

The Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Global Fund of Funds have underperformed their respective benchmarks for the 12 months to 30 September 2010. Allan Gray and Orbis' track record shows that performance does not come in a straight line, especially over short periods. Orbis' time horizon when picking stocks is three to five years. We believe the same time horizon is more useful in evaluating the performance of funds.

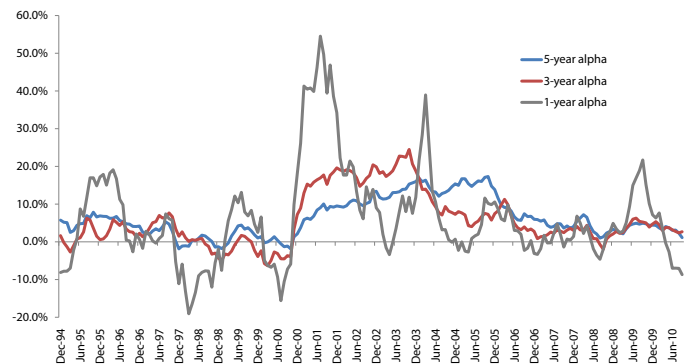
Underperformance is not unusual

The graph shows relative performance (alpha) experienced by the Orbis Global Equity Fund versus the FTSE World Index, since its inception in 1990. We show the alpha over rolling one-, three- and five-year periods. A rolling comparison is useful as we acknowledge that very few of our clients have experienced the long-term track record of the Fund itself. In reality, people invest and make withdrawals over time, and generally are more tempted to invest after outperformance and to disinvest following underperformance. A rolling comparison gives some insight into the consistency of the Fund's performance over different time periods.

Short-term performance is unpredictable

The volatile nature of markets leads to different shares, regions and currencies being responsible for performance at any given time. Orbis' stocks in the US (specifically Healthcare and Technology-related stocks) and Japan (selected Financial stocks) have recently underperformed the benchmark and are partly responsible for the recent underperformance of the Fund. These underperforming stocks remain a significant position for the Fund, given Orbis' conviction in their attractiveness as long-term investments.

Rolling performance of the Orbis Global Equity Fund vs. the FTSE World Index (US\$)



Source: Allan Gray research

However, examining relative performance over a one-year period may not always provide the most useful information about the Fund, as one-year alpha has been as low as -19% and as high as 54%. It is also extremely volatile. Historically it has been impossible to successfully predict swings in short-term performance. Despite volatile short-term performance, the Fund's relative performance over three and five years, as shown on the graph, is more stable. This is consistent with our philosophy and time horizon for picking stocks.

Importantly, Orbis continues to apply the same investment philosophy and process that it has applied for the last 20 years (and it shares this investment approach with Allan Gray). We believe that consistently applying the process will result in long-term outperformance for clients. Long-term outperformance does not however come in a straight line but will always be accompanied by periods of, sometimes uncomfortable, short-term underperformance.

Commentary by Chris du Toit, Head of Orbis client servicing in South Africa

Allan Gray Limited is an authorised financial services provider. 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. A feeder fund is a unit trust that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme. 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. Fluctuations and movements in exchange rates may also cause the value of underlying international investments to go up or down. A schedule of fees and charges and maximum commissions is available on request from Allan Gray. No commissions or incentives are paid. Funds may be closed to new investments at any time in order to be managed in accordance with their mandates.