

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 30 November 2022

Fund size	R1.3bn
Number of units	53 330 217
Price (net asset value per unit)	R23.93
Class	A

Minimum investment amounts*

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

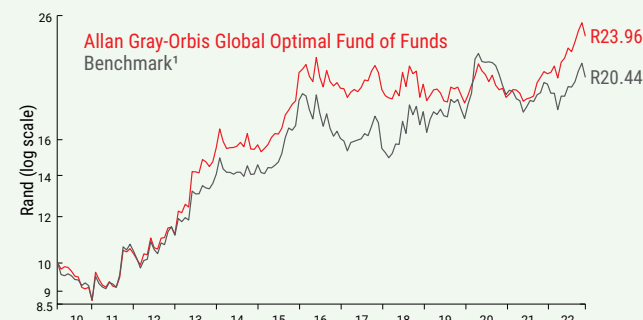
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

- The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 30 November 2022.
- This is based on the latest available numbers published by IRESS as at 31 October 2022.
- 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)	139.6	8.6	104.4	-7.3	89.5	37.2
Annualised:						
Since inception (2 March 2010)	7.1	0.7	5.8	-0.6	5.2	2.5
Latest 10 years	7.7	0.9	5.9	-0.7	5.2	2.6
Latest 5 years	2.8	-1.5	3.6	-0.8	4.9	3.9
Latest 3 years	7.9	2.9	4.2	-0.7	5.3	5.0
Latest 2 years	10.6	5.3	1.6	-3.2	6.3	7.0
Latest 1 year	14.6	8.1	2.0	-3.8	7.6	7.8
Year-to-date (not annualised)	15.6	8.6	2.6	-3.6	7.1	7.0
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months ⁴	51.6	52.9	47.1	47.1	n/a	n/a
Annualised monthly volatility ⁵	13.4	7.3	14.0	4.4	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

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 (updated quarterly)

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 2022	1yr %	3yr %
Total expense ratio	1.07	1.07
Fee for benchmark performance	1.00	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.08	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	0.14	0.14
Total investment charge	1.21	1.21

Top 10 share holdings on 30 November 2022

Company	% of portfolio
British American Tobacco	4.1
Shell	3.9
Woodside Energy Group	3.0
Motorola Solutions	2.9
FLEETCOR Technologies	2.6
Sumitomo	2.4
Golar LNG	2.3
GXO Logistics	2.2
INPEX	2.1
Drax Group	2.0
Total (%)	27.6

Fund allocation on 30 November 2022

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	59.4
Orbis Optimal SA (Euro)	40.6
Total (%)	100.0

Asset allocation on 30 November 2022

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	4.4	0.0	1.0	1.6	0.2	1.6
Hedged equities	84.1	32.9	25.2	17.8	5.4	2.9
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	11.5	0.0	0.0	0.0	0.0	11.5
Total	100.0	32.9	26.1	19.4	5.6	16.0

Currency exposure of the Orbis funds

Funds	100.0	57.8	40.7	0.2	1.3	0.1
--------------	--------------	-------------	-------------	------------	------------	------------

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

The ideal environment for the Orbis Optimal SA Fund is one in which stock markets are broadly expensive yet opportunities for bottom-up stock selection are abundant. With the benefit of hindsight, late 2021 was almost the perfect set up for the Fund. Fast forward nine months and the “Everything Bubble” of 2021 now seems like a distant memory. Global equities have declined over 20% in US dollars since the start of the year, and the most speculative areas of the market have seen far steeper losses. Even government bonds – a traditional safe haven – have lost around 20%.

With a positive absolute return year to date, the Fund has held up well in an environment in which there have been very few winners. In fact, apart from energy, there is not a single global sector which has delivered a positive absolute return year to date.

Make no mistake: this is no time for a victory lap. The Fund’s longer-term performance remains below the standard we set for ourselves. But we can’t help being enthusiastic about the opportunities that continue to lie ahead. The Fund aims to provide a unique combination of both protection against absolute losses and exposure to the relative performance of our highest conviction stock selections. We think there are good reasons to be excited about both of these features.

