

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 28 February 2014

Fund size: R1 374m

Fund price: R15.94

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

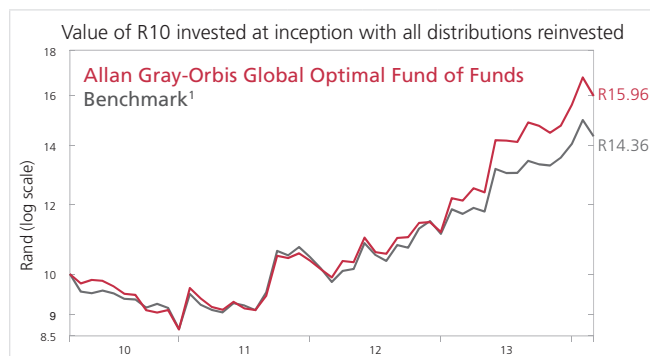
Annual management fee and total expense ratio (TER)

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 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	59.6	14.7	43.6	3.2	22.0	8.1
<i>Annualised:</i>						
Since inception	12.4	3.5	9.5	0.8	5.2	2.0
Latest 3 years	19.4	3.4	15.9	0.3	5.8	2.0
Latest 2 years	26.9	5.7	21.1	0.9	5.6	1.6
Latest 1 year	31.6	10.3	22.6	2.8	5.8	1.6
Year-to-date (unannualised)	2.4	0.6	2.0	0.2	0.7	0.1
Risk measures (since inception)						
Maximum drawdown ³	-15.9	-8.4	-13.6	-9.3	n/a	n/a
Percentage positive months ⁴	41.7	58.3	43.8	58.3	n/a	n/a
Annualised monthly volatility ⁵	15.0	6.5	13.7	5.5	n/a	n/a

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 28 February 2014.
2. This is based on the latest numbers published by I-Net Bridge as at 31 January 2014.
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 31 December 2013	%
Fee for benchmark performance	0.99
Performance fees	1.81
Other costs including trading costs	0.25
VAT	0.00
Total expense ratio	3.05

Fund manager quarterly commentary as at 31 December 2013

2013 was a good year for your Fund, which delivered returns of 39.6% in rand terms (12.9% in US dollars), meaningfully above the benchmark return of 26.6% (2.3% in US dollars). This brings the three-year annualised return to 21.7% in rand terms (4.6% in US\$), which compares to the benchmark return over that period of 17.6% in rands (1% in US dollars).

The main contributor to your Fund's return in 2013 and over the past three-year period was the relative performance of Orbis' stock selections, which rebounded after a period of poor performance in 2011 and 2012. This contribution from performance relative to local benchmarks was broad-based, with particularly strong results in North America and Asia ex-Japan.

That Orbis' underlying stock selections were the main driver of the Fund's return is entirely as we expect and consistent with the structure of the Optimal SA Funds. These Funds invest in Orbis' preferred stocks, each of which brings exposure to its local stock market. Optimal SA then hedges out most of this 'inherited' exposure to stock markets. This isolates the skill-based component of each stock's return and insulates your Fund against stock market fluctuations. The result is a Fund that has little correlation with other asset classes, and that is driven primarily by the value Orbis adds or detracts through stock selection – as we have seen this year.

Of course, after such a strong year, investors may wonder about what opportunities lie ahead. Today, undervalued companies are less plentiful than they were a few years ago, but Orbis has still been able to find pockets of value that they believe offer potential for outperformance. As an example, at a time when optimism – and prices – are running high in many areas of the stock market, the oil & gas sector is a notable exception.

Within the sector, your Fund has exposure to companies such as Apache, Weatherford International and INPEX, but it is effectively short the major integrated oil companies due to its stock market hedging. Each of Optimal's holdings has been selected for idiosyncratic reasons, but a common thread is that Orbis believes the market's assessment of these shares' intrinsic value is much lower than their assessment. In the case of Weatherford, the company has gone through a 'perfect storm' of bad news in recent years, but Orbis believes that a new cycle of fundamental improvement is underway. Only time will tell if this thesis is right, but we have found that many things in investing tend to be cyclical. Provided that one is comfortable looking wrong for some time, the market's pessimism can often produce compelling opportunities for patient investors.

Top 10 share holdings on 28 February 2014

Company	% of portfolio
NetEase	2.7
American Intl. Group	2.6
INPEX	2.4
Samsung Electronics	2.3
NKSJ Holdings	2.3
Cable & Wireless Comm.	2.0
Motorola Solutions	2.0
Telefonaktiebolaget LM Ericsson	1.7
Japan Tobacco	1.7
Weatherford International	1.5
Total	21.4

Fund allocation on 28 February 2014

Fund	%
Orbis Optimal SA (US\$)	72.9
Orbis Optimal SA (euro)	27.1
Foreign absolute returns funds	100.0

Asset allocation on 28 February 2014

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equities	7	1	1	0	4	1
Hedged equities	82	31	19	17	14	1
Cash/currency hedge	10	28	6	-18	-5	-1
Total (%)	100	60	26	0	13	1

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	0.3877

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 (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.