

**Bermuda domiciled open-ended fund**

**Fund owner:** Orbis

**Fund manager:** Orbis Investment Management Limited

**Named portfolio manager(s):**

Orbis Investment Management Limited

**Peer group:** South African Equities

**Location:** Bermuda, Cape Town

**Launch date:** June 1998

**Fund size (May 2010):** US\$196m

**Contact group:** +1 (441) 296 3000 or

www.orbisfunds.com

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)

### Standard & Poor's opinion (June 2010)

This fund is managed by Bermuda-based William Gray with investment decisions taken by the Cape Town based team of portfolio managers and analysts at Allan Gray Limited (AGL), South Africa.

The team shares the same investment philosophy and quant-guided research-driven approach, with long-term investment horizons and a dedicated value style. However, each of the five managers is individually accountable for the stocks that they hold and may differ in style to some extent. They all draw on a buy list compiled by the portfolio managers and team of 15 analysts.

The fund is made up of a highly concentrated portfolio. CIO Ian Liddle makes the final decision as to what is included and may not select some of the smaller positions and lower conviction ideas from the other portfolio managers. He also has the largest percentage of the portfolio.

The group has around R150bn in equities invested in the region, and it has large ownership stakes (in excess of 20%) in a number of companies listed on the local stock exchange. AGL has recently closed to new institutional business to limit growth in assets.

The longer-term peer group is so small that comparison is not meaningful. Performance relative to benchmark has been good since launch, although it has been less strong recently influenced by a lack of exposure to the index heavyweights BHP and Anglo American.

This is a large and reasonably experienced team, effectively applying a sound value-orientated approach to a market to which it is very close. The fund retains an S&P AA rating.

### Fund manager & team

The five portfolio managers, based in Cape Town, draw on company research provided by Allan Gray Limited, Orbis's sister company, and a research team of more than 15 equity analysts.

William Gray - BComm, MBA (Harvard), CFA, joined Orbis Bermuda in 1993, having worked with Orbis in London and its predecessor company in Hong Kong.

Ian Liddle - BBusSc (University of Cape Town), CFA, joined Allan Gray in 2001, becoming a portfolio manager in January 2005 and rising to CIO in February 2008.

Duncan Artus - BBusSc (University of Cape Town), CFA, joined the group in 2001 becoming a portfolio manager in January 2005.

Delphine Govender - BComm, CA, CFA, spent three years working as an analyst before joining the group in 2001. She became a portfolio manager in January 2005.

Simon Raubenheimer - BComm (University of Cape Town), CFA, joined the group in 2002, becoming a portfolio manager in July 2008.

Andrew Lapping - BSc, BComm (University of Cape Town), CFA, joined the group in 2001 as a fixed interest trader moving to the research department in 2003 and becoming a portfolio manager in February 2008.

### Management style

A research-driven approach targets stocks trading at significant discount to their long-term intrinsic value. Screens and a 35-year proprietary database are used to generate ideas for research on the basis of discount to intrinsic value. The screen identifies highest expected three- to five-year returns, incorporating investment data.

Analysts assess industries and competitors as well as individual companies for sustainability of cashflow, earnings and growth trends. There is a high degree of company contact.

The policy group collectively tests the investment case presented by the analyst and approves a buy list of around 40-50 names. Each portfolio manager is a generalist and selects a highly focused independent portfolio from this list. There is no sell list. As CIO, Ian Liddle may manage the overall construction by adjusting his own, for example, by omitting lower conviction ideas.

The final portfolio holds around 30 names. Risk is controlled by in-depth company analysis. There are quarterly reviews of portfolio deviations from the benchmark. Turnover tends to be very low. Currency (rand) is not hedged.

### Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

### Performance statistics

	Three years
Fund	8.3%
Standard & Poor's peer median	-20.1%
Index**	4.3%
Fund rank	1/4

Note: returns are cumulative

### Three-year risk characteristics

Maximum drawdown (%)	-24.1
Volatility	8.8
Correlation	1.0
Beta	0.9

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2010 Lipper Inc. All Rights Reserved. All statistical data on this report has been run to 30/04/2010 on NAV to NAV basis, with gross income reinvested, in US Dollars.

# ORBIS AFRICA EQUITY (RAND) FUND

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# STANDARD & POOR'S



## Portfolio & performance analysis (May 2010)

At review, the fund's top-10 concentration at 62% was in line with last year, and 21 of the 32 holdings accounted for 90% of the portfolio.

