

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 MSCI World Index, including income, after withholding taxes.

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

Note: 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.

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

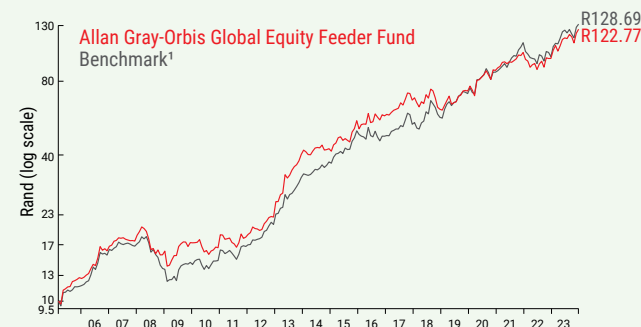
Fund information on 31 December 2023

Fund size	R28.9bn
Number of units	236 960 896
Price (net asset value per unit)	R122.16
Class	A

- MSCI World Index, including income, after withholding taxes (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2023. From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
- This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 30 November 2023.
- 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).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
Cumulative:						
Since inception (1 April 2005)	1127.7	312.8	1186.9	332.7	177.6	59.5
Annualised:						
Since inception (1 April 2005)	14.3	7.8	14.6	8.1	5.6	2.5
Latest 10 years	12.2	6.0	15.2	8.9	5.2	2.8
Latest 5 years	15.9	10.2	18.8	12.9	5.0	4.0
Latest 3 years	13.5	5.0	15.9	7.2	6.1	5.7
Latest 2 years	11.3	3.2	8.9	1.0	6.5	5.1
Latest 1 year	30.9	20.1	35.0	23.9	5.5	3.1
Year-to-date (not annualised)	30.9	20.1	35.0	23.9	5.5	3.1
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	58.7	60.9	63.1	n/a	n/a
Annualised monthly volatility ⁵	15.3	17.3	14.4	16.1	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

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund 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 2023
Cents per unit	1.3302

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 (updated quarterly)

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 2023	1yr %	3yr %
Total expense ratio	1.51	1.15
Fee for benchmark performance	1.24	1.41
Performance fees	0.22	-0.31
Other costs excluding transaction costs	0.05	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	0.09	0.10
Total investment charge	1.60	1.25

Top 10 share holdings on 31 December 2023

Company	% of portfolio
FLEETCOR Technologies	6.0
Global Payments	4.3
Sumitomo Mitsui Fin.	4.1
GXO Logistics	4.0
Intel	3.4
Constellation Energy	3.4
Interactive Brokers Group	3.0
Nintendo	2.8
UnitedHealth Group	2.6
Shell	2.6
Total	36.1

Asset allocation on 31 December 2023

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	52.6	17.3	14.4	13.7	1.2
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	52.6	17.3	14.4	13.7	2.1

Currency exposure

Fund	100.0	49.0	21.1	16.7	7.8	5.4
Benchmark	100.0	73.1	17.6	6.0	1.0	2.3

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

2023 felt like we were running on a treadmill, while Mr Market took the flying carpet. The Orbis Global Equity Fund returned 20.1% in dollars¹, an attractive absolute return, but not quite enough to match the benchmark², which rose 23.9%.

It's always frustrating to come up short versus our benchmark, even when absolute returns are good. But it's not uncommon for us to lag strongly rising markets, especially when they are driven by a handful of shares – in this case, the US technology companies dubbed the "magnificent seven": Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla.

In 2023, approximately 60% of the Fund was invested in winners versus the market, and our average winner won by as much as our average loser lost. If that were all we knew about performance in 2023, we would guess we had beaten the benchmark. But apart from a small position in Alphabet, the Fund did not own the magnificent seven, and not holding them dented relative returns three times more than the biggest loser actually owned by the Fund. While we prefer to focus on what's *in* the Fund, sometimes what *isn't* is the bigger driver of our returns versus the benchmark.

