 2011

| Company | % of portfolio |
|---|---|
| Rakuten | 3.6 |
| Cisco Systems | 3.2 |
| Samsung Electronics | 2.9 |
| WellPoint | 2.8 |
| NetEase.com | 2.6 |
| INPEX | 2.6 |
| CVS/Caremark | 1.7 |
| Aetna | 1.6 |
| Toyota Motor | 1.3 |
| Sundrug | 1.0 |
| **Total** | **23.3** |

## Fund allocation on 30 November 2011

| | |
|---|---|
| Orbis Global Equity | 26.2 |
| Orbis Japan Equity (yen) | 7.8 |
| Orbis Japan Equity (US$) | 10.1 |
| **Foreign equity funds** | **44.0** |
| Orbis Optimal SA (US$) | 45.4 |
| Orbis Optimal SA (euro) | 10.6 |
| **Foreign absolute return funds** | **56.0** |
| **Total** | **100.0** |

## Geographical exposure of funds on 30 November 2011

| Region | Net equity exposure (%) | Hedged equity exposure (%) | Fund currency exposure (%) |
|---|---|---|---|
| North America | 12 | 20 | 61 |
| Europe | 8 | 7 | 16 |
| Japan | 27 | 6 | 8 |
| Asia ex-Japan | 6 | 6 | 12 |
| Other | 1 | 1 | 3 |
| **Total** | **54** | **39** | **100** |

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

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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.

### Disclaimer
A fund of funds unit trust may only invest in other unit trusts, which levy their own charges, that could result in a higher fee structure for these portfolios. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Allan Gray Unit Trust Management Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The 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.

### Unit price
Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio 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 manager by 14:00 each business day to receive that day's price. Fluctuations and movements in exchange rates may also cause the value of underlying international investments to go up or down.

### Fees
A schedule of fees, charges and maximum commissions is available on request from the manager. Commission and incentives may be paid and if so, would be included in the overall costs.

### TER
*TERs are shown for class A units only
The Total Expense Ratio (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 insider trading levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. All Allan Gray 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.

### Performance
Collective Investment Schemes in Securities (unit trusts) 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 the future. Performance figures are from Allan Gray Proprietary Limited (GIPS compliant) and are for lump sum investments with income distributions reinvested.