

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 December 2020

Fund size	R0.8bn
Number of units	43 712 863
Price (net asset value per unit)	R18.91
Class	A

Minimum investment amounts

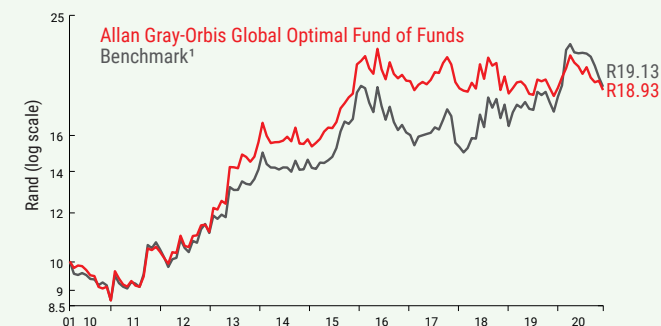
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*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 December 2020.
- This is based on the latest available numbers published by IRESS as at 30 November 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)	89.3	-0.8	91.3	0.2	67.8	20.0

Annualised:						
Since inception (2 March 2010)	6.1	-0.1	6.2	0.0	4.9	1.7
Latest 10 years	8.2	0.0	8.3	0.1	5.1	1.7
Latest 5 years	-1.9	-0.7	0.4	1.6	4.6	1.8
Latest 3 years	-1.0	-6.6	7.2	1.1	4.0	1.8
Latest 2 years	-2.5	-3.5	3.4	2.4	3.4	1.6
Latest 1 year	2.2	-2.3	9.7	4.9	3.2	1.2
Year-to-date (not annualised)	2.2	-2.3	9.7	4.9	3.2	1.2
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months ⁴	48.5	51.5	46.2	50.0	n/a	n/a
Annualised monthly volatility ⁵	13.9	7.5	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-year period, the Fund has performed in line with its benchmark. Over the latest five-year period, it 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 2020
Cents per unit	0.4566

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	1.09	1.25
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	0.17
Other costs excluding transaction costs	0.09	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	0.15	0.13
Total investment charge	1.24	1.38

Top 10 share holdings on 31 December 2020

Company	% of portfolio
British American Tobacco	4.4
Bayerische Motoren Werke	4.0
Rolls-Royce	3.9
Mitsubishi	3.1
Sumitomo	3.0
Woodside Petroleum	3.0
Anthem	2.7
Credit Suisse	2.6
Newcrest Mining	2.5
Sberbank of Russia	2.5
Total (%)	31.6

Asset allocation on 31 December 2020

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equity	3.5	-1.3	1.4	-0.1	1.8	1.8
Hedged equity	88.2	21.4	28.0	19.1	15.2	4.6
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	8.2	0.0	0.0	0.0	0.0	8.2
Total	100.0	20.1	29.3	19.0	17.0	14.6

Currency exposure of the Orbis funds

Funds	100.0	55.4	37.9	-0.3	7.0	0.0
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Note: There may be slight discrepancies in the totals due to rounding.

Fund allocation on 31 December 2020

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	62.4
Orbis Optimal SA (Euro)	37.6
Total (%)	100.0

Optimal has a way of testing our clients' patience in the sense that some of the most opportune times to invest have come on the heels of frustrating performance. Those who stay the course can be well rewarded, but the reward often comes after significant discomfort. The past quarter – a pleasant surprise amid an otherwise disappointing year – has been a reminder of this unique feature of Optimal. We are hopeful that it offers a glimpse of what lies ahead if our stock selection results continue to be favourable, as the gap between the cheapest and most expensive stocks reverts back to more "normal" levels of dispersion.

Market inefficiencies are the lifeblood of Optimal. The longer they persist and the larger they become, the greater the potential for future returns. This explains why we are so excited about Optimal's risk-reward proposition today. Optimal can be seen as an investment that is designed to exploit the "gap" in value between our stock selections and the market indices that we hedge. If you believe that this gap will persist forever, then Optimal is the wrong strategy for you. But if you believe, as we do, that markets are increasingly frothy and the gap between cheap and expensive shares is unsustainable – then Optimal is very well placed to benefit as this gap closes.

After a long dry spell, the valuation gap started to close, and alpha came back with a vengeance in the fourth quarter. Many of the companies held in Optimal rallied and outpaced their local benchmarks, prompted in part by several promising COVID-19 vaccines that arrived sooner than expected. While there is still a long way to go from a public health perspective, markets now have enough information to ask the question of "when" rather than "if" economic activity will return to some semblance of "normal", and this can be seen in the recent market repricing.

As a result, Optimal's performance in the past quarter was encouraging and a better reflection of what we believe the Fund can deliver when alpha is strong. In the fourth quarter of 2020, 57% of Optimal's stock selections were winners and 64% of capital was deployed into these winning names, which is more in line with our long-term stock selection record. The Orbis Optimal SA Fund's after-fee return of 7.7% in US dollars for the quarter compares to 13.6% for the average global equity fund and 1.3% for the average US\$ bond fund. Most exciting of all, the "correction" in dispersions over the past quarter has barely made a dent in the dislocation that has built up over several years.

As an example of the value that we are seeing in our stock selections, let's take a closer look at Japan. In last quarter's commentary, we mentioned our holdings in the Japanese trading companies Mitsubishi, Mitsui & Co and Sumitomo, and highlighted the attractive dividend yields on offer. Despite the promising vaccine

results that have boosted cyclical businesses elsewhere, the trading companies remain neglected. We, however, continue to find them highly attractive. Two other holdings in Japan that offer attractive dividend yields are the telecom operators – KDDI and Nippon Telegraph and Telephone (NTT). While political pressure on mobile tariffs remains a concern, we believe that risk is more than reflected in the stocks' valuations. Both trade at just 10 times forward earnings at a time when many other "defensive" businesses trade for 30, 40, 50, or even 60 times earnings.

BMW is another good example. The overwhelming consensus view is that electric cars are the future and early innovators like Tesla will dominate the landscape. While we would agree that electric vehicles are likely to be much more common, we don't believe it's a winner-take-all market. In fact, BMW has over 15 electrified models of its own with even more in the pipeline, and it actually has a higher market share of new electric vehicle sales in the US, Europe and China than it does with traditional internal combustion engine vehicles. BMW also has the benefit of a premium brand, which makes it much easier for the company to pass along the cost of the transition to electric models.

Despite its strong historical track record and promising competitive position in electric cars, BMW's valuation is extremely depressed relative to its history. Today, BMW trades at less than 1.0 times book value, and roughly six times normalised earnings – levels only seen once before, during the global financial crisis.

We have seen our share of "false dawns" before, so we would caution clients against reading too much into Optimal's recent performance. But this should not detract from our genuine enthusiasm for the value embedded in the portfolio. Encouragingly, the past quarter has been a welcome reminder that active stockpicking is still very much alive, even if the timing remains as unpredictable as ever.

The Orbis Optimal SA Fund's overall net equity exposure increased over the quarter, predominantly driven by increased exposure to the UK. Among individual positions, the largest addition was to British American Tobacco. The largest sale was Honda Motor, a Japanese automobile manufacturer.

Adapted from commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda and Ryan Fitzpatrick, Orbis Investments (Canada) Limited, Vancouver

For the full commentary please see www.orbis.com

**Fund manager quarterly
commentary as at
31 December 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

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