

## Positioning the Allan Gray-Orbis Global Fund of Funds for long-term outperformance

### Rand-denominated access to Orbis mutual funds

The Allan Gray-Orbis Global Fund of Funds is a Rand-denominated offshore unit trust that invests in a selection of Orbis mutual funds. It represents Allan Gray's 'Foreign Best View' mix of Orbis funds and aims to outperform its benchmark of 60% FTSE World Index and 40% JP Morgan Global Government Bond Index at no greater level of risk. The Orbis investment philosophy guides all investment decisions. This philosophy is the same as that of Allan Gray: fundamental research and a bottom-up stock selection process are applied according to a rigorous and disciplined investment process.

### Using the Fund's flexibility to position it for long-term outperformance at less risk

The Fund has the flexibility to alter its equity and currency exposure through varying the exposure to the different Orbis funds. We believe that the recent changes made will position the Fund, from both an equity exposure and currency perspective, to continue to deliver superior long-term returns relative to its benchmark.

#### 1. Reducing stockmarket risk by reducing equity exposure

The Fund has reduced its overall equity exposure from 60% to 49% after the strong performance of global equity markets and in particular the Asia ex-Japan stockmarkets. Exposure was reduced to the Asia ex-Japan markets in favour of the Orbis Optimal SA Funds. This reduces the Fund's exposure to stockmarket risk. The Optimal SA Funds are hedged portfolios that aim to deliver positive returns in all market conditions by capturing Orbis' ability to generate alpha (or outperformance). We use the Orbis Optimal SA Funds rather than cash and bonds within a foreign balanced portfolio to achieve a better long-term risk-adjusted return.

Fund Asset Allocation (%)	31 December 2006	Year to date change	31 October 2007
<b>Orbis Equity Funds</b>	<b>60</b>	<b>-11</b>	<b>49</b>
Orbis Global Equity Fund	27	4	31
Orbis Japan Equity Yen Fund	18	0	18
Orbis Asia ex-Japan Equity Fund	15	-15	0
<b>Orbis Absolute Return Funds</b>	<b>40</b>	<b>11</b>	<b>51</b>
Orbis Optimal SA Euro Fund	21	0	21
Orbis Optimal SA US\$ Fund	19	11	30
<b>Total</b>	<b>100</b>		<b>100</b>

#### 2. Overweight Asia ex-Japan, but reduced exposure in favour of Japan and Europe

The reduction in the Fund's equity exposure to Asia ex-Japan in favour of Japan and Europe has been because of decreasing the exposure to the Orbis Asia ex-Japan Fund in favour of the Orbis Global Equity Fund as well as changes over the period within the Orbis Global Equity Fund. Despite this, the Fund continues to have an overweight position to Asia ex-Japan versus the FTSE World Index. In addition, the Fund has increased its exposure to Orbis' selection of Japanese equities.

Fund Equity Exposure (%)	31 December 2006	Year to date change	31 October 2007	FTSE World Index at 31 October 2007
Japan	35	13	48	9
USA	20	1	21	43
Europe	10	5	15	32
Asia ex-Japan	33	-20	13	6
Other	2	1	3	10
<b>Total</b>	<b>100</b>		<b>100</b>	<b>100</b>

#### 3. Overweight Asian currencies and Japanese Yen, but reduced exposure to Asian currencies in favour of the Yen and Dollar

From a currency perspective, the Fund has reduced its exposure to Asia ex-Yen currencies in favour of the Yen and the US Dollar. Despite this, the Fund continues to maintain an overweight exposure to the Asia ex-Yen currencies as well as the Japanese Yen and underweight the US Dollar and the Euro.

Fund Currency Exposure (%)	31 December 2006	Year to date change	31 October 2007	Benchmark at 31 October 2007
Yen	36	8	44	17
US Dollar	23	5	28	35
Euro	20	0	20	36
Asia ex-Japan	20	-12	8	4
Other	1	-1	0	8
<b>Total</b>	<b>100</b>		<b>100</b>	<b>100</b>

We believe that the reduction in equity exposure in favour of the absolute return funds will position the Fund, from both an equity exposure and currency perspective, to continue to deliver superior long-term returns on behalf of its investors relative to its benchmark.

*Commentary by Mahesh Cooper, Director of Allan Gray Limited*