

Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the FTSE/JSE All Share Index including income.

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi asset class portfolio

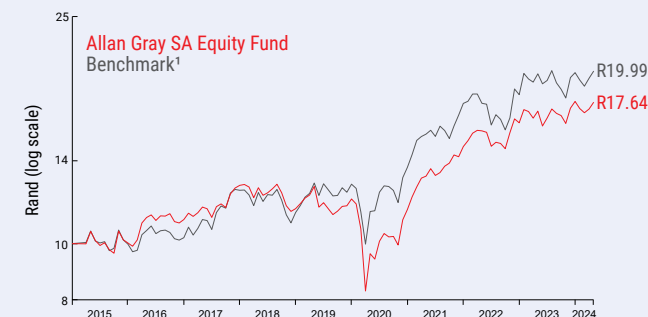
Fund information on 30 April 2024

Fund size	R3.6bn
Number of units	892 713
Price (net asset value per unit)	R447.83
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 30 April 2024.
2. This is based on the latest available numbers published by IRESS as at 31 March 2024.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception of the Fund. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 March 2021 and the benchmark's occurred during the 12 months ended 31 March 2021. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 March 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (13 March 2015)	76.4	99.9	59.4
Annualised:			
Since inception (13 March 2015)	6.4	7.9	5.3
Latest 5 years	7.0	9.4	5.1
Latest 3 years	10.4	8.8	6.1
Latest 2 years	5.9	6.7	6.2
Latest 1 year	3.7	1.1	5.3
Year-to-date (not annualised)	-0.3	0.6	1.9
Risk measures (since inception)			
Maximum drawdown ³	-44.3	-35.2	n/a
Percentage positive months ⁴	57.3	55.5	n/a
Annualised monthly volatility ⁵	14.8	14.8	n/a
Highest annual return ⁶	57.3	54.0	n/a
Lowest annual return ⁶	-32.0	-18.4	n/a

Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed [here](#).

Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has underperformed its benchmark.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2023	31 Dec 2023
Cents per unit	874.8755	949.678

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

This means that Allan Gray shares in 20% of annualised performance relative to the benchmark.

Total expense ratio (TER) and transaction costs

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

Top 10 share holdings on 31 March 2024 (updated quarterly)

Company	% of portfolio
British American Tobacco	8.2
Naspers & Prosus	7.6
AB InBev	7.3
Glencore	5.1
Mondi	4.7
Standard Bank	4.6
Nedbank	3.9
Woolworths	3.8
FirstRand Bank	3.0
Sappi	2.8
Total (%)	51.1

Sector allocation on 31 March 2024 (updated quarterly)

Sector	% of equities ⁷	% of ALSI ⁸
Financials	25.5	27.2
Basic materials	22.3	22.2
Consumer staples	21.4	12.2
Consumer discretionary	9.6	7.6
Technology	7.8	14.4
Industrials	6.8	3.8
Telecommunications	3.1	4.7
Healthcare	1.5	2.3
Real estate	1.3	4.7
Energy	0.7	1.0
Total (%)	100.0	100.0

7. Includes listed property.

8. FTSE/JSE All Share Index.

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2024	1yr %	3yr %
Total expense ratio	0.60	0.83
Fee for benchmark performance	1.00	1.00
Performance fees	-0.49	-0.29
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.11
Transaction costs (including VAT)	0.10	0.10
Total investment charge	0.70	0.93

Asset allocation on 30 April 2024

Asset class	Total
Net equity	96.2
Hedged equity	0.0
Property	1.2
Commodity-linked	1.1
Bonds	0.1
Money market and cash	1.4
Total (%)	100.0

Note: There may be slight discrepancies in the totals due to rounding.

In 2023, the FTSE/JSE All Share Index (ALSI) returned 9.3% in rands, while the FTSE/JSE Capped SWIX All Share Index (Capped SWIX) returned 7.9%. Although positive, one could have achieved a similar return from cash while taking on considerably less risk (in 2023, the Allan Gray Money Market Fund generated a return of 8.4%). To make matters worse, in the first three months of the year, markets have given roughly a quarter of this back, with the ALSI down 2.2% and the Capped SWIX down 2.3%. In this environment, the Fund returned -3.0% for the quarter.

