ALLANGRAY

Fund manager: Duncan Artus (The underlying Orbis funds are managed by Orbis)
Inception date: 3 February 2004

Allan Gray-Orbis Global Fund of Funds

31 January 2021

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 31 January 2021

Fund size	R14.5bn
Number of units	308 848 149
Price (net asset value per unit)	R47.01
Class	A

Minimum investment amounts

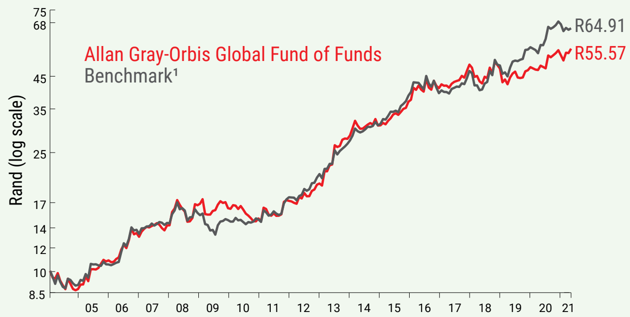
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*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 31 January 2021.
2. This is based on the latest available numbers published by IRESS as at 31 December 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[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (3 February 2004)	455.7	160.5	549.1	204.3	142.4	40.5
Annualised:						
Since inception (3 February 2004)	10.6	5.7	11.6	6.7	5.4	2.0
Latest 10 years	13.1	5.1	15.1	7.0	5.1	1.7
Latest 5 years	6.6	8.1	8.7	10.2	4.6	1.9
Latest 3 years	7.3	-0.7	15.8	7.1	3.9	1.8
Latest 2 years	14.7	7.8	20.4	13.2	3.5	1.8
Latest 1 year	14.0	13.4	13.7	13.1	3.1	1.3
Year-to-date (not annualised)	3.5	1.3	1.2	-1.0	0.2	0.4
Risk measures (since inception)						
Maximum drawdown[3]	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months[4]	56.9	59.8	57.8	63.2	n/a	n/a
Annualised monthly volatility[5]	13.9	11.6	12.8	10.0	n/a	n/a
Highest annual return[6]	55.6	40.1	38.8	37.6	n/a	n/a
Lowest annual return[6]	-13.7	-27.3	-17.0	-31.7	n/a	n/a

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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.	31 Dec 2020
Cents per unit	**0.0000**

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.orbis.com.

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 2020	1yr %	3yr %
Total expense ratio	**0.80**	**1.40**
Fee for benchmark performance	1.45	1.44
Performance fees	-0.72	-0.10
Other costs excluding transaction costs	0.07	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	**0.09**	**0.10**
Total investment charge	**0.89**	**1.50**

Top 10 holdings on 31 January 2021

Company	% of portfolio
Taiwan Semiconductor Mfg.	5.7
SPDR Gold Trust	4.7
NetEase	4.6
Samsung Electronics	4.4
British American Tobacco	4.1
AbbVie	3.2
Bayerische Motoren Werke	2.8
XPO Logistics	2.7
Naspers	2.5
BP	2.2
Total (%)	**37.0**

Fund allocation on 31 January 2021

Funds	%
Foreign multi-asset funds	**74.7**
Orbis SICAV Global Balanced Fund	74.7
Foreign equity funds	**15.9**
Orbis Global Equity Fund	12.3
Orbis SICAV Emerging Markets Equity Fund	3.6
Foreign absolute return funds	**9.4**
Orbis Optimal SA Fund (US$)	5.7
Orbis Optimal SA Fund (Euro)	3.7
Total (%)	**100.0**

Asset allocation on 31 January 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	61.9	12.4	22.3	6.9	16.4	3.8
Hedged equities	21.7	9.1	5.7	2.1	3.3	1.5
Fixed interest	9.8	7.0	0.8	0.3	0.3	1.3
Commodity-linked	4.7	0.0	0.0	0.0	0.0	4.7
Net current assets	2.0	0.0	0.0	0.0	0.0	2.0
Total	**100.0**	**28.6**	**28.8**	**9.3**	**19.9**	**13.4**
Currency exposure of the Orbis funds						
Funds	100.0	38.9	33.5	9.8	12.6	5.3
Index	100.0	59.1	25.4	12.4	0.8	2.3

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

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Fund manager quarterly commentary as at 31 December 2020

2020 was an unimaginably painful year for those who lost loved ones to the pandemic or their jobs to the resulting lockdowns. Focusing narrowly on markets, it was a disappointing year for the performance of the Orbis SICAV Global Balanced Fund, particularly in the first quarter. Yet in some parts of the capital markets, 2020 was the best of times.

