

**Fund description and summary of investment policy**

The Fund invests in a mix of equity, absolute return and multi-asset class funds managed by Allan Gray’s offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 40% and 75%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis’ skills in delivering returns above or below the market. Returns are likely to be less volatile than those of an international equity-only fund. 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 – Multi Asset – High Equity

**Fund objective and benchmark**

The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk. The Fund’s benchmark is a portfolio made up 60% by the FTSE World Index, including income, and 40% the J.P. Morgan GBI Global Index.

**How we aim to achieve the Fund’s objective**

The Fund invests in equity, absolute return and multi-asset class funds managed by our offshore investment partner, Orbis Investment Management Limited. Within all of the underlying funds, 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 them 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. Depending on our assessment of the potential returns on global stock markets relative to their risk of capital loss, we actively manage the Fund’s net exposure to equities by varying its exposure to the underlying Orbis funds. By varying the Fund’s overall exposure to equities and also its geographic exposure, through selecting between the Orbis regional equity funds, we seek to enhance the Fund’s long-term returns and to manage its risk. The Fund’s currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

**Suitable for those investors who**

- Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a foreign medium equity ‘building block’ in a diversified multi-asset class portfolio

**Fund information on 29 February 2020**

|                                  |             |
|----------------------------------|-------------|
| Fund size                        | R13.0bn     |
| Number of units                  | 317 685 454 |
| Price (net asset value per unit) | R40.82      |
| Class                            | A           |

**Minimum investment amounts**

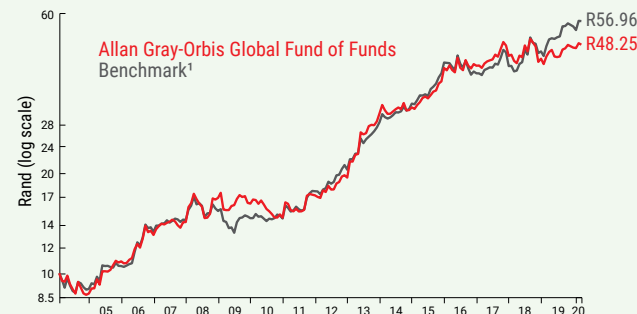
|                                       |         |
|---------------------------------------|---------|
| Minimum lump sum per investor account | R20 000 |
| Additional lump sum                   | R500    |
| Minimum debit order*                  | R500    |

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

1. 60% of the FTSE World Index including income and 40% of the J.P. Morgan GBI Global Index (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 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 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 October 2010 and the benchmark’s occurred during the 12 months ended 30 June 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 <sup>1</sup> |       | CPI inflation <sup>2</sup> |      |
|--|-------|-------|------------------------|-------|----------------------------|------|
| Cumulative:                                | ZAR   | US\$  | ZAR                    | US\$  | ZAR                        | US\$ |
| Since inception (3 February 2004)          | 382.5 | 117.4 | 469.6                  | 156.7 | 135.7                      | 38.9 |
| <b>Annualised:</b>                         |       |       |                        |       |                            |      |
| Since inception (3 February 2004)          | 10.3  | 4.9   | 11.4                   | 6.0   | 5.5                        | 2.1  |
| Latest 10 years                            | 11.3  | 3.7   | 14.2                   | 6.4   | 5.1                        | 1.8  |
| Latest 5 years                             | 8.7   | 2.5   | 11.5                   | 5.1   | 5.0                        | 1.9  |
| Latest 3 years                             | 5.5   | -0.7  | 13.2                   | 6.6   | 4.3                        | 2.0  |
| Latest 2 years                             | 5.7   | -8.2  | 18.9                   | 3.2   | 4.2                        | 2.0  |
| Latest 1 year                              | 8.5   | -2.7  | 18.9                   | 6.6   | 4.5                        | 2.5  |
| Year-to-date (not annualised)              | 2.4   | -8.0  | 6.4                    | -4.4  | 0.5                        | 0.4  |
| <b>Risk measures (since inception)</b>     |       |       |                        |       |                            |      |
| Maximum drawdown <sup>3</sup>              | -24.0 | -34.1 | -25.1                  | -37.5 | n/a                        | n/a  |
| Percentage positive months <sup>4</sup>    | 57.0  | 59.1  | 57.5                   | 63.2  | n/a                        | n/a  |
| Annualised monthly volatility <sup>5</sup> | 13.9  | 10.7  | 12.8                   | 9.6   | n/a                        | n/a  |
| Highest annual return <sup>6</sup>         | 55.6  | 40.1  | 38.8                   | 37.6  | n/a                        | n/a  |
| Lowest annual return <sup>6</sup>          | -13.7 | -27.3 | -17.0                  | -31.7 | 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 similar funds in the Global – Multi Asset – High Equity sector.

