

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 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.

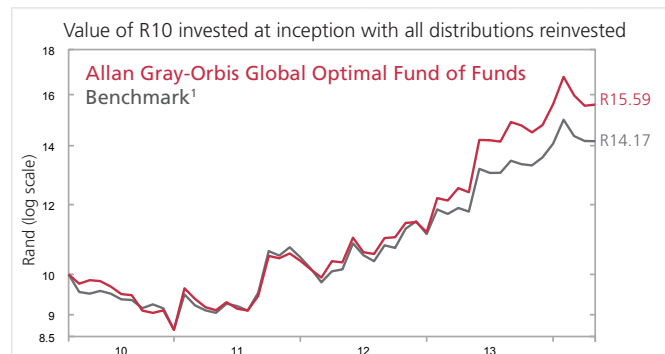
The annual management fees charged by Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12 month period.

Fund information on 30 April 2014

Fund size: R1 575m

Fund price: R15.57

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	55.9	13.7	41.7	3.4	24.9	8.5
<i>Annualised:</i>						
Since inception	11.2	3.1	8.7	0.7	5.6	2.0
Latest 3 years	19.6	2.2	16.1	-0.8	6.0	1.9
Latest 2 years	22.9	5.4	18.3	1.5	6.0	1.5
Latest 1 year	25.8	7.7	20.2	2.9	6.0	1.5
Year-to-date (unannualised)	0.0	-0.3	0.7	0.4	3.1	0.4
Risk measures (since inception)						
Maximum drawdown ³	-15.9	-8.4	-13.6	-9.3	n/a	n/a
Percentage positive months ⁴	42.0	58.0	42.0	58.0	n/a	n/a
Annualised monthly volatility ⁵	14.8	6.4	13.5	5.4	n/a	n/a

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 30 April 2014.
2. This is based on the latest numbers published by I-Net Bridge as at 31 March 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 March 2014	%
Fee for benchmark performance	1.00
Performance fees	2.04
Other costs including trading costs	0.25
VAT	0.00
Total expense ratio	3.29

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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 30 April 2014

Company	% of portfolio
Samsung Electronics	3.9
NetEase	2.6
INPEX	2.3
American Intl. Group	2.2
NKSJ Holdings	2.2
Motorola Solutions	1.9
Cable & Wireless Comm.	1.9
Telefonaktiebolaget LM Ericsson	1.8
Japan Tobacco	1.8
SAP	1.7
Total	22.3

Fund allocation on 30 April 2014

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

Asset allocation on 30 April 2014

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equities	3	0	0	0	2	0
Hedged equities	84	28	20	17	17	2
Cash/currency hedge	13	30	4	-17	-3	-1
Total (%)	100	58	25	0	16	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.