ALLAN GRAY

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

Allan Gray-Orbis Global Fund of Funds

31 October 2018

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's investment universe is global, 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

Fund information on 31 October 2018

Fund size	R13.8bn
Number of units	342 951 699
Price (net asset value per unit)	R40.34
Class	A

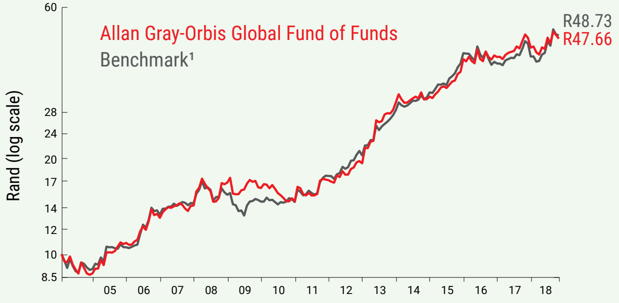
Minimum investment amounts

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.

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 (3 February 2004)	376.6	126.4	387.3	131.5	125.0	35.3
Annualised:						
Since inception (3 February 2004)	11.2	5.7	11.3	5.8	5.7	2.1
Latest 10 years	11.0	6.8	11.7	7.5	5.2	1.4
Latest 5 years	11.5	3.0	12.8	4.3	5.3	1.5
Latest 3 years	8.9	6.5	8.0	5.6	5.4	2.0
Latest 2 years	7.9	3.3	11.3	6.5	5.0	2.3
Latest 1 year	-3.0	-7.3	4.3	-0.3	4.9	2.3
Year-to-date (not annualised)	6.7	-11.3	16.6	-3.1	4.5	1.9
Risk measures (since inception)						
Maximum drawdown[3]	-24.0	-34.1	-25.1	-37.5	n/a	n/a
Percentage positive months[4]	57.1	60.5	57.1	62.1	n/a	n/a
Annualised monthly volatility[5]	14.0	10.6	12.8	9.6	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 October 2018.
2. This is based on the latest numbers published by IRESS as at 30 September 2018.
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 the Fund has performed in line with its benchmark. Over the latest ten and 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 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 2017
Cents per unit	**0.3731**

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 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 September 2018	1yr %	3yr %
Total expense ratio	**2.10**	**2.04**
Fee for benchmark performance	1.44	1.42
Performance fees	0.65	0.57
Other costs excluding transaction costs	0.02	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	**0.13**	**0.12**
Total investment charge	**2.23**	**2.17**

Top 10 holdings on 31 October 2018

Company	% of portfolio
AbbVie	4.0
NetEase	3.7
BP	3.6
Taiwan Semiconductor Mfg.	3.5
SPDR Gold Trust	3.1
Treasury Note Feb 2019	3.1
XPO Logistics	3.0
PG&E	2.9
Bristol-Myers Squibb	2.8
Royal Dutch Shell	2.8
Total (%)	**32.5**

Fund allocation on 31 October 2018

Funds	%
Foreign multi-asset funds	**75.1**
Orbis SICAV Global Balanced Fund	75.1
Foreign equity funds	**13.5**
Orbis Global Equity Fund	10.7
Orbis SICAV Emerging Markets Equity Fund	2.8
Foreign absolute return funds	**11.4**
Orbis Optimal SA Fund (US$)	6.5
Orbis Optimal SA Fund (Euro)	4.8
Total (%)	**100.0**

Asset allocation on 31 October 2018

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	53.9	13.1	16.4	6.5	13.0	4.9
Hedged equity	25.6	14.8	4.6	2.5	2.5	1.1
Fixed interest	15.8	15.4	0.2	0.0	0.2	0.0
Commodity-linked	3.1	0.0	0.0	0.0	0.0	3.1
Net current assets	1.6	0.0	0.0	0.0	0.0	1.6
Total	**100.0**	**43.3**	**21.2**	**9.0**	**15.7**	**10.7**
Currency exposure of the Orbis Funds						
Funds	100.0	49.6	29.6	9.4	7.3	4.1
Index	100.0	56.5	27.5	12.8	1.0	2.2

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

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Fund manager quarterly commentary as at 30 September 2018

We aim to produce a pleasing long-term return that is superior to the Fund's benchmark. Doing so is only possible because we are willing to build a portfolio that looks very different from the benchmark. This difference doesn't always accrue to the benefit of returns, however, and 2018 has thus far been one of those times. These periods can be painful, but also ripe with opportunity. One stock in the portfolio that illustrates this particularly well is Taiwan Semiconductor Manufacturing Company Limited (TSMC).

