Allan Gray-Orbis Global Equity Feeder Fund

30 June 2021

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

*Effective 14 May 2020, the Orbis Global Equity Fund's benchmark changed to the MSCI World Index, including income, after withholding taxes. However, for an initial period of time, the Orbis Global Equity Fund is continuing to charge its fee with reference to the FTSE World Index, including income. See the Orbis Global Equity Fund's factsheet for more information. After this initial period of time, the benchmark of the Allan Gray-Orbis Global Equity Feeder Fund will change to the MSCI World Index, including income, after withholding taxes.

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

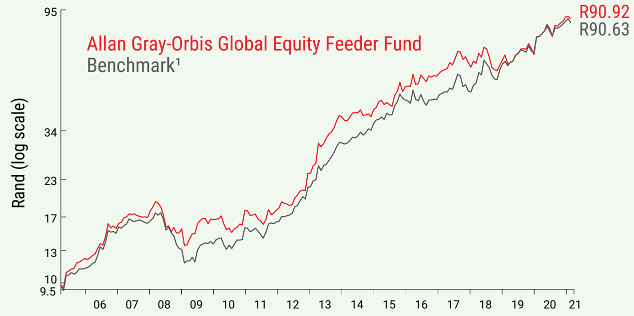
Fund information on 30 June 2021

Fund size	R24.8bn
Number of units	274 337 597
Price (net asset value per unit)	R 90.52
Class	A

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 30 June 2021.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
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)	809.2	297.6	806.3	296.3	138.5	39.1
Annualised:						
Since inception (1 April 2005)	14.6	8.9	14.5	8.8	5.5	2.1
Latest 10 years	18.1	9.7	19.3	10.8	5.0	1.8
Latest 5 years	11.9	12.7	14.5	15.3	4.3	2.3
Latest 3 years	10.6	9.5	16.5	15.3	3.9	2.3
Latest 2 years	20.8	20.3	20.5	20.0	3.6	2.5
Latest 1 year	15.3	40.8	14.8	40.2	5.2	4.9
Year-to-date (not annualised)	8.3	11.6	9.7	13.1	2.6	2.9
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	63.6	60.5	62.6	64.6	n/a	n/a
Annualised monthly volatility[5]	15.3	17.4	14.1	15.8	n/a	n/a
Highest annual return[6]	78.2	64.1	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 outperformed 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 2020
Cents per unit	**0.6366**

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 and prospectus, which can be found at www.orbis.com.

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 2021	1yr %	3yr %
Total expense ratio	**0.80**	**1.14**
Fee for benchmark performance	1.48	1.49
Performance fees	-0.73	-0.40
Other costs excluding transaction costs	0.05	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	**0.11**	**0.09**
Total investment charge	**0.91**	**1.23**

Top 10 share holdings on 30 June 2021

Company	% of portfolio
British American Tobacco	6.8
NetEase	6.3
Naspers[7]	5.8
XPO Logistics	5.7
Comcast	3.3
Taiwan Semiconductor Mfg.	3.0
Anthem	2.9
Howmet Aerospace	2.7
Bayerische Motoren Werke	2.6
ING Groep	2.5
Total	**41.6**

7. Includes holding in Prosus NV if applicable.

Asset allocation on 30 June 2021

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	99.1	35.0	28.4	9.9	17.6	8.3
Hedged equities	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
Commodity-linked	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	0.9	0.0	0.0	0.0	0.0	0.9
TOTAL	**100.0**	**35.0**	**28.4**	**9.9**	**17.6**	**9.1**
Currency exposure of the Orbis Global Equity Fund						
Funds	100.0	42.7	29.5	9.9	9.2	8.6
Index	100.0	65.0	18.3	7.2	5.7	3.8

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

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Fund manager quarterly commentary as at 30 June 2021

Last quarter, we discussed the Orbis Global Equity Fund's substantial underweight to the US. While the US is home to some of our highest-conviction ideas, just one-third of the Fund is invested in the US, which accounts for two-thirds of the MSCI World Index. To be so heavily underweight the US, we must be heavily overweight somewhere else, and roughly a quarter of the portfolio today is invested in emerging market (EM) shares. True to our bottom-up approach, almost all of that EM exposure comes from just eight positions.

One of the largest of those positions is in South Africa-listed Naspers. Naspers is an especially vivid illustration of our global research capability, as both our EM and Europe analyst teams have independently found it attractive. Here, stockpickers from those teams provide their perspectives on the stock.

