ALLAN GRAY

Fund managers: This Fund invests solely into the Orbis Global Equity Fund, managed by Orbis Investment Management Limited. **Inception date:** 1 April 2005

Allan Gray-Orbis Global Equity Feeder Fund

31 August 2019

Fund description and summary of investment policy

The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The Orbis Global Equity Fund invests in shares listed on stock markets around the world and aims to be fully invested at all times. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.

ASISA unit trust category: Global – Equity – General

Fund objective and benchmark

The Fund aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the FTSE World Index, including income.

How we aim to achieve the Fund's objective

The Fund invests only in the Orbis Global Equity Fund. The Orbis Global Equity Fund is managed to remain fully invested in selected global equities. Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables Orbis 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. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally.

Suitable for those investors who

- Seek exposure to diversified international equities to provide long-term capital growth
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with global stock market and currency fluctuation and risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a fully invested global equity 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

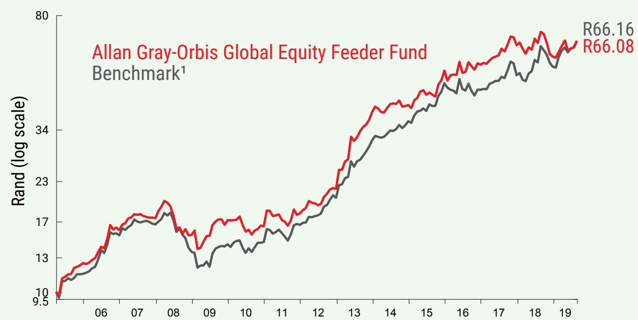
Fund information on 31 August 2019

Fund size	R18.3bn
Number of units	277 575 085
Price (net asset value per unit)	R65.79
Class	A

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 August 2019.
2. This is based on the latest numbers published by IRESS as at 31 July 2019.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 6 June 2008 to 10 March 2009 and maximum benchmark drawdown occurred from 5 June 2008 to 6 March 2009. 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 the Fund's 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. 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 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 March 2009 and the benchmark's occurred during the 12 months ended 31 March 2009. 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:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (1 April 2005)	560.8	169.7	561.6	170.0	123.8	32.7
Annualised:						
Since inception (1 April 2005)	14.0	7.1	14.0	7.1	5.8	2.0
Latest 10 years	14.6	7.2	16.9	9.4	5.1	1.8
Latest 5 years	10.0	2.3	14.2	6.2	4.9	1.5
Latest 3 years	5.5	4.1	11.4	10.0	4.6	2.2
Latest 2 years	4.1	-3.9	15.0	6.2	4.6	2.4
Latest 1 year	-6.5	-9.8	4.1	0.4	4.0	1.8
Year-to-date (not annualised)	12.7	6.3	21.4	14.5	2.9	1.3
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	63.0	59.0	62.4	63.6	n/a	n/a
Annualised monthly volatility[5]	15.3	16.7	14.0	15.2	n/a	n/a
Highest annual return[6]	78.2	63.0	54.2	58.4	n/a	n/a
Lowest annual return[6]	-29.7	-44.8	-32.7	-47.3	n/a	n/a

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Meeting the Fund objective

Since inception the Fund has performed in line with its benchmark. Over the last 10 and five-year periods it has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the global stock market. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

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 annually.	31 Dec 2018
Cents per unit	**0.6759**

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet, which can be found at www.allangray.co.za

Total expense ratio (TER) and Transaction costs

The annual management fee charged by Orbis 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.

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 June 2019	1yr %	3yr %
Total expense ratio	**1.76**	**1.85**
Fee for benchmark performance	1.49	1.49
Performance fees	0.21	0.31
Other costs excluding transaction costs	0.06	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	**0.08**	**0.14**
Total investment charge	**1.84**	**1.99**

Top 10 share holdings on 31 August 2019

Company	% of portfolio
NetEase	9.0
XPO Logistics	6.7
Naspers	4.6
AbbVie	4.5
Sberbank of Russia	3.7
British American Tobacco	3.5
Autohome	3.3
Celgene	2.9
Sumitomo	2.9
Facebook	2.8
Total (%)	**44.1**

Asset allocation on 31 August 2019

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	98.3	33.9	17.7	13.9	22.4	10.3
Hedged equity	0.0	0.0	0.0	0.0	0.0	0.0
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	1.7	0.0	0.0	0.0	0.0	1.7
Total	**100.0**	**33.9**	**17.7**	**13.9**	**22.4**	**12.0**
Currency exposure of the Orbis Global Equity Fund						
Fund	100.0	46.2	24.5	8.2	10.7	10.4
Index	100.0	62.0	20.2	8.3	5.2	4.3

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

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Fund manager quarterly commentary as at 30 June 2019

Contrarian investing is a strange profession. When things are going well, you can look like a magician – earning extraordinary returns while others flounder. At other times, you can follow precisely the same process and look hopelessly out of touch. We have spent an embarrassingly large amount of time in the latter camp of late.

