Allan Gray-Orbis Global Equity Feeder Fund

29 February 2020

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 is designed to be exposed to all of the risks and rewards of selected global shares. 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 designed to be exposed to all of the risks and rewards of selected global shares. 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 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.

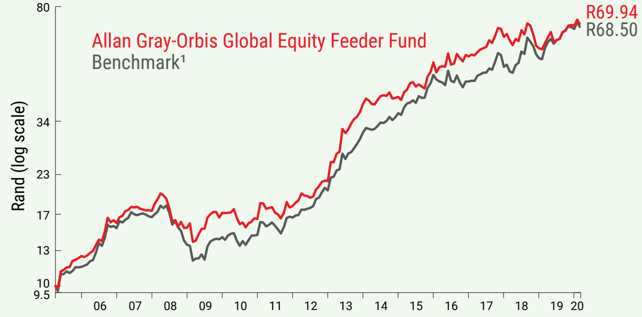
Fund information on 29 February 2020

Fund size	R19.1bn
Number of units	274 308 038
Price (net asset value per unit)	R69.63
Class	A

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 29 February 2020.
2. This is based on the latest numbers published by IRESS as at 31 January 2020.
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)	599.4	179.1	585.0	173.3	126.4	34.0
Annualised:						
Since inception (1 April 2005)	13.9	7.0	13.8	7.0	5.7	2.0
Latest 10 years	15.1	7.3	16.8	8.9	5.1	1.8
Latest 5 years	10.6	4.2	12.7	6.2	5.0	1.9
Latest 3 years	7.9	1.6	14.2	7.5	4.3	2.0
Latest 2 years	6.0	-8.0	17.8	2.3	4.2	2.0
Latest 1 year	14.8	3.0	16.7	4.7	4.5	2.5
Year-to-date (not annualised)	0.8	-9.4	1.0	-9.3	0.5	0.4
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	63.1	59.2	62.0	63.7	n/a	n/a
Annualised monthly volatility[5]	15.1	16.6	13.9	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 2019
Cents per unit	**1.055**

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 31 December 2019	1yr %	3yr %
Total expense ratio	**1.23**	**1.75**
Fee for benchmark performance	1.49	1.49
Performance fees	-0.32	0.21
Other costs excluding transaction costs	0.06	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	**0.06**	**0.12**
Total investment charge	**1.29**	**1.87**

Top 10 share holdings on 29 February 2020

Company	% of portfolio
NetEase	8.1
British American Tobacco	6.3
AbbVie	5.4
XPO Logistics	5.2
Honda Motor	3.6
Sberbank of Russia	3.1
Bayerische Motoren Werke	2.9
Anthem	2.6
Sumitomo	2.6
Autohome	2.5
Total (%)	**42.3**

Asset allocation on 29 February 2020

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equity	98.6	32.3	23.1	15.0	20.1	8.1
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	1.4	0.0	0.0	0.0	0.0	1.4
Total	**100.0**	**32.3**	**23.1**	**15.0**	**20.1**	**9.5**
Currency exposure of the Orbis Global Equity Fund						
Funds	100.0	39.6	29.2	13.9	9.0	8.2
Index	100.0	62.5	20.0	8.2	5.3	4.1

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

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Fund manager quarterly commentary as at 31 December 2019

As 2019 draws to a close, we are more excited about the Orbis Global Equity Fund's positioning and its ability to outperform world markets than we have been for some time. But we recognise that the past two years have been stressful, and our upbeat message may be testing your patience. While the Fund's net return in US dollars was a healthy 21% this year, it failed to keep up with the blistering 28% pace set by the FTSE World Index and was especially disappointing following the underperformance of 2018.

At times like this, it is natural to look for things that have gone wrong, so let's start there. Before the outperformance we've seen in the last quarter, there were 17 stocks in the Orbis Global Equity Fund that detracted significantly from performance over the relative drawdown period from March 2018 through July 2019. The events that have caused these stocks to lag had no common theme. Out of these 17 major detractors, we continue to hold 11 and have sold out of six. In three cases – NetEase, AbbVie and XPO Logistics – we took the opportunity to increase our exposure. While it is too early to tell whether this was the right decision, these stocks have all recovered significantly from their lows.

But detractors are an inevitable part of investing – at best we will only be right about 60% of the time over the long term. The bigger problem over the past two years has been an unusually short supply of winners to offset the losers. Since inception, our average winner has outperformed by 34%, but over the last two years, it has outperformed by just 12%, while our losers have lagged by about as much as they have historically.

It may not sound particularly insightful to say, but we haven't been invested in parts of the market which have done well. Among the best-performing areas of the market have been growth stocks, US large caps, and shares exhibiting low volatility. While this has been painful, we believe it is in the best interests of our clients to be disciplined and avoid areas where valuations appear stretched. The most extreme examples can be found amongst the low-volatility shares, many of which are also based in the US. These include household names such as Coca-Cola, Pepsi and Procter & Gamble.

Given the investment environment today where more than US$11 trillion of bonds have negative yields, many asset owners are struggling to find a new safe haven. As they try to find an alternative for their bond exposure, one of the common alternatives they have sought is the stock market. But as reluctant equity investors, they are turning to the equities which are most bond like – very defensive, stable businesses which have a reliable dividend. These low-volatility shares have attracted so much investor demand that their share prices have been pushed to extraordinarily high valuations.

This is a frightening picture for a value-oriented investor. If you go back to basics, there are only three variables that can drive a stock's long-term return: the dividend yield, future earnings growth, and any change in valuation. With these mature companies, dividend yield – where you can have the most confidence – is paltry at 2%, future growth seems to us unlikely to be as good as it was in the past, and valuations are already well above average – perhaps unsustainably so. While the risk of Coca-Cola or Nestlé going out of business is close to zero, that's not the same thing as being a "safe" investment. You can still lose a lot of money by paying more for a stock than the underlying business is actually worth.

To end with a specific example, we can compare one of the Orbis Global Equity Fund's top 10 holdings (Honda Motor) with one of the market's current favourites (Nestlé). Nestlé's long-term return on equity has been about twice that of Honda's, so, it wouldn't be surprising to note that through much of history, Nestlé has traded at roughly twice the price-to-book value multiple of Honda. What is striking, however, is the recent divergence in valuations. Today, Nestlé trades at eight times the price-to-book multiple of Honda!

Of course, this is just one example, but it is indicative of a broader theme. The Orbis Global Equity Fund's holdings trade at just 18 times normalised earnings on average versus 28 times for the benchmark, despite having better future growth prospects and a higher dividend yield. There seems to be such an unquenchable thirst for stability and safety at the moment that valuations no longer matter. They still matter to us.

We can't tell you when the market will come to share our view. But we don't have to because the long-term fundamentals are on our side. When we compare the areas where we have invested your capital to those that we have steered clear of, we can't help thinking of a quote by former world chess champion Garry Kasparov: "Losing can persuade you to change what doesn't need to be changed, and winning can convince you everything is fine even if you are on the brink of disaster."

With that in mind, we are sticking to our knitting.

Over the quarter, most of the concentrations in the Fund were unchanged. The largest individual purchase was a Mexican beverage company, Fomento Económico Mexicano UBD. There were no significant sales over the quarter.

Adapted from commentary contributed by Matthew Spencer, Orbis Investment Management Limited, Bermuda

For the full commentary please see www.orbis.com

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 Russell Indices

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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**