

Many investors choose to diversify their portfolios and protect themselves from rand weakness by investing offshore. Diversification has two key benefits: it spreads your risk across different economies and geographic regions, and provides the potential to increase returns by offering access to industries and companies that may not be available locally. The downside of investing offshore is that for most investors, it is fraught with uncertainty. The extent of the choices available is bewildering; few know who to trust when faced with unfamiliar managers, unknown markets and untested approaches. The Allan Gray Offshore Investment Platform helps you to narrow down your options, giving you access to a selection of global managers, including funds from our offshore investment partners Orbis and Allan Gray Australia.

About Allan Gray Australia

Allan Gray Australia Pty Limited, formerly Orbis Investment Management (Australia), is an Australian incorporated company with offices in Sydney. Established in Australia in 2005, Allan Gray Australia is part of the Allan Gray-Orbis group of companies. Allan Gray Australia applies the same proven process and philosophy as Allan Gray in South Africa and all the Allan Gray and Orbis funds share the same long-term valuation-based investment philosophy.

The management team offers a collective 68 years of Allan Gray experience. Before setting up the Australian business, Managing Director Simon Marais spent 13 years with Allan Gray in South Africa, of which four years was in the role of chief investment officer and executive chairman. He retains the role of non-executive chairman of Allan Gray in South Africa. Arjen Lugtenburg, a name also well known to South African investors, joined Allan Gray Australia as an analyst in 2008. Prior to moving to Australia, he was a portfolio manager at Allan Gray in South Africa from 1994 to 2008 and a director from 1997 to February 2009.

Allan Gray Australia Equity Fund

The Allan Gray Australia Equity Fund seeks to offer investors an opportunity to benefit from higher long-term returns than the Australian stock market as measured by the S&P/ASX 300 Accumulation Index. The Fund was launched on 4 May 2006 and has AUD550 million under management as at 31 May 2012. It is a concentrated portfolio of shares listed on the Australian Stock Exchange (ASX) and is aimed at investors looking for contrarian-style investment exposure to the Australian stock market. Investors must be able to take a long-term view and endure shorter-term performance fluctuations. The fund manager recommends a minimum investment period of five years.

Investing in Australia

Australia has a government-mandated high savings rate and its unfunded government liabilities position is vastly different from Europe and North America. The ASX is twice the size of the JSE, but has a similar composition. In contrast to emerging market currencies that depreciate over the long term, the Australian dollar has been stable and strong. The geographic proximity and economic ties provide an interesting way to access Asian growth.

Key risks to investing in Australia include the country's dependence on commodities and potential tax increases, which could raise the cost of doing business for many Australian companies¹.

Please contact our Client Service Centre on 0860 000 654 or speak to your financial adviser for more information about the Fund, its current positioning and fees. You may also refer to the offshore investment platform fund list and fund factsheet available on www.allangray.co.za.

Table 1 | Net performance as at 31 May 2012 (%)

| | 3 Months | 1 Year | 3 Years | 5 Years | Since public launch* |
|----------------------------------|----------|--------|---------|---------|----------------------|
| Allan Gray Australia Equity Fund | -1.4 | -4.2 | 11.5 | -1.2 | 3.1 |
| S&P ASX 300 Accumulation Index | -4.4 | -9.3 | 6.7 | -4.3 | 0.4 |
| Relative performance | 3.0 | 5.2 | 4.8 | 3.0 | 2.7 |

* Public launch date for Allan Gray Australia Equity Fund was 4 May 2006

Returns are in Australian dollars and are net of fees, include income, assume reinvestment of distributions and exclude any spreads that might be payable on some transactions. Returns for periods of more than one year are annualised.

1. www.internationalinvest.about.com

Commentary by Johan de Lange - Head of Retail, Allan Gray Australia

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