In truth there is very little alchemy to our approach, in either the positive or negative direction. The fluctuations in relative performance mask what is ultimately a rather solitary endeavour: studying financial statements and waiting patiently to purchase shares of good businesses at a discount. The challenge at times like this, as expressed so eloquently by Rudyard Kipling in his most famous poem, is to "meet with triumph and disaster, and treat those two impostors just the same".

Markets tend to do the opposite. Share prices, driven by fickle human emotions of greed and fear, are far more volatile than the fortunes of the real companies they represent. Exploiting these emotional extremes is what enables the contrarian investor – with a focus on intrinsic value and a willingness to be different – to earn superior long-term returns.

Unfortunately, we don't get all our investment decisions right. We recognise that we have tested your patience and lost the authority simply to say "trust us". But if you can allow us a bit of enthusiasm, we believe the value inherent in the portfolio increasingly tells an exciting story.

Our definition of a bargain lies in the "sweet spot" between price and quality – an above-average company trading at discount price. In the market environment of the last few years – characterised by insatiable appetite for perceived "safety" – we have found such opportunities to be rare. Instead, the above-average companies have been expensive, while many of the discounted ones have been cheap for good reason.

Encouragingly, the stocks held in the Fund today are significantly cheaper than the World Index and they are fundamentally better businesses. Honda Motor is an example. At current prices, Honda's valuation is trading below levels last seen during the global financial crisis. But what about self-driving cars, the trade war, ride-sharing and electric cars? While the risks facing Honda are pertinent, our assessment is that they may ultimately prove to be overblown over our investment horizon. Instead of seeking to predict the future with certainty, our approach is to assess the full range of possible outcomes, and to compare that with the expectations embedded in Honda's current share price.

The results are illuminating. At only 0.7 times tangible book value, Honda's shares are trading at less than half their long-term historical average rating, and are embedding a significant destruction of value that we believe is wholly inconsistent with the company's four-decade history of consistent profitability. It is true to say that the transition to electrified vehicles will be a challenge for all car makers, but it's sobering to recall that – even some 15 years after Elon Musk founded Tesla – electric cars still only made up two out of every 100 cars sold globally last year. As for all the hype around ride-sharing, it's easy to forget that the most common form of shared vehicles have been around for decades (we used to just call them "taxis").

At $45 billion, Honda's current market price seems to ignore its most attractive asset. Honda is the world's largest motorcycle manufacturer with a dominant (75%+) share in emerging markets such as Thailand, Vietnam, Indonesia and Brazil. Giving due credit for this gem of a business, one almost gets Honda's car manufacturing business (with its $100 billion of revenues) for free. Such are the opportunities that become available when investors focus relentlessly on predictability.

Looking more broadly at the current portfolio, we see similar mispricings for many other high-quality businesses. For example, there are three China-related shares – NetEase, Autohome, and Naspers (Tencent) that stand out as highly profitable, cash-rich entrepreneurial businesses with above-average growth prospects. Together these comprise 18% of the Fund and more than half of the Fund's emerging markets exposure. Clients have often asked how we get comfortable with this positioning, particularly amid a raging trade war and protests in the streets of Hong Kong. Our answer is that being "comfortable" isn't our goal – delivering superior risk-adjusted returns is – and the two things don't always go together.

That's not to say all of our stock selections will turn out to be great investments. But it is fair to say that the individuals managing your capital – and our own – are feeling significantly more excited about the portfolio today than we have been for some time. We remain humbled by your persistence and determined to earn your trust and confidence.

Over the quarter, most of the concentrations in the portfolio were unchanged. The largest individual purchase was a German car manufacturer, BMW, and the largest sale was a US biotechnology company, Celgene.

Adapted from an Orbis commentary by Ben Preston, Orbis Portfolio Management (Europe) LLP, London

For the full commentary please see www.orbis.com

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The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (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 11 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 Proprietary Limited (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)87 736 1732 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. Where annualised performance is mentioned, this refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

Fund mandate

The Fund may be closed to new investments at any time in order to be managed according to its mandate. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of its 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 (STT), auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

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 [STT], STRATE and Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost 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 World Index

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Feeder fund

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. Allan Gray does not charge any additional fees in its feeder funds.

Foreign exposure

The Fund invests in a foreign fund managed by Orbis Investment Management Limited, our offshore investment partner.

Important information for investors

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654.**