

Today we introduce the Allan Gray-Orbis Global Optimal Fund of Funds, the third in our risk-profiled range of rand-denominated offshore unit trust funds.

Characteristics of our new Fund:

- The Fund is intended for investors looking to invest in an offshore low risk global portfolio without utilising their offshore allowance.
- The Fund is classed in the ‘Foreign’ category according to the classifications of the Association for Savings & Investment SA (ASISA). This means that the Fund is required to invest at least 85% of its assets outside of South Africa at all times.
- The objective of the Fund is to earn a higher rate of return than the simple average of the bank deposit rate in the currencies of the underlying invested Orbis funds (currently US dollar and euro).

Complimenting our limited range of unit trust funds

We are aware that too much choice has the potential to hamper an investor’s decision-making ability. It is for this reason that we are always cautious when adding a new fund to our existing range as we need to be certain that there is a definite need and that the fund is fundamentally different to what we currently offer. However we have been conscious of the fact that our range of rand-denominated offshore funds has not until now offered investors a low risk option, similar to that of our local funds.

Optimal absolute return mandate in collective investment schemes since 1990 and the Optimal SA funds since 2005. The Fund’s underlying Orbis Optimal SA funds invest in a focused portfolio of selected global equities that offer superior relative value, and employ stock market hedging to reduce the risk of loss. Therefore, the Fund’s returns can be expected to be more or less equal to bank deposit returns plus (or minus) the value added (or subtracted) by Orbis through their stock-picking ability. Typically, Orbis would hedge out most of the underlying equity exposure, so that the Fund’s net equity exposure will not exceed 20%. Returns are measured in rands and therefore will be affected by exchange rate fluctuations.

Investing in the Fund and fees

The investment minimums for the Allan Gray-Orbis Global Optimal Fund of Funds are R5 000 for a lump sum contribution or R500 for a debit order investment. This is subject to the initial lump sum minimums for the Allan Gray products in which you would like to invest.

Other than the underlying funds’ fee structure, there is no additional annual management fee. The underlying funds charge 1% per year plus 20% of the outperformance above the funds’ respective benchmarks. The high watermark principle applies, this means that should the Fund underperform, it would first need to recover the underperformance before any further performance fees are payable. No initial or switching fees apply.

Table 1 | Comparison between local and rand-denominated offshore funds in terms of their typical equity exposure

Typical net equity exposure	Local	Offshore
100% (high exposure)	Allan Gray Equity Fund	Allan Gray-Orbis Global Equity Feeder Fund
40% - 75% (medium exposure)	Allan Gray Balanced Fund	Allan Gray-Orbis Global Fund of Funds
0% - 40% (low exposure)	Allan Gray Stable Fund	
0% - 20% (very low exposure)	Allan Gray Optimal Fund	Allan Gray-Orbis Global Optimal Fund of Funds
No exposure	Allan Gray Money Market Fund / Allan Gray Bond Fund	

As highlighted in **Table 1** (which compares our local and rand-denominated offshore funds in terms of their typical equity exposure), the addition of the Allan Gray-Orbis Global Optimal Fund of Funds was a logical decision for us. The Fund is the nearest offshore equivalent for the local Stable and Optimal funds.

How the Fund aims to achieve its objective

The Fund is managed by Ian Little and invests in a mix of the Orbis Optimal SA funds. Orbis is Allan Gray’s global asset management partner and has successfully managed its

A new option for risk-averse investors

With the addition of this Fund our range of funds now totals nine, catering for investors who wish to invest locally or offshore and with varying levels of tolerance to risk. Investors seeking a high degree of hard currency capital stability in an offshore fund may find our new Fund a suitable investment.

For more information on our new Fund or on how to invest with Allan Gray, please contact your financial adviser or the Allan Gray Client Service Centre on 0860 000 654 or email us at info@allangray.co.za.

Commentary by Richard Carter, Allan Gray Unit Trust Management Limited

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