

Japan is at the centre of an awful catastrophe and we are deeply saddened by the loss of life caused by the earthquake and tsunami. First and foremost our thoughts are with the victims and their families in this tragedy.

Now, only a few days after the event, we acknowledge that it is difficult to measure with confidence the full extent and knock-on effects of the earthquake. While the long-term implications remain uncertain, we caution our clients not to read too much into this note as four trading days does not constitute a trend. While we do not usually comment directly on specific macro events, we recognise that the scale of this experience and the uncertainty surrounding it, including questions from our clients, makes it important for us to comment.

What are we doing?

Orbis - like Allan Gray - makes investment decisions based on bottom-up, fundamental research. When an event such as this occurs, our analysts assess the impact on their assessment of the intrinsic value of individual stocks. As a result, they may take action – to buy or sell – when the market's interpretation differs from their own. Our investment response is predicated on distinguishing between a change in fundamental value and a price change.

Our analysts have made contact with most of our Japanese portfolio companies to understand how they have been affected, but the situation remains fluid. Many Japanese companies themselves do not yet know the full impact on their operations. While we have taken some actions, much uncertainty remains, particularly in the short term.

How have the Orbis funds been affected?

As at the end of February 2011, the Orbis Global Equity Fund had a 21% exposure to listed Japanese equities vs. 9% in the World Index. We note the World Index weight in Japan as a reference point rather than a conscious input into our investment process. In the past four trading days,

i.e. from Friday 11 March up to and including Wednesday 16 March 2011, the broader Japanese equity market was down by around 12% - underperforming the World Index by a similar amount. The Japanese stocks in Orbis Global have performed broadly in line with the broader Japanese market, which has negatively affected both the absolute and relative performance of the Fund.

How have the Allan Gray unit trusts been affected?

Table 1 shows the effective exposure Allan Gray unit trusts had to Japan through their investment in the Orbis funds as at 28 February 2011. The fund returns column shows the returns of the funds for the period 10 March to 16 March 2011.

Table 1 | Exposure of Allan Gray funds to Japan and fund returns since the earthquake

Fund	Japan exposure as at 28 February 2011	Fund returns 10 March to 16 March 2011
Allan Gray Balanced Fund	6%	-1.0%
Allan Gray Stable Fund	9%	-0.7%
Allan Gray-Orbis Global Fund of Funds	28%	-2.1%
Allan Gray-Orbis Global Equity Feeder Fund	21%	-3.4%
Allan Gray-Orbis Global Optimal Fund of Funds	5%	1.7%

While the events in Japan have had a negative impact on performance for Allan Gray clients in the short term, it is too early to tell whether there has been a permanent decline in the intrinsic value of Japanese equities. Our preliminary view is that the market declines are overdone, but we fully recognise that there is still much uncertainty around what this ultimately means for Japan and its economy. Our investment process has not changed and we will continue to make investment decisions based on bottom-up, fundamental research - thinking about the long-term value of each business we invest in on behalf of our clients.

Commentary by Craig Bodenstab and Jonathan Brodie, Orbis Investment Management Limited and Rob Dower, Allan Gray Limited

Collective Investment Schemes (unit trusts) are generally medium- to long-term investments. The value of participatory interest (units) may change in line with market movements. Past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Unit trust prices are calculated on a net asset value basis, which, for money market funds, is the total book value of all assets in the portfolio divided by the number of units in issue. Fluctuations or movements in exchange rates may also be the cause of the value of underlying international investments to change. Unit trusts are traded at ruling prices. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of units apply to the Allan Gray Balanced and Stable Funds and are subject to different fees and charges. A detailed schedule of fees, charges and maximum commissions is available on request. Forward pricing is used. 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. A feeder fund is a unit trust fund that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme. All of the unit trusts except the Allan Gray Money Market Fund may be capped at any time in order for them to be managed in accordance with their mandates. Allan Gray Unit Trust Management Limited is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Limited, an authorised financial services provider, is the appointed investment manager of Allan Gray Unit Trust Management Limited.