

Fund description and summary of investment policy

The Fund invests in a mix of absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 0% and 20%. 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 a foreign equity or balanced fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.

ASISA unit trust category: Global – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis funds.

How we aim to achieve the Fund's objective

The Fund invests only in the Optimal SA absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within the Optimal 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. The Orbis Optimal SA funds reduce most of their stock market risk by the use of exchange-traded derivative futures contracts. The Orbis Optimal SA funds will typically retain a small portion of their exposure to equity markets, but the level of exposure may be varied depending on Orbis' assessment of the potential returns on global stock markets relative to their risk of capital loss. The underlying funds' returns are therefore derived partly from their relatively low exposure to stock markets, partly from Orbis' selected share returns relative to those markets, and partly from foreign currency cash-equivalent returns. 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 steady absolute returns ahead of those of cash measured in global currencies
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk
- Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio

Fund information on 31 October 2020

Fund size	R0.9bn
Number of units	43 820 128
Price (net asset value per unit)	R19.47
Class	A

Minimum investment amounts

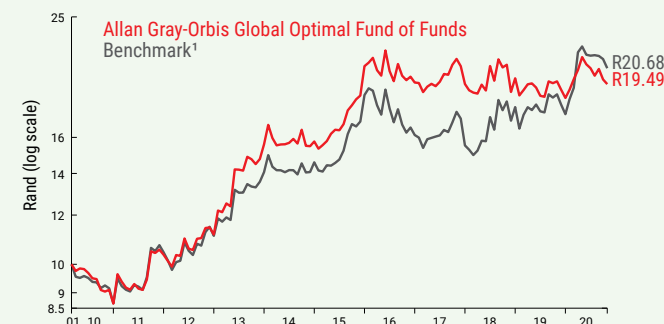
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

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

- The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 October 2020.
- This is based on the latest available numbers published by IRESS as at 30 September 2020.
- Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 2018. 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 January 2016. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 28 February 2017. 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 (2 March 2010)	94.9	-7.8	106.8	-2.2	67.3	19.8
Annualised:						
Since inception (2 March 2010)	6.5	-0.7	7.0	-0.3	5.0	1.7
Latest 10 years	8.0	-0.7	8.4	-0.4	5.1	1.8
Latest 5 years	1.1	-2.1	4.4	1.1	4.6	1.8
Latest 3 years	-3.1	-7.4	5.5	0.8	4.0	1.8
Latest 2 years	-3.5	-7.9	6.3	1.4	3.6	1.6
Latest 1 year	-1.0	-7.6	10.2	2.8	3.0	1.4
Year-to-date (not annualised)	5.3	-9.1	18.6	2.3	2.9	0.9
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months ⁴	48.4	50.8	46.9	49.2	n/a	n/a
Annualised monthly volatility ⁵	14.0	7.3	14.5	4.4	n/a	n/a
Highest annual return ⁶	39.6	12.9	35.6	9.4	n/a	n/a
Lowest annual return ⁶	-12.4	-15.3	-19.1	-11.6	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. It should be noted that the returns on dollar and euro cash have been low over this period. There has been some volatility in the Fund's returns. The underlying funds' maximum drawdowns to date, in their reporting currencies, are 23% for the Orbis Optimal SA Dollar class and 28% for the Orbis Optimal SA Euro class.

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	0.2005

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 30 September 2020	1yr %	3yr %
Total expense ratio	1.07	1.35
Fee for benchmark performance	0.99	0.99
Performance fees	0.00	0.29
Other costs excluding transaction costs	0.08	0.07
VAT	0.00	0.00
Transaction costs (including VAT)	0.15	0.14
Total investment charge	1.22	1.49

Top 10 share holdings on 31 October 2020

Company	% of portfolio
Bayerische Motoren Werke	4.3
British American Tobacco	4.0
Anthem	3.5
Honda Motor	3.2
Mitsubishi	3.0
Sumitomo	2.7
Newcrest Mining	2.7
Credit Suisse Group	2.5
NetEase	2.4
Alcoa	2.2
Total (%)	30.6

Asset allocation on 31 October 2020

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equity	4.2	0.0	-0.1	0.0	1.5	2.7
Hedged equity	82.4	21.3	25.2	18.5	14.0	3.4
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	13.4	0.0	0.0	0.0	0.0	13.4
Total	100.0	21.4	25.0	18.5	15.5	19.6

Currency exposure of the Orbis funds

Funds	100.0	56.7	37.3	-0.2	6.0	0.2
--------------	--------------	-------------	-------------	-------------	------------	------------

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

Fund allocation on 31 October 2020

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	63.4
Orbis Optimal SA (Euro)	36.6
Total (%)	100.0

As we noted last quarter, the Optimal Strategy's equity holdings tend to be much cheaper than the average stock in the FTSE World Index, yet their fundamentals are still reasonably solid. Or as we like to say, these are "good businesses at great prices".