Turnover continues to be low. A key change was the reduction in MTN (last year's largest holding) by half on the back of merger speculation pushing the price close to fair value. The holding size in conglomerate Remgro had been increased. Northam Platinum was sold completely as the dividend stream has been cut. Both holdings contributed positively to performance. Other contributors were Richemont, Mondi (a paper company added to over the last 12 months) and Aspen. Commodity names held contributed positively, although not owning BHP Billiton or Anglo American (the two big index names, which the team viewed as overvalued) resulted in the fund underperforming its benchmark index.

The tracking error against this index, the FTSE/JSE Africa All-Share benchmark, remained high at 12.4%, but with a low beta of 0.7.

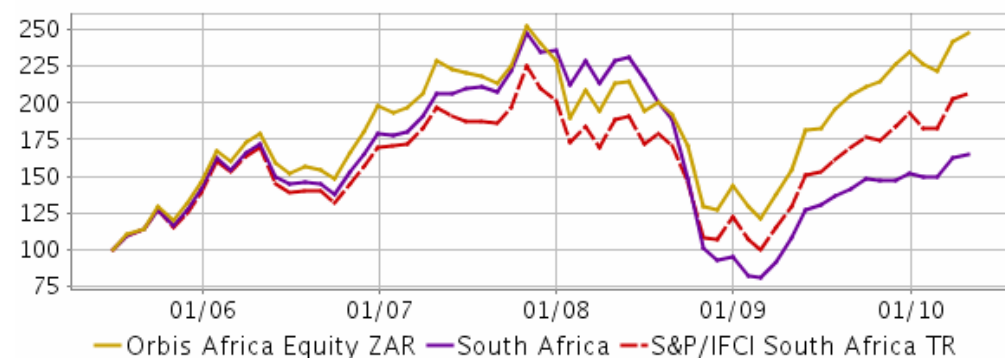
On a sector basis, the fund remained strongly overweight consumer staples and energy but the weighting to telecoms had fallen as a result of the part sale of MTN.

Peer group comparison is not terribly relevant given the small number of funds in the sector. Against its benchmark, the fund has fared well since launch in 1998. Compared with index, volatility and maximum drawdown have been low.

The fund started to go defensive in the first half of 2006, reducing resources in favour of gold mining and consumer staples. This was about a year too early. Having maintained the defensive stance ever since, the fund outperformed the benchmark strongly in the second half of 2007 and in 2008. It missed the top of the bull market in resources and has underperformed again in the rally since March.

The biggest single stock disappointment has been Sappi in which AGL has a 30% holding. The team considers that it simply invested too early and retains a long-term belief in the stock.

## Cumulative performance



## Discrete performance (calendar years)

	2006		2007		2008		2009		YTD 30/04/2010	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	36.0	1/2	15.6	2/2	-37.4	1/7	63.3	1/7	5.6	5/7
Index**	21.4		19.2		-39.5		58.2		6.5	
Median	27.0		31.4		-59.8		60.4		8.2	

\*\* S&P/IFCI South Africa USD

Fund benchmark: FTSE/JSE Africa All-Share index

## Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN	
Ord	0.00%	0%	0.50%	2.39%	US\$50,000	-	BMG6767D1048	
Registered for sale		Through authorised intermediaries only						

## Portfolio characteristics (1 May 2010)

No. of holdings	32
Turnover ratio (%)	30
% in top 10	62

## Top 10 holdings

	%
SABMiller *	10.2
Sasol *	9.7
Remgro *	7.9
AngloGold Ashanti *	7.1
MTN Group *	5.5
Standard Bank Group *	4.7
Sanlam *	4.6
Mondi	4.4
Sappi *	4.1
Coronation Fund Managers	4.0

\* In top 10 holdings a year ago

## Country allocation

	%
Net current assets	4.0
Other EMEA	5.0
South Africa	91.0

## Sector allocation

	%
Cash	4.5
Consumer discretionary	5.4
Consumer staples	17.5
Energy	9.7
Financials	24.3
Healthcare	1.7
Information technology	3.9
Materials	26.4
Telecommunications	6.6

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## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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### Absolute return fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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### Specialist fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

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### All fund ratings

**Not Rated (NR)** Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

**Under Review (UR)** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**(New)** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

**Tenure Review (TR)** The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.