Allan Gray-Orbis Global Optimal Fund of Funds

Fund managers:	Ian Liddle (The underlying Orbis funds are managed by Orbis)
Inception date:	2 March 2010
Class:	A

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.

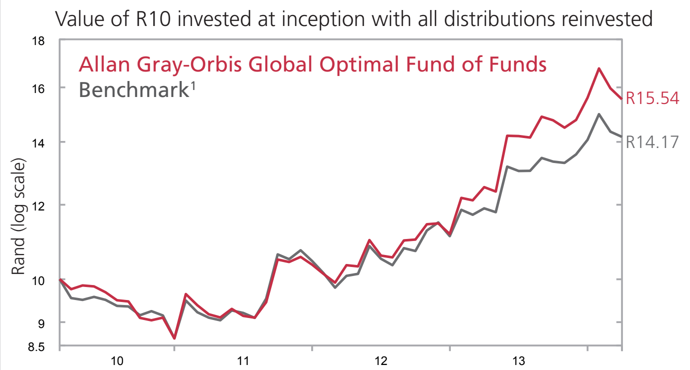
Suitable for those investors who

- 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

Fund information on 31 March 2014

Fund size:	R1 544m
Fund price:	R15.52

Performance net of all fees and expenses



% Returns	Fund		Benchmark[1]		CPI inflation[2]	
	ZAR	US$	ZAR	US$	ZAR	US$
Unannualised: Since inception	55.4	13.0	41.7	3.1	23.3	8.2
Annualised: Since inception	11.4	3.1	8.9	0.7	5.4	2.0
Latest 3 years	19.2	2.8	15.9	0.0	6.0	2.0
Latest 2 years	22.6	4.5	18.6	1.1	5.9	1.5
Latest 1 year	24.0	8.1	19.1	3.8	5.9	1.1
Year-to-date (unannualised)	-0.4	-0.1	0.7	0.1	1.8	0.2
Risk measures (since inception)						
Maximum drawdown[3]	-15.9	-8.4	-13.6	-9.3	n/a	n/a
Percentage positive months[4]	40.8	57.1	42.9	57.1	n/a	n/a
Annualised monthly volatility[5]	14.9	6.5	13.6	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 31 March 2014.
2. This is based on the latest numbers published by I-Net Bridge as at 28 February 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.

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.

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**

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ALLANGRAY

Fund manager quarterly commentary as at 31 March 2014

For most of the past five years, the Orbis Optimal SA Fund has been underweight basic materials shares. Because Optimal hedges its market exposure by selling stock market futures, it has effectively been short these shares over this period.

As demand growth from emerging markets has slowed and new capacity built during the boom years has come online, commodity prices have collapsed and so has profitability for many firms. While valuations for these companies have also declined considerably, Orbis is not yet enthusiastic about the sector as a whole. With vast amounts of new capacity still being added in many industries, the path back to normal may be rocky.

That said, Orbis has found some attractive opportunities and Optimal is less underweight in the sector than it has been in the past. One notable example is the aluminium industry.

On the surface, aluminium stocks offer little cause for excitement. Plagued by overcapacity, aluminium prices have declined from US$3 000 per tonne in 2008 to about US$1 700 today. Nearly 25% of smelters are losing money on a cash basis, and the industry as a whole is losing money at the current aluminium price. While no one can predict the industry's future, Orbis would argue that conditions are more likely to get better than worse.

Real demand for aluminium is growing rapidly. Aluminium is unique among commodities in that per capita demand does not decline as countries become richer; demand simply shifts from infrastructure uses like buildings to consumption uses such as cars and cans. Demand growth alone, however, does not produce superior investment results. Critically, the pace of supply growth is also slowing, particularly outside of China. After years of losses, producers are finally shuttering capacity and future projects have either been cancelled or significantly delayed due to lower prospective returns at today's prices.

Few companies in the sector have been hit as hard as Alcoa, whose shares have underperformed the FTSE World Index by about 40% over the last four years and whose operating income has declined by approximately 75% from its peak in 2006.

Taking a long-term perspective, however, Orbis sees a collection of high-quality, under-appreciated assets backed by a reasonable balance sheet.

Alcoa's upstream assets generate little earnings today, but could earn US$1.00-1.50 per share under more normal conditions. In the midstream business, Alcoa is particularly well positioned as one of two major producers of automotive sheet in North America and a leading supplier to both Boeing and Airbus. Both industries are using more aluminium than ever in their products and this trend should help the earnings of Alcoa's midstream operations to nearly double over the long term.

Finally, Alcoa's downstream business produces highly engineered specialty metal products, primarily for the aerospace and industrial gas turbine markets. After putting conservative multiples on these businesses and adjusting for debt and corporate overhead, Orbis believes Alcoa is worth about US$20 per share over the long term – meaningfully higher than its US$12.87 price.

Adapted from an Orbis commentary contributed by Matt Adams. For the full commentary please refer to the Orbis quarterly reports available at www.allangray.co.za

Top 10 share holdings on 31 March 2014

Company	% of portfolio
Samsung Electronics	2.9
NetEase	2.7
NKSJ Holdings	2.4
INPEX	2.3
American Intl. Group	2.2
Motorola Solutions	2.0
Cable & Wireless Comm.	1.9
Telefonaktiebolaget LM Ericsson	1.8
Japan Tobacco	1.7
Dai-ichi Life Insurance	1.5
Total	**21.4**

Fund allocation on 31 March 2014

Fund	%
Orbis Optimal SA (US$)	75.0
Orbis Optimal SA (euro)	25.0
Foreign absolute returns funds	**100.0**

Asset allocation on 31 March 2014

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equities	3	0	1	1	1	0
Hedged equities	85	29	20	17	16	2
Cash/currency hedge	12	31	4	-18	-4	-1
Total (%)	**100**	**60**	**25**	**0**	**14**	**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.