### 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. | <b>31 Dec 2019</b> |
| <b>Cents per unit</b>   | <b>0.5148</b>      |

### Annual management fee

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

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis Funds' factsheets, which can be found at [www.allangray.co.za](http://www.allangray.co.za)

### Total expense ratio (TER) and Transaction costs

The annual management fees charged by Orbis are 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 %       |
|---|-------------|-------------|
| <b>Total expense ratio</b>  | <b>1.33</b> | <b>1.80</b> |
| Fee for benchmark performance   | 1.44        | 1.44        |
| Performance fees  | -0.17       | 0.29        |
| Other costs excluding transaction costs   | 0.06        | 0.07        |
| VAT   | 0.00        | 0.00        |
| <b>Transaction costs (including VAT)</b>  | <b>0.07</b> | <b>0.10</b> |
| <b>Total investment charge</b>  | <b>1.40</b> | <b>1.90</b> |

### Top 10 holdings on 29 February 2020

| Company                   | % of portfolio |
|---------------------------|----------------|
| AbbVie                    | 4.9            |
| Taiwan Semiconductor Mfg. | 4.8            |
| SPDR Gold Trust           | 4.5            |
| NetEase                   | 4.3            |
| British American Tobacco  | 3.8            |
| BP                        | 3.2            |
| Samsung Electronics       | 2.9            |
| XPO Logistics             | 2.7            |
| Alphabet                  | 2.4            |
| Honda Motor               | 2.4            |
| <b>Total (%)</b>          | <b>36.0</b>    |

### Fund allocation on 29 February 2020

| Funds                                    | %            |
|--|--------------|
| <b>Foreign multi-asset funds</b>         | <b>74.8</b>  |
| Orbis SICAV Global Balanced Fund         | 74.8         |
| <b>Foreign equity funds</b>              | <b>14.6</b>  |
| Orbis Global Equity Fund                 | 11.4         |
| Orbis SICAV Emerging Markets Equity Fund | 3.2          |
| <b>Foreign absolute return funds</b>     | <b>10.7</b>  |
| Orbis Optimal SA Fund (US\$)             | 6.3          |
| Orbis Optimal SA Fund (Euro)             | 4.4          |
| <b>Total (%)</b>                         | <b>100.0</b> |

### Asset allocation on 29 February 2020

|                    | Total        | North America | Europe and UK | Japan       | Asia ex-Japan | Other       |
|--------------------|--------------|---------------|---------------|-------------|---------------|-------------|
| Net equity         | 55.3         | 8.8           | 19.1          | 8.4         | 15.7          | 3.4         |
| Hedged equity      | 27.0         | 13.4          | 8.0           | 1.7         | 2.7           | 1.2         |
| Fixed interest     | 10.6         | 9.6           | 0.6           | 0.0         | 0.3           | 0.1         |
| Commodity-linked   | 4.5          | 0.0           | 0.0           | 0.0         | 0.0           | 4.5         |
| Net current assets | 2.7          | 0.0           | 0.0           | 0.0         | 0.0           | 2.7         |
| <b>Total</b>       | <b>100.0</b> | <b>31.8</b>   | <b>27.6</b>   | <b>10.1</b> | <b>18.6</b>   | <b>11.9</b> |

#### Currency exposure of the Orbis funds

| Funds | Total | North America | Europe and UK | Japan | Asia ex-Japan | Other |
|-------|-------|---------------|---------------|-------|---------------|-------|
| Funds | 100.0 | 40.8          | 35.5          | 10.4  | 8.7           | 4.5   |
| Index | 100.0 | 58.3          | 25.7          | 13.0  | 1.0           | 2.1   |

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

Last December, we wrote that 2018 was a disappointing year. 2019 was as well, for different reasons. Experiencing either year in isolation would be uncomfortable, but to experience them back-to-back has been tougher still. Over the past two years, the Orbis Global Balanced Strategy has returned -6.1% net of fees against a 12.5% rise in the benchmark 60/40 Index in US dollars. Challenging periods are testing to endure, but they are often the times when we find the most exciting opportunities. The current stretch of underperformance is no different.

