Fund manager: Duncan Artus (The underlying Orbis funds are managed by Orbis)
Inception date: 2 March 2010

Allan Gray-Orbis Global Optimal Fund of Funds

31 January 2022

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 January 2022

Fund size	R0.9bn
Number of units	44 353 808
Price (net asset value per unit)	R20.82
Class	A

Minimum investment amounts*

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

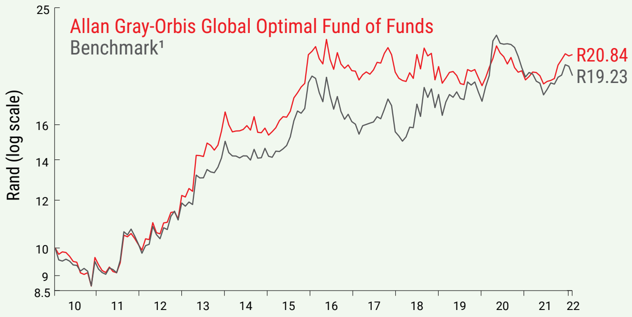
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 January 2022.
2. This is based on the latest available numbers published by IRESS as at 31 December 2021.
3. 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).
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 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)	108.4	3.6	92.3	-4.4	77.9	29.0
Annualised:						
Since inception (2 March 2010)	6.4	0.4	5.6	-0.4	5.0	2.2
Latest 10 years	7.5	0.4	6.6	-0.5	5.0	2.1
Latest 5 years	1.3	-1.6	3.8	0.9	4.4	2.9
Latest 3 years	3.7	-1.5	5.2	-0.1	4.3	3.5
Latest 2 years	4.5	2.7	2.1	0.3	4.5	4.2
Latest 1 year	8.7	5.4	-1.2	-4.2	5.9	7.1
Year-to-date (not annualised)	0.5	3.5	-3.5	-0.6	0.6	0.5
Risk measures (since inception)						
Maximum drawdown[3]	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months[4]	50.3	52.4	46.2	47.6	n/a	n/a
Annualised monthly volatility[5]	13.4	7.4	14.1	4.3	n/a	n/a
Highest annual return[6]	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return[6]	-12.4	-15.3	-19.1	-11.6	n/a	n/a

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Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has outperformed its benchmark. Over the latest five-year period 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 2021
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 Orbis Optimal SA Fund factsheets and prospectus, 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 2021	1yr %	3yr %
Total expense ratio	**1.07**	**1.08**
Fee for benchmark performance	1.00	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.08	0.09
VAT	0.00	0.00
Transaction costs (including VAT)	**0.11**	**0.12**
Total investment charge	**1.18**	**1.20**

Top 10 share holdings on 31 January 2022

Company	% of portfolio
British American Tobacco	4.8
UnitedHealth Group	3.6
Drax Group	3.4
Woodside Petroleum	3.0
Mitsubishi	2.9
NetEase	2.3
KB Financial Group	2.0
INPEX	2.0
Golar LNG	1.9
Olam International	1.8
Total (%)	**27.8**

Fund allocation on 31 January 2022

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

Asset allocation on 31 January 2022

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	2.1	-4.2	1.9	2.0	2.4	0.0
Hedged equities	84.8	26.9	24.4	15.1	13.8	4.5
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	13.1	0.0	0.0	0.0	0.0	13.1
Total	**100.0**	**22.8**	**26.3**	**17.2**	**16.2**	**17.6**
Currency exposure of the Orbis funds						
Funds	100.0	57.7	36.7	-0.3	5.8	0.1

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

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Fund manager quarterly commentary as at 31 December 2021

In November, a luxury yacht was sold for US$650 000. This would be unremarkable if not for the fact that the Metaflower Super Mega Yacht exists only in code. It may be useful for navigating the metaverse, but won't help you get around the Mediterranean.

While paying US$650 000 for a digital boat feels bubbly, you can at least make an argument for some of the underlying concepts and technologies. Yet when one considers additional evidence from more mundane "old world" areas like Barbie dolls, Star Wars toys and Pokémon cards, it becomes more obvious that the investment environment can be safely characterised as speculative.

It is easy to say "this can't end well", but much harder to say how, when or why it will unwind. One trigger for a reversal could be inflation.

