

Allan Gray-Orbis Global Fund of Funds

ALLAN GRAY

Fund managers: Ian Liddle
(The underlying Orbis funds are managed by Orbis)

Inception date: 3 February 2004

Class: A

Fund information on 31 August 2014

Fund size: R11.9bn

Fund price: R26.20

Fund description

The Fund invests in a mix of equity, absolute return and multi-asset class 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: Global - Multi Asset - High Equity

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, absolute return and multi-asset class 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

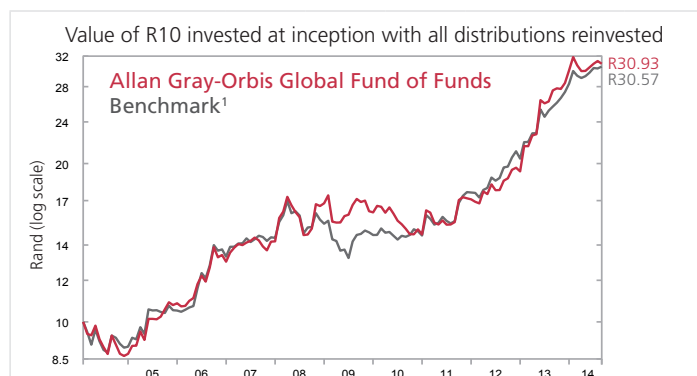
Annual management fee and total expense ratio (TER)

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis Funds' factsheets, which can be found at www.allangray.co.za.

The annual management fees charged by Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12 month period.

Performance net of all fees and expenses



% Returns	Fund		Benchmark ¹		CPI inflation ²	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
<i>Unannualised:</i>						
Since inception	209.3	104.4	205.7	102.0	83.1	27.6
<i>Annualised:</i>						
Since inception	11.3	7.0	11.1	6.8	5.9	2.4
Latest 10 years	12.6	7.4	12.5	7.3	6.0	2.3
Latest 5 years	12.6	5.8	15.9	8.9	5.3	2.1
Latest 3 years	26.0	9.7	25.3	9.1	5.9	1.8
Latest 2 years	29.2	15.2	24.7	11.1	6.3	2.0
Latest 1 year	12.3	8.4	19.1	15.0	6.3	2.0
Year-to-date (unannualised)	2.9	1.7	7.8	6.5	4.9	1.4
Risk measures (since inception)						
Maximum drawdown ³	-24.0	-34.1	-25.1	-37.5	n/a	n/a
Percentage positive months ⁴	56.7	63.8	58.3	64.6	n/a	n/a
Annualised monthly volatility ⁵	14.1	11.2	12.3	10.5	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 31 August 2014.
2. This is based on the latest numbers published by I-Net Bridge as at 31 July 2014.
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.

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.

Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 2 for further information).

TER breakdown for the year ending 30 June 2014	%
Fee for benchmark performance	1.23
Performance fees	0.87
Other costs including trading costs	0.24
VAT	0.00
Total expense ratio	2.34

Allan Gray-Orbis Global Fund of Funds

Fund manager quarterly commentary as at 30 June 2014

Since the Fund's inception in 2004 it has invested in a mix of equity and absolute return funds managed by our offshore investment partner and sister company, Orbis. Depending on our assessment of the potential upside from global stock markets relative to their risk of capital loss, we actively manage the Fund's net equity, currency and overall geographic exposure by varying the allocations to the underlying Orbis funds.

More recently Orbis has added a new dimension to our fund choice, in the form of the Orbis Global Balanced Fund. Launched in January 2013, this multi-asset class fund can invest directly in equities, fixed income and commodity-linked instruments to balance capital appreciation and risk of loss with a diversified global portfolio (for more detailed information please read our May GrayIssue, available via the 'Latest news' tab on our homepage www.allangray.co.za). Like with other Orbis and Allan Gray funds, the percentage of the portfolio that is allocated across the various asset classes is driven from the bottom up, drawing on the fundamental research process and capital allocation capabilities of the investment team.

The Orbis Global Balanced Fund is likely to include many of the same shares that the Orbis analysts recommend for the Global Equity strategy, for example Samsung and Chinese Internet company NetEase. Importantly, it can also invest in higher-yielding and more stable shares if they appear to offer a more appropriate balance of risk and reward given the Fund's overall objective. Examples of such shares today include BP and pharmaceutical company Merck.

Only 10% of the Orbis Global Balanced Fund is currently invested in fixed income. Following a multi-decade rally in bonds, in many regions their yields are lower than those of equities, and today Orbis has found few bond opportunities compelling enough to invest into. The Orbis Global Balanced Fund has been able to maintain a higher yield (and hopefully lower risk of permanent capital loss) from selected equities, bond-like preferred shares and a small helping of bonds and cash. However, this will not always be the case, and there will be a time when fixed income will merit a larger share.

The Allan Gray-Orbis Global Fund of Funds currently has a 47% net exposure to equities. This is at the lower end of the historical range since inception. Sentiment appears benign at a time that global stock markets have risen substantially. We remain positive on the selected pockets of value that Orbis has identified, but we have reduced the Fund's net equity exposure through our allocation to the Orbis Optimal funds. The Orbis Optimal funds essentially isolate performance of Orbis' securities compared to their local markets, while hedging against the risk of an overall decline in those stock markets. With this approach, we hope to provide you with access to Orbis' stock-picking skill while managing exposure to the underlying asset classes.

Commentary contributed by Tamryn Lamb

ALLAN GRAY

Top 10 share holdings on 31 August 2014

Company	% of portfolio
Samsung Electronics	3.4
NetEase	3.3
Microsoft	2.1
Motorola Solutions	2.0
Mitsubishi	1.7
Weatherford International	1.7
Gilead Sciences	1.6
KB Financial	1.5
Sberbank of Russia	1.5
Verizon Communications	1.5
Total	20.3

Fund allocation on 31 August 2014

Fund	%
Orbis Global Equity	22.4
Orbis SICAV Asia Ex-Japan Equity	3.0
Orbis SICAV Japan Equity (yen)	2.0
Foreign equity funds	27.4
Orbis SICAV Global Balanced SA	23.9
Foreign multi asset funds	23.9
Orbis Optimal SA (US\$)	40.8
Orbis Optimal SA (euro)	8.0
Foreign absolute returns funds	48.8
Total	100.0

Asset allocation on 31 August 2014

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equities	49	17	9	5	17	1
Hedged equities	41	17	9	9	5	1
Bonds	3	2	1	0	0	0
Cash/currency hedge	7	23	0	-10	-6	0
Total (%)	100	59	19	4	16	2

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 2013
Cents per unit	0.1766

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. All rights in the FTSE World Index vest in FTSE International Limited ("FTSE"). FTSE is a trademark of the London Stock Exchange Group of Companies. The FTSE World Index is calculated by 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 vest in FTSE. All its rights are reserved. Allan Gray Unit Trust Management (RF) Proprietary 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

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 and are for lump sum investments with income distributions reinvested.