TSMC is the world's largest semiconductor foundry. You won't see its name on any product, but chances are its factories, or 'fabs' in industry parlance, made many of the semiconductor chips in the electronic items you use every day. TSMC manufactures the chips designed by 'fabless' semiconductor companies like Nvidia, Qualcomm, and AMD, as well as other customers like Alphabet, Amazon and Apple.

Since the mid-1990s, a new generation of manufacturing technology has become much more expensive to develop, leading increasing numbers of firms to hand off manufacturing to TSMC and other foundry specialists.

This has proven a double benefit to TSMC. It benefits first by being the only choice of designers like Apple, Qualcomm and Nvidia who need their chips to be the fastest, smallest and most power efficient. But TSMC benefits again as those fabs age. By the time other foundry companies build a fab to compete with TSMC's four- or five-year-old plants, TSMC's are fully depreciated and are operating at peak efficiency. This lets TSMC run its non-leading-edge fabs as cash cows while still pricing at levels that starve its competition of the return they need to fund research for future generations.

Being the leader has been financially rewarding for TSMC – it has historically averaged a very consistent 25% return on equity and a similarly high return on invested capital. Meanwhile, its lead over other foundry pure plays has consistently lengthened. Just a few months ago Global Foundries, the last foundry rival with aspirations of staying on the leading edge, announced it was giving up and focusing on older-technology fabs. And as more devices get smart and already-smart devices get smarter, we expect near-leading-edge semiconductor demand growth to be healthy for a long time.

Despite these attractive fundamentals, TSMC traded at just 15 times earnings during much of 2017 – a below-average price for a far-above-average company. We built a position throughout the year, but grew wary heading into year end, as investors grew too optimistic about the outlook for cryptocurrencies like bitcoin. That affected TSMC because bitcoin is facilitated by a global network of cryptocurrency 'miners', who use powerful computers (with TSMC-built chips) to solve difficult calculations. It was a gold rush, and TSMC was making the shovels.

As bitcoin and other 'cryptos' captured investors' imagination, TSMC got caught up in the enthusiasm, at one point being highlighted as the largest position in a new cryptocurrency exchange traded fund. This pushed up the stock's valuation, and for us, was a signal to tactically lower the weighting.

The bubble popped early this year, and those once-enthusiastic investors have grown bearish. Sentiment on TSMC overshot the other way, bringing its valuation briefly back to 14 times forward earnings and a near -4% dividend yield, despite no change to its long-term fundamental prospects. Thankful for the opportunity, we rebuilt the position – bringing the stock into the top 10 holdings. In TSMC's case, the market's focus on short-term issues provided us with attractive opportunities to sell as well as buy.

The curse (or blessing!) of being an intrinsic value investor is that we are always unhappy about something. When performance has been good, we tend to worry about the compression of potential in the portfolio and the prospect of that leading to underperformance. When we've underperformed and are out of sync with the market, of course we're not happy, but we do enjoy the opportunities to add to high-conviction ideas. We can never tell when or if the market will get back 'in sync' with our portfolio views, but in our experience over many cycles, the rewards have historically been worth the wait.

TSMC was the biggest addition to the portfolio, followed by Pacific Gas and Electric, a US-based utility company. The largest sale was of the equity and selected bonds of Navient, a US-based student loan servicing company.

Adapted from Orbis commentary contributed by Alec Cutler

For the full commentary please see www.orbis.com

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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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.

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**.