The burning question is how much of the current uptick in inflation is "transitory", to use the US Federal Reserve's term, or "hump"-shaped as the European Central Bank described it. Our view on this: who knows? What we do know, however, is that the market seems to be pricing in the "transitory" scenario with some certainty. This can be seen in the historically wide valuation gap between longer duration equities – meaning those generating little free cash flow today but with the potential to generate substantial excess cash in the distant future – and their shorter duration counterparts.

Optimal seeks to own the most undervalued shares we can find, while taking short positions in stock market indices. The return of Optimal is therefore mainly comprised of the relative performance between these two. Dislocations such as the above are therefore extremely valuable to Optimal, as they signal wide divergence between the prospective returns of our favoured shares – many of which currently fall into the short-duration, high-yielding bucket – and the broader indices. Indeed, the bulk of the speculative activity we see in markets right now can be found in zero-yielding longer duration assets, with Pokémon cards et al being the ultimate example. As longer duration stocks have appreciated in price, they have come to dominate the indices, driving index duration ever higher. This is what makes broader asset prices so vulnerable at the moment, and why Optimal currently offers an unusually attractive way to diversify.

To bring this to life with an example, the valuation gap can be observed in the electricity generation sector. Longer duration businesses such as those involved in the renewables space are trading at particularly elevated valuations, while more traditional and shorter duration companies languish at unusually depressed levels.

The simplistic explanation is that renewables represent the future while the incumbents are facing extinction. But the reality is a great deal more complicated. As a society, we are asking an awful lot: we want to move away from carbon-based energy sources; we want to consume more energy through the electric grid; we want to complicate the grid by adding distributed generation such as solar panels on homes; and we want to extend the grid by moving renewable power plants away from cities to areas where they will catch the most sun or wind. There's simply no way to achieve all of this without relying on both existing energy infrastructure as well as new alternatives.

The transition will need to be facilitated by a mixture of clean base generation, such as existing natural gas infrastructure combined with carbon capture, as well as the development of scalable ways to store energy such as hydrogen.

The growth opportunity is substantial, but not without challenges. Competition is intensifying and persistent cost inflation is a real risk. We believe that investing at today's lofty equity valuations comes with considerable room for disappointment.

Compare this to a more traditional, short-duration business such as natural gas production. The world still produces about 40% of its electricity from oil and coal, and many investors have assumed that a lot of this will ultimately get replaced by "green" solutions rather than gas.

Yet even some climate-focused policymakers recognise that dependence on gas power generation is expected to increase out to 2050. We believe most countries will have to balance intermittent green solutions with reliable baseload generation as electric vehicles and homes draw more power. This is becoming ever more apparent given rising instances of grid instability in areas where renewables have ballooned beyond any reasonable ability to store excess energy. Gas is likely the cheapest and cleanest solution, especially when paired with new technologies that can further reduce carbon emissions.

As it stands, however, we risk wide-scale shortages in one of the cleanest facilitators of the global energy transition. Layer on cost increases from the necessary reduction in methane leakages and development of carbon capture technologies, and you end up with a market that will require structurally higher gas prices to incentivise necessary supply. A number of holdings in the Fund have exposure to natural gas and stand to benefit from this tailwind. These include established positions such as Woodside Petroleum, INPEX and Golar LNG, as well as a basket of more recent holdings such as Tourmaline Oil and Siemens Energy.

The Fund's current positioning provides an element of protection against inflation, which we see as a central risk to asset prices at this stage. While we have no idea whether the current consumer price environment will endure, energy prices could play a key role. It's important to recognise that our existing global energy system has historically been optimised for one task — to provide energy as cheaply and efficiently as possible. As we go about the critical task of removing the carbon externality, we start optimising for something else. This is necessary, but extremely expensive. These costs will naturally flow through into energy prices.

This is all to say that despite what appears to be a highly speculative environment, there are still ways that one can protect capital while seeking attractive returns. In Optimal, this means identifying cash-generative businesses that are attractive on their own idiosyncratic merits and all the more so when compared to their respective local stock markets. When coupled with the Fund's hedging strategy, this should produce a differentiated stream of returns that is uncorrelated with that of Pokémon cards, digital yachts, Treasury bonds and the stock market alike.

The Fund's overall net equity exposure decreased over the quarter. Among individual positions, the largest addition was to a US-based payments technology company, and the largest reduction was to Meta Platforms, the parent organisation of Facebook.

Adapted from a commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda

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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Allan Gray is an authorised financial services provider.

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)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. 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.

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).

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

This fund invests in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. 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.

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