

Allan Gray-Orbis Global Optimal Fund of Funds

ALLAN GRAY

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

Inception date: 2 March 2010

Class: A

Fund information on 31 August 2013

Fund size: R876m

Fund price: R14.88

Fund description

The Fund invests in a mix of 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 0% and 20%. 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 a foreign equity or balanced fund. Although the Fund is fully invested outside South Africa, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.

ASISA unit trust category: Global - Multi Asset - Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis funds.

How we aim to achieve the Fund's objective

The Fund invests only in the Optimal SA absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within the Optimal 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.

The Orbis Optimal SA funds reduce most of their stock market risk by the use of exchange-traded derivative futures contracts. The Orbis Optimal SA funds will typically retain a small portion of their exposure to equity markets, but the level of exposure may be varied depending on Orbis' assessment of the potential returns on global stock markets relative to their risk of capital loss. The underlying funds' returns are therefore derived partly from their relatively low exposure to stock markets, partly from Orbis' selected share returns relative to those markets, and partly from foreign currency cash-equivalent returns. 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 steady absolute returns ahead of those of cash measured in global currencies
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk
- Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio

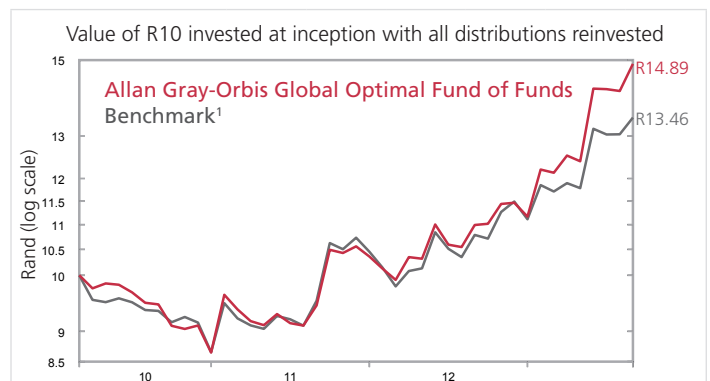
Annual management fee and total expense ratio (TER)

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 Fund's 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	48.9	11.5	34.6	0.8	19.5	7.4
<i>Annualised:</i>						
Since inception	12.0	3.3	8.9	0.3	5.4	2.1
Latest 3 years	16.3	4.2	12.9	1.2	5.5	2.3
Latest 2 years	25.5	3.8	18.8	-1.7	5.6	1.7
Latest 1 year	35.5	11.5	24.7	2.6	6.3	2.0
Year-to-date (unannualised)	33.3	10.3	21.1	0.2	4.0	0.9
Risk measures (since inception)						
Maximum drawdown ³	-15.9	-8.4	-13.6	-9.3	n/a	n/a
Percentage positive months ⁴	40.5	59.5	42.9	57.1	n/a	n/a
Annualised monthly volatility ⁵	15.0	6.8	13.9	5.8	n/a	n/a

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 August 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 31 July 2013.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 21 May 2010 to 29 December 2010 and maximum benchmark drawdown occurred from 21 May 2010 to 29 December 2010. 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 2013	%
Fee for benchmark performance	0.98
Performance fees	1.05
Other costs including trading costs	0.24
VAT	0.00
Total expense ratio	2.27

Fund manager quarterly commentary as at 30 June 2013

While the task of balancing risk and reward in a portfolio is nothing new, it has become particularly challenging for many investors in the current environment. As always, equities are volatile and in many markets now trade close to all-time highs. But after a decades-long bull market, bonds look even more extended and generally offer negative yields after accounting for inflation.

With the traditional alternatives to equities so unappealing, investors have turned to alternative investments for portfolio diversification. These strategies typically aim to produce positive or 'absolute' returns, regardless of market conditions. While this is an appealing proposition, many of these strategies are too young to have been tested in a range of market environments.

The Global Optimal strategy was established over 20 years ago to offer absolute returns and diversification benefits in a fully transparent way. Since its inception, the Optimal Strategy has added value relative to both equities and bonds in a range of market environments. That said, Optimal has not done quite as well over the last five years, particularly relative to bonds.

As a reminder, the Fund invests in equities that trade below our assessment of intrinsic value, while reducing most of their inherent stock market risk by shorting equity market futures. The result is that the Fund's returns are driven chiefly by the performance of our stock selections relative to their local indices. The other major driver of performance is a cash-like return generated from the pricing of stock market futures.

The cash-like portion of Optimal's return is beyond our control. With most central banks keeping interest rates low, this contribution is now close to zero: over the last five years this cash-like return contributed just 0.5 percentage points per annum toward the Orbis Optimal SA Fund's absolute return, far lower than we would expect over the long term.

One thing we can control is our stock picking, which ultimately determines the long-term returns of your Fund. The principles behind our investment philosophy and process have not changed since the firm's inception, but the stock market's view of our favourite shares changes all the time. Many of the same shares that once detracted from your Fund's performance are now being rewarded as other investors come to recognise the fundamental value that we have long seen in those businesses. While we caution against reading too much into short-term results, we continue to believe that our fundamental, long-term and contrarian approach should serve our investors well, regardless of the hand we are dealt by the markets. Many investors have used Optimal as a substitute for bonds and cash, and we believe the Fund is every bit as relevant today – possibly even more so.

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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 (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.

Top 10 share holdings on 31 August 2013

Company	% of portfolio
NetEase	3.6
INPEX	3.1
American Intl. Group	3.0
Micron Technology	2.6
Nissan Motor	2.5
Japan Tobacco	2.2
Baidu	2.2
NKSJ	2.2
Telefonaktiebolaget LM Ericsson	2.1
Actelion	2.0
Total	25.5

Fund allocation on 31 August 2013

Fund	%
Orbis Optimal SA (US\$)	71.0
Orbis Optimal SA (euro)	29.0
Foreign absolute returns funds	100.0

Asset allocation on 31 August 2013

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equities	4	0	0	0	3	0
Hedged equities	84	29	20	20	13	2
Cash/currency hedge	12	27	6	-21	0	-1
Total (%)	100	56	26	0	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 2012
Cents per unit	0.3246

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