The view from our EM team

We have known Naspers well for a very long time and owned the share on and off since 1998. Our initial research predated the US$34m investment in Tencent that would come to define Naspers' value.

Years of research have given us a deep appreciation for the strength of Tencent. The business can be thought of in four main parts: social media, online games, payments and stakes in other firms.

"Social media" is too small a term to describe WeChat, Tencent's messaging-based super app that is indispensable to daily life in China. WeChat is not like WhatsApp; it is like WhatsApp, Facebook, Apple News, PayPal, Spotify, Uber, Deliveroo and the App Store all rolled into one. Tencent is also the largest online game operator in China and in payments, Tencent's WeChat Pay operates in a duopoly with Alibaba's Ant Financial. On top of its operating units, Tencent also holds an enviable portfolio of stakes in Chinese internet businesses and global gaming businesses.

None of these businesses is without risk. China's regulators have recently clamped down on fintech companies and the government is casting a more sceptical eye over potentially anticompetitive practices from dominant tech platforms and closed ecosystems such as Tencent's could be prised open, with wide-ranging implications. Game regulators have halted approvals in the past and could do so again. And, finally, China-US tensions could paint a target on Tencent's back.

Yet we must weigh those risks in the context of Tencent's cash generation, growth potential and valuation. The company generated US$16 billion of free cash flow last year, and should be able to grow that number at a near-20% annual rate. Stripping out the value of its stakes in other firms, that leaves Tencent trading at 33 times free cash flow – not optically cheap, but not unreasonable given the fundamentals.

And Tencent is not the only great company in the Naspers stable. Naspers also offers exposure to a range of interesting EM tech businesses such as Delivery Hero, Mail.ru, takealot.com and PayU, to name just a few.

Through Naspers, we can gain exposure to Tencent and these other emerging markets technology businesses at a 50% discount. This looks attractive, even when applying an appropriate holding company haircut.

The view from our Europe team

In the Europe team, our work on Naspers started more than a year ago when Naspers created and listed Prosus in Amsterdam to hold its stakes in Tencent and other international internet companies.

Researching Tencent, Prosus and Naspers has been fascinating, both in qualitative terms and at the holding company level, in terms of price paid relative to value received. Starting with Tencent's operating businesses, the discounts stack up as we move through the holding companies.

One level up is Prosus, a holding company which holds a 29% stake in Tencent as well as a cash pile and a range of international internet companies. In addition to those mentioned above, Prosus holds a range of leading online classified businesses in verticals such as real estate and autos. Here, our research on European peers shows that leading classified players often earn operating margins of 60% or higher. If we roll these assets in together with the Tencent stake, Prosus appears to trade at roughly a 40% discount to the value of its underlying parts.

Another level up is Naspers, which owns 73% of Prosus. Naspers trades at a roughly 20% discount to its Prosus stake and at a roughly 50% discount to its net asset value. By the time we've worked our way up the capital structure via Prosus to Naspers, we appear to be paying less than 20 times core earnings for Tencent. But this discount comes with significant risks and complexity.

Recently, Naspers announced a voluntary exchange where Prosus will offer to buy Naspers shares from existing shareholders in exchange for shares of Prosus. The transaction is meant to narrow the discount, but it is complex and will result in a large cross-shareholding, neither of which are typically rewarded by the market. We are assessing the deal, and we and our counterparts at Allan Gray have engaged with the company to understand their reasoning and express our views. This share exchange is not likely to be the end destination for Naspers. Looking ahead, we favour actions that simplify Naspers' structure to unlock the value of its underlying assets.

While the transaction is a reminder that the Naspers discount has strings attached, we ultimately come back to valuation, and the discount remains appealingly large. Once one strips out the various investments at each level, the multiple paid for core Tencent's free cash flow at the Naspers level is very probably below the global market average. That feels like compelling value indeed.

Over the quarter we added to the existing position in Alibaba Group Holding, the Chinese e-commerce giant, and established new positions in two internet-related companies in the US following a period of underperformance. We also added to the existing position in Naspers. We funded these purchases by trimming several positions that had outperformed of late, including BMW and XPO Logistics.

Adapted from a commentary contributed by Stefan Magnusson, Orbis Investment Management (Hong Kong) Limited, Hong Kong, and Edward Blain, Orbis Portfolio Management (Europe) LLP, London.

Important information for investors

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.

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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)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. 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.

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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.

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).

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

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

FTSE Russell Index

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MSCI Index

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