ALLAN GRAY

ALLAN GRAY-ORBIS GLOBAL FUND OF FUNDS

Fund manager: Andrew Lapping. (The underlying Orbis funds are managed by Orbis.) **Inception date:** 3 February 2004

Fund description and summary of investment policy

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

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

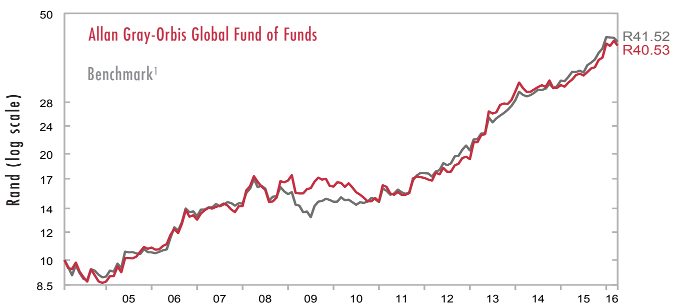
*Only available to investors with a South African bank account.

Fund information on 31 March 2016

Fund size	R12.7bn
Number of units	369 014 717
Price (net asset value per unit)	R34.31
Class	A

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	305.3	93.7	315.2	98.5	97.5	27.6
Annualised:						
Since inception	12.2	5.6	12.4	5.7	5.8	2.0
Latest 10 years	14.0	4.5	14.6	5.0	6.3	1.8
Latest 5 years	21.3	3.9	22.1	4.5	5.7	1.4
Latest 3 years	21.5	3.9	22.1	4.4	5.6	0.7
Latest 2 years	16.3	-1.4	19.5	1.3	5.4	0.4
Latest 1 year	24.8	3.2	21.7	0.7	7.0	1.0
Year-to-date (unannualised)	-1.4	4.7	-3.0	3.0	2.1	-0.1
Risk measures (since inception)						
Maximum drawdown[3]	-24.0	-34.1	-25.1	-37.5	n/a	n/a
Percentage positive months[4]	58.9	59.6	58.9	61.6	n/a	n/a
Annualised monthly volatility[5]	13.7	11.1	12.0	10.3	n/a	n/a
Highest annual return[6]	55.6	40.1	38.8	37.6	n/a	n/a
Lowest annual return[6]	-13.7	-27.3	-17.0	-31.7	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 March 2016.
2. This is based on the latest numbers published by INET BFA as at 29 February 2016.
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.
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 October 2010 and the benchmark's occurred during the 12 months ended 30 June 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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Meeting the Fund objective

Since inception and over the latest 10 and five-year periods, the Fund has provided returns significantly in excess of inflation, but it has lagged its benchmark by 0.2% p.a. since inception, by 0.6% p.a. over the latest 10-year period and by 0.8% p.a. over the latest five years. 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 similar funds in the Global - Multi Asset - High Equity sector.

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 2015
Cents per unit	**0.2369**

Annual management fee

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.

Total expense ratio (TER) and Transaction costs

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 3-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 3-year period ending 31 March 2016	%
Total expense ratio	**1.92**
Fee for benchmark performance	1.28
Performance fees	0.57
Other costs excluding transaction costs	0.07
VAT	0.00
Transaction costs (including VAT)	**0.18**
Total investment charge	**2.10**

Top 10 holdings on 31 March 2016

Company	% of portfolio
NetEase	3.0
QUALCOMM	3.0
Motorola Solutions	2.6
Merck	2.2
Barrick Gold	1.9
Samsung Electronics	1.9
XPO Logistics	1.8
AbbVie	1.8
Apache	1.8
Carnival	1.7
Total (%)	**21.8**

Fund allocation on 31 March 2016

Funds	%
Foreign multi asset funds	**72.2**
Orbis SICAV Global Balanced Fund	72.2
Foreign absolute return funds	**27.8**
Orbis Optimal SA Fund (US$)	16.5
Orbis Optimal SA Fund (Euro)	11.3
Total (%)	**100.0**

Asset allocation on 31 March 2016

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equities	49	15	15	2	14	2
Hedged equities	38	15	12	8	2	0
Bonds	8	7	1	0	0	0
Cash/currency hedge	4	10	7	-1	-12	0
Total	**100**	**48**	**36**	**10**	**4**	**2**

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

Fund manager quarterly commentary as at 31 March 2016

The value investing style is out of favor, so it may not come as a surprise that Orbis is increasingly finding attractive investment opportunities in shares that fit in that box. As stable businesses displaying traditional 'growth' characteristics, particularly in developed markets, have outperformed and trended to increasingly elevated valuations, the opportunities for investors willing to look elsewhere are enticing.

That said, many 'deep value' stocks carry considerable risks that have prevented Orbis from gaining adequate conviction in them. With central banks taking unprecedented actions, like driving government bonds to negative or near-zero yields, any macroeconomic bear case for a stock is now hard to convincingly disprove.

Orbis has therefore been moving very gradually in the accumulation of value exposure. An example is the Fund's activity in energy names. While valuations have languished across the industry, recent adds have been in the undervalued names whose businesses are more enduring, like Royal Dutch Shell, BP, and best-in-class European oil services provider Technip. However, a commodity share's intrinsic value is ultimately determined by a single variable—the commodity price—that is outside the control of management and inherently unpredictable. Given this uncertainty, Orbis has constrained its aggregate position size.

Elsewhere, Orbis has identified unique 'deep value' opportunities—names that have for one reason or another been left for dead. A good example is glass bottle maker Owens Illinois (OI) an 'old tech' economic cyclical, and the largest player in the increasingly concentrated global glass container industry. OI's market share grew a little more with its acquisition of competitor Vitro, but its debt load did too, triggering ratings downgrades and spooking investors as high yield bonds swooned at the start of the year.

As is the case with many global commodity manufacturers, the glass bottle industry is currently in oversupply, with the predictable depressing effect on pricing and margins. But bottle making is a bit different by virtue of the fact that glass furnaces wear out, and need to be rebuilt. Combined with a prospectively oligopolistic industry structure, this expensive undertaking can help catalyse a relatively quick supply correction—which would in turn boost glass prices.

Orbis believes OI has two things going for it—shrinking industry capacity and a cheap valuation that ascribes minimal value to the potential for improved free cash flow, as it repurchases debt.

Times are tough for OI and they could get tougher, but Orbis believes the company's share price adequately reflects the macroeconomic risks it faces. Yet, given the unpredictability of negative macro scenarios, OI has been capped at a relatively small position, despite its upside potential.

Orbis' bottom-up research process has identified ever-increasing discounts to its assessment of intrinsic value in other cyclical or deep value laggards, including Rolls-Royce, US manufacturer Alcoa, Japanese trading company Mitsubishi, US semiconductor company QUALCOMM, and Korea's KB Financial.

Funding for this lean toward deep value has come from the last bits of well-liked growth stalwarts like Alphabet (Google) and Facebook, and from well-appreciated, high-quality positions like US wireless infrastructure provider Crown Castle. These shares have done well, but their good performance has narrowed their discounts to intrinsic value, and Orbis believes other opportunities now offer a better balance of risk and reward for a balanced fund mandate.

Orbis commentary written by Alec Cutler
For the full commentary please see www.orbis.com

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Notes for consideration

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 10 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

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 three years. 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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Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

Foreign exposure

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