In the US, Optimal owns two managed care organisations (MCOs): Anthem and UnitedHealth, which together accounted for over 4% of the Strategy's equity holdings at 30 September. These are businesses that we know extremely well. In fact, we first held Anthem in 2008 when then-incoming US President Barack Obama made healthcare reform a top priority. The combination of fears about "Obamacare" coupled with the global financial crisis created the perfect storm for the healthcare industry. The doomsday view was that Anthem and its peers would be put out of business by a nationalised healthcare model.

Our contrarian view was that the new legislation, officially known as the Affordable Care Act, would have only a modest impact on the long-term earnings power for Anthem and other MCOs. While it took time for our thesis to play out, our patience was well rewarded, and we subsequently sold out in 2014. We re-established our positions in select MCOs in 2016, when their share prices started to look attractive relative to our assessment of their intrinsic value.

Over the last two years, managed care stocks were again whipsawed by fears that healthcare would be nationalised and MCOs would be disintermediated and once again we believed that prevailing valuations provided a very attractive long-term investment opportunity.

The combined tailwinds of an ageing population, rising incomes and expansion of health coverage to more people have increased the demand for healthcare and services offered by MCOs. This has allowed Anthem and UnitedHealth to grow earnings at attractive rates over time. Since 2000, Anthem has delivered earnings-per-share growth of 16% per annum and UnitedHealth an even more impressive 19% per annum compared to a respectable 6% per annum for the aggregate S&P 500 earnings. On the strength of their fundamentals, both stocks comfortably beat the S&P 500's return by a wide margin. Anthem shareholders have made 15 times their money since the company's initial public offering on 30 October 2001, while an investment in UnitedHealth rose by a factor of more than 20 over the same period, compared to the less than fivefold growth of the S&P 500.

What's most exciting to us is that these businesses have rarely traded at demanding valuations despite providing an essential service and having what we see as a considerable runway of future growth. We can see this if we look at the companies' prices as a multiple of expected future earnings. On that measure, UnitedHealth has, on average, traded at a 5% discount to the S&P 500, and Anthem has traded at a 20% discount, despite both being superior businesses from a fundamental perspective.

The healthcare reform debate will likely continue regardless of who is elected when Americans go to the polls on 3 November. Based on our experience, we believe that leading MCOs, like Anthem and UnitedHealth, will adapt and remain an important part of the system, irrespective of who wins the upcoming election. While the system is by no means perfect, the MCOs play a leading role in driving innovation in the healthcare system to achieve better outcomes at a lower cost.

Our holdings in several Japanese trading companies are also a timely example of decent businesses available at great prices that we believe will reward the patient holder. In fact, they have recently caught the attention of noted bargain hunter Warren Buffett. The holding company he leads, Berkshire Hathaway, recently announced that it built 5% stakes in each of Japan's five largest trading companies over the past year. Three of these businesses – Mitsubishi, Mitsui, and Sumitomo – together account for about 6% of Orbis Optimal's equity holdings.

As an example, Mitsubishi trades below its book value despite delivering above-average return on equity. To put this in perspective, the typical Japanese stock trades at 1.6 times book value. Mitsubishi's assets generate ample cash flows, and in recent years, management has imposed greater discipline on new investments to free up more of that cash for shareholder returns. We can see this shift in Mitsubishi's dividend payout ratio, which has risen from below 20% of earnings to around 35%, as well as the opportunistic 6% share buyback last year. Today that translates into a 5% dividend yield, backed by a strong balance sheet, a progressive dividend policy, and an encouraging commitment from management to maintain that policy.

Overall, we are finding many Japanese stocks with dividend yields that are higher than we have ever seen before. At a time when most asset classes are expensive and bond yields are at 800-year lows, we are excited to be able to find opportunities such as the US health insurers, Japanese trading companies and other attractively priced businesses in Optimal. We believe they represent excellent value in an increasingly frothy stock market environment, which the fund hedges against to reduce risk of loss.

Over the quarter, the Orbis Optimal SA Fund's overall net equity exposure remained largely unchanged. Among individual positions, the largest addition was to Russian bank, Sberbank. The largest sale was Bayer, a crop science and healthcare company.

Adapted from commentary contributed by Povilas Dapkevicius, Matteo Sbalzarini and Brett Moshal, Orbis Portfolio Management (Europe) LLP, London

For the full commentary please see www.orbis.com

Fund manager quarterly commentary as at 30 September 2020

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

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2020. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®", "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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**