An intuitive (but flawed) understanding of passive investing would suggest that out of 100 active portfolios, an index tracker will come in 50th place. But 2023 showed that's not quite true. In a Monte Carlo simulation, had 100 investors picked 50 equal-weighted stocks at random from the MSCI World Index at the start of the year, a remarkable 92 of those portfolios would have trailed the Index.

In reality, global equity funds did better than just picking stocks at random. Still, the Index managed to beat 73% of active managers – a feat only topped during the build-up to the tech bubble in the 1990s.

2023 was an outlier on the positive side for indexation, but if a passive strategy can deliver a 92nd percentile result, then an 8th percentile result is also possible. That kind of outcome isn't just theoretical. A passive strategy lagged nearly all simulations as recently as 2009 (3rd percentile) and, before that, in 2000 (2nd percentile).

A passive approach, it turns out, is a distinct portfolio with its own risks and exposures. The difference is how the portfolio is constructed. While we build portfolios based on shares that we believe offer the most attractive value, traditional market capitalisation-weighted passive funds allocate strictly according to index weighting, paying no mind to value or risk.

By design, traditional index funds are naturally overexposed to the most overvalued parts of a market. It follows that the *environment where a passive approach will rank highest versus peers is one where the most overvalued shares get even more overvalued*.

Indeed, the more the valuation gap between overvalued and undervalued stocks widens, the more the passive strategy outperforms, the greater its allocation to the overvalued stocks, the more money it attracts to keep the cycle in motion – and the more risky it becomes.

The converse is also true: *the environment where a passive approach will do worst is one where the most overvalued shares sell off hardest (e.g. 2000) or the most overlooked shares recover most strongly (e.g. 2009)*.

As a barometer of current market conditions, 2023's 92nd percentile performance from the Index is a fascinating tell – and 2023 isn't alone. Though 2022 was a break from the recent pattern, US index-tracking strategies have now beaten the combined wisdom of active investors for eight of the last 10 years.

Never before has following the crowd made so much money. Nor, in our estimation, so little sense. But just look at the opportunities the crowd has left for those of us willing to take a different view.

We could wax lyrical about the glaring difference in value between Korean banks priced at 4 times earnings, versus Apple at approximately 28 times, despite diverging fundamentals. Or how the thick margin of safety at Intel, backed by listed stakes and real saleable assets, compares to the slim margin for error at Nvidia, trading at 13 times 2024's projected revenue. We could marvel at Mr Market's willingness to extrapolate dominance for the magnificent seven while putting little value on Nintendo's exceptional intellectual property.

But those deep dives would only cover a fraction of the Fund, which risks diluting the message on how distorted the overall opportunity set has become.

Not since the inception of the first Orbis funds in 1990 has one country's benchmark weight punched so far above its share of global GDP (then Japan, now the US). Nor since Allan Gray's creation in 1973 have a handful of shares commanded such a large proportion of the market. Today, the magnificent seven stocks command as much market value as the five largest developed stock markets outside the US by market value, yet the magnificent seven contribute less than half the profits of those stock markets.

The decisions to launch investment funds at those times were far from coincidental. Our founder, Allan W B Gray, was always a big believer in putting clients first. He considered moments when the market was dominated by one hot theme to be invaluable opportunities for us to pick up the bargains left behind for our clients. Looking at today's distorted investment environment, we believe he'd be every bit as excited as we are.

We established a position in RenaissanceRe Holdings, a global provider of reinsurance. We also added to the Fund's position in Nintendo, a Japanese entertainment and game company. We exited the Fund's position in Samsung Electronics to concentrate capital in higher-conviction positions.

Adapted from a commentary contributed by Ben Preston, Orbis Portfolio Management (Europe) LLP, London and Eric Marais, Orbis Investment Advisory Pty Limited, Sydney

Fund manager quarterly commentary as at 31 December 2023

1. Net-of-fee return for 2023

2. MSCI World Index, including income, after withholding taxes (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2023. From inception to 16 May 2023, the benchmark was the FTSE World Index, including income.

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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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).

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.

FTSE Russell Index

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MSCI Index

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