It was the best of times for passive investors in the classic portfolio of 60% global stocks and 40% global government bonds – the "60/40".

Falling bond yields pushed global government bonds to an astonishing 10% return while inflating valuations for equities despite deteriorating corporate profits. But the times ahead could prove much more challenging for the classic passive strategy.

Even if today's record-low interest rates persist forever, the return on global government bonds will be just 0.6% per annum. And if yields were to rise by just 1% today, bond prices would decline by 9%. That trade-off scares us, so we have avoided traditional government bonds in favour of gold, cash, inflation-linked bonds, and hedged equity.

From here, the 60/40 looks dangerous to us. The best way to see this is to look at its valuation. By flipping the yield on bonds upside down, we can create a "price-to-earnings (PE) ratio for bonds" to combine with the PE on stocks. When we do that, we see that the 60/40 today trades at 32 times earnings – its worst, most expensive valuation ever.

For active investors, there are attractive opportunities to be found. Coming into 2020 we were increasingly enthusiastic about the gap between the rich prices of the most popular shares and the bargain prices of the most neglected ones. Over the year, that gap has gone from unreasonably wide to unbelievably wide, so despite the rise in markets, neglected shares continue to trade at very compelling valuations. The best way to understand the portfolio is to take a look at some individual stocks in the cheaper parts of the market.

Mitsubishi is a Japanese conglomerate with hundreds of subsidiaries spanning from commodities to food distribution to convenience stores. The company has grown its book value by around 7% per annum over 40 years, has only once made an annual loss, and today earns higher returns on equity than the Japanese average – yet it trades at about half the price. While we wait for the market to recognise its value, we collect a 5% dividend yield.

BMW has been weighed down by concerns about the transition to electric vehicles, even though it has a higher market share in electrified cars than it does in the overall auto market, will have 20 different plug-in models available in 2021, and as a premium brand can charge a premium price to maintain its margins during the transition. On the strength of that brand, BMW has sustained average returns on tangible equity of 15% per year over multiple decades. With its shares trading at less than 1.0 times book value, BMW's future does not need to be anywhere near that bright to deliver attractive returns.

In Europe, we have also found a number of opportunities among banks. **ING Group** trades at about 0.6 times book value, despite being profitable, prudently run, and well capitalised. If the company can hit the bottom end of its 10-12% return on equity target, as we think it can, it could generate a more than 8% shareholder return yield on its current share price – and likely earn a substantial re-rating in the process.

Banks may be scorned, but energy companies are downright hated, and **BP** and **Royal Dutch Shell** were painful stocks to own in 2020. Amid discussions of the broader energy transition, the demand outlook continues to dominate headlines. What gets far less attention is the supply side of the equation. In 2020, oil producers cut investment by over US$100 billion in total. That capital starvation should lead to tighter supply in the years ahead. At a US$60 per barrel oil price, BP and Shell would generate free cash flow equivalent to more than 15% of their current market value every year. Even without an oil price recovery, both stocks offer free cash flow yields in excess of 10% on a forward-looking basis.

Looking at the portfolio as a whole, valuations for both global stock markets and our shares are significantly less cheap than they were in March. The relative picture is more encouraging, however, because the discount between our shares and the market is exceptional. Today our selected equities trade at a 40% discount to the wider market, despite having similar growth rates. That discount is comparable to what we saw at the inception of the Global Balanced Fund in early 2013.

In our view, the prices of our securities remain miles away from the values justified by their fundamentals. We never know what our performance will look like in a given month, quarter, or even year. But the behaviour of markets since November has provided a taste of how the Fund could perform if the world returns to any semblance of normality.

During the quarter, there were no significant additions to the portfolio. We trimmed the position in NetEase. We also trimmed Taiwan Semiconductor Manufacturing Company into price strength, although it remained a leading holding in the portfolio at 31 December 2020. We sold out of Alibaba Group Holding on mounting concern over the Chinese government's unfavourable view on certain tech companies, in order to allocate capital to more favourable ideas.

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

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 Russell Indices

J.P. Morgan GBI Global Index

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** or via our Client Service Centre on **0860 000 654**