We see the current period of underperformance as split into two distinct parts.

Broadly, 2018 was characterised by company-specific issues leading to sharp underperformance for multiple holdings, set against a market backdrop where cash was the only major asset class to deliver a positive return and assets perceived to be stable ruled the day. In some cases, we leaned into the weakness to add to high-conviction positions, but in others, such as PG&E and Alta Mesa, our thesis was broken, and we sold.

In 2019, some of the positions that were most painful in 2018 went on to contribute positively to performance, including Celgene, XPO, Credit Suisse, and Bayer. While it is pleasing to see the green shoots of a change in sentiment for these companies, their performance was not enough to help Global Balanced keep pace with the strong returns of stock and bond markets this year. In US dollars, the Fund returned 11% after fees, trailing the 19% return of the 60/40 index.

The benchmark has been driven by stock markets, and in particular, the US market. This has been a headwind to relative returns, as we have had difficulty finding stock investments in the US that are as attractive as what's available elsewhere. Since January 2018, the US has set multiple new records, while the rest of the world has stayed mired in a hidden bear market. Yet this year, the US has once again led the world, rising 29% against an 18% rise for stocks everywhere else. That return has come almost entirely from the US valuation premium increasing, not outsized earnings growth.

Compared to its benchmark, Global Balanced has also suffered from its zero weight in long-term government bonds. The J.P. Morgan GBI Global Index started the year with a yield to maturity of 1.6%. The Index also carried a duration of eight years, suggesting an 8% price decline if yields were to rise just 1%. Compensation of 1.6% for 8% (or worse) downside potential struck us as simply uninvestable, so Global Balanced held no long-term government bonds.

Ultimately, we will live or die by our security selection, and as we'd always expect, that was the biggest driver of the Strategy's relative returns in 2019. Several of our major detractors this year have been energy-related, including large holdings BP and Royal Dutch Shell. Many investors seem to dismiss the energy sector out of hand, yet dismissing the sector generally as a punt on the oil price risks overlooking serious fundamental improvements in these businesses. Energy producers' success should not be measured by the price of oil, but by the revenues they produce minus the cost of producing them.

Both BP and Shell generated more free cashflow in 2018, with an average oil price of \$72/bbl, than they did in 2014, when oil fetched \$99/bbl. With 6.5% dividend yields and modest growth, we believe the companies can generate a long-term return of 10-12% per annum, without any improvement in the price of oil, and without a re-rating by the market. And with European oil majors trading near record low valuations relative to world markets, and 6.5% dividend yields overly generous relative to bonds, the scope for a re-rating is sizeable.

Global Balanced's energy holdings are one chunk of a larger exposure to value shares in the portfolio. As we wrote in March, valuation spreads have widened consistently in recent years, and now appear to be extreme. However, as always, we are not dogmatically attached to deep value shares. We are happy to buy high-quality, fast-growing businesses when they are available at attractive valuations.

When we look at the equity holdings in the portfolio in aggregate, they now trade at an even larger discount to world stock markets than they did nine months ago. If the past is any guide, this bodes well for future long-term performance. We remain confident that our approach can deliver on the Strategy's mandate over the long term, and we thank you for your trust, confidence, and patience.

In the past quarter, there were no significant purchases. The largest sale was a 2020 US treasury note. The Fund's asset allocation remained largely unchanged, with a small rotation from fixed income to equities.

**Adapted from an Orbis commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda**

**For the full commentary please see [www.orbis.com](http://www.orbis.com)**

## Fund manager quarterly commentary as at 31 December 2019

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](http://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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### J.P. Morgan GBI Global Index

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### Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

### Foreign exposure

The Fund invests in foreign funds 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](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**