From an absolute return perspective, there are some very real risks facing financial markets. Inflation is far from under control, the war in Ukraine is ongoing, and there is an energy crisis looming in Europe just as winter approaches. While global equity markets have corrected, they aren’t especially cheap at 19 times earnings. There wouldn’t be much worry to detect at all by looking at Wall Street earnings forecasts, which remain as optimistic as ever. As a result, it is likely that equity valuations continue to be flattered by unreasonable expectations.

From a relative return perspective – which is the lifeblood of the Fund’s return – we have rarely been as excited as we are today. As we have written in many of our commentaries over the past 10 years, central banks and governments have gone to extraordinary lengths to support asset prices. The result has been an epic wave of speculative activity. This not only resulted in higher valuations overall, but also created extreme gaps between valuations of “growth” and “value” stocks, “new” and “old” economy companies, and across geographic regions. While these valuation dispersions are no longer as extreme as they were last year, they are still at or near historically expensive levels. For example, despite a post-pandemic surge, value stocks in the US are still in the midst of their longest period of underperformance relative to growth stocks in almost 100 years.

To us, the stockpicking environment has been reminiscent of the late 1990s. That experience taught us the importance of staying patient and avoiding capitulation at the worst possible time. Back then, Orbis remained disciplined and focused on intrinsic value, even if it meant looking foolish for an extended period of time. Today, the gap between the cheapest and most expensive stocks

is no longer as extreme as it was in either the late 1990s or 2021, but it remains unusually wide and we’ve had no trouble finding compelling opportunities.

As a reminder, the Fund has two key performance drivers: it captures the value we add (or subtract) from stock selection; and it earns cash returns from hedging. We do this by buying shares of the companies that we find most attractive and taking offsetting short positions in local stock market indices. If the Fund’s stock selections outperform their local stock markets, this creates a positive absolute return – and that stream of returns together with the cash returns from hedging have historically been uncorrelated with major asset classes.

Currently, the common theme across the Fund is that we are far more excited about the prospects for our stock selections than we are about their local stock markets. Not all of those companies are in traditional “value” sectors like resources or financials.

FLEETCOR – a top holding in the Fund – is an example of a stock that looks especially compelling relative to its local stock market. At current prices, the stock trades at 11 times our estimate of 2022 earnings per share versus 21 for the S&P 500, despite the company having considerably more attractive fundamentals.

As a provider of niche payment networks in fuel, lodging, tolls and corporate payments, FLEETCOR is an excellent business which offers double-digit revenue growth, with high profit margins and high returns on capital. We believe FLEETCOR’s earnings per share can grow approximately 20% per annum over the medium to long term. We find this exceptionally attractive given its earnings growth potential and the opportunity to invest alongside a proven moneymaker like CEO Ron Clarke, who built the company over the past 20 years and continues to own 2.5% today – currently worth nearly US\$350 million.

It is always exciting when we can find shares like FLEETCOR that are trading at attractive valuations, but it’s even better if we can hedge them with short positions in markets that appear fully valued. While it’s no longer December 2021 in that regard, global stock markets are not especially cheap, valuation dispersions are still historically wide, returns on cash are rising, and we continue to believe it’s an ideal environment for the Fund to earn its keep.

The Orbis Optimal SA Fund’s overall net equity exposure remained flat over the quarter. Among individual positions, the largest sell was in Chesapeake Energy Corporation, a US natural gas producer, which we sold following a period of outperformance. There were no significant buys in the period.

Adapted from a commentary contributed by John Christy, Orbis Investments (Canada) Ltd., Vancouver, and Matthew Spencer, Orbis Investment Management Limited, Bermuda

Fund manager quarterly commentary as at 30 September 2022

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.

© 2022 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

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)11 301 6335 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.

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**