There have been few places to hide, with 26 out of the top 40 stocks down in nominal terms over the quarter, including dividends.

It has not just been a lost quarter or year; the JSE has been a poor place to invest for more than a decade. For a global investor, for every R100 you had to invest in the ALSI at the end of December 2010, you would have approximately R360 today, including all dividends reinvested. In US dollars, a US\$100 investment would only be worth about US\$126 at the end of March 2024, given that the rand has weakened from R6.62/US\$ to R18.88/US\$ over this time. Excluding dividends, in nominal terms, the value of that investment would be down in US dollars. In contrast, a US\$100 investment in the USA's major index, the S&P 500, in December 2010 would be worth roughly US\$539 at the end of March 2024 – more than four times the return experienced on the ALSI.

Looking in the rearview mirror and taking South Africa's current political and economic landscape into consideration, it is easy to be despondent about the JSE's return prospects. This crude analysis, however, is not the full picture and masks some important facts:

- The JSE has not been the only bad stock market to invest in over the past decade. Most emerging markets have fared poorly, and the JSE has performed largely in line with its peers. US\$100 invested in the MSCI Emerging Markets Index would be worth approximately US\$131 at the end of March 2024. Indeed, the past 13-plus years have been more a story of exceptional relative returns from US companies than anything else. The S&P 500's returns have been roughly threefold greater than those of the UK's FTSE All Share Index over this same period.
- Starting prices matter. At the end of December 2010, the ALSI was trading on 17.2 times earnings, while the S&P 500 traded on 14.7 times earnings. At the end of March 2024, the ALSI had derated to 13.1 times earnings, while the S&P 500 had derated to 21.6 times earnings. Underlying earnings growth has been superior in the USA, but this change in sentiment has had a big impact on returns over time. The ALSI has gone from trading at a premium to trading at a material discount to the S&P 500.

- There is an increasingly large number of multinational companies that happen to be listed on the JSE but derive more than 80% of their revenue and income from markets outside South Africa. They may be listed in South Africa, but their fortunes are not tied to the domestic economy. This is the case for British American Tobacco, Naspers and Prosus, AB InBev, Glencore and Mondi, all of which are top 10 Fund positions.

While we cannot predict what returns one can expect over the next 13-plus years, we can focus on the factors within our control: buying out-of-favour companies at below fair value. In our opinion, the shares listed on the JSE are much cheaper today than they were a decade ago, and we can find a number of attractive opportunities. The opposite is true of many American listed companies.

By way of example, our Fund has two material positions in the global paper and packaging industry: Mondi and Sappi. In 2023, Mondi's earnings fell by roughly 45% as prices and volumes in corrugated packaging and uncoated fine paper came under considerable cyclical pressure. In our opinion, earnings are depressed and current industry pricing is unsustainable. In addition, Mondi has a number of organic projects under development that should see growth in volumes and an improvement in costs. Using what we believe to be conservative normal pricing assumptions, Mondi trades on less than nine times our estimate of normal earnings.

Sappi is a lower quality company than Mondi but also considerably cheaper. At the end of September 2018, the share price was R88.75. At the end of the quarter, some five and a half years later, it was 43% lower at R50.29 per share. Over this period, Sappi's earnings have been cyclical, but it has grown free cash flow and reduced net debt by roughly a third. Similar to Mondi, we think earnings are depressed at current levels and are likely to rise in the future. However, even if earnings do not recover, Sappi is cheap. It trades at less than seven times consensus earnings for 2024.

During the quarter, the Fund added to its positions in Prosus and South32 and reduced its holdings in AB InBev and AVI.

Commentary contributed by Rory Kutisker-Jacobson

**Fund manager quarterly
commentary as at
31 March 2024**

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Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

Performance

Collective investment schemes in securities (unit trusts or funds) 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 future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager, and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index vests in FTSE and the JSE jointly. All their rights are reserved.

MSCI Index

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FTSE Russell Index

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