ALLANGRAY

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 December 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 December 2022

Fund size	R1.3bn
Number of units	52 918 783
Price (net asset value per unit)	R24.74
Class	A

Minimum investment amounts*

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

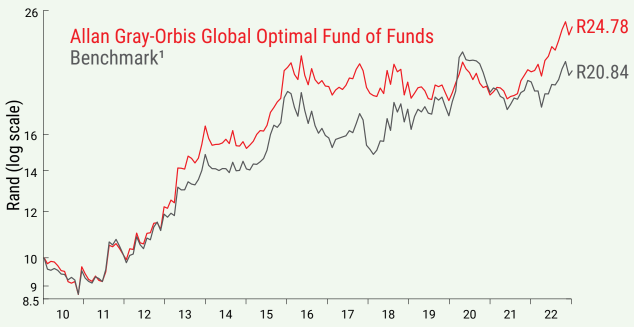
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

**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 December 2022.
2. This is based on the latest available numbers published by IRESS as at 30 November 2022.
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)	147.8	12.1	108.4	-5.7	90.0	37.3
Annualised:						
Since inception (2 March 2010)	7.3	0.8	5.9	-0.5	5.2	2.5
Latest 10 years	8.3	1.0	6.5	-0.7	5.2	2.6
Latest 5 years	4.9	-1.7	6.1	-0.6	4.9	3.8
Latest 3 years	10.2	3.4	6.1	-0.5	5.3	5.0
Latest 2 years	14.4	6.3	4.4	-3.0	6.4	7.0
Latest 1 year	19.5	12.1	4.6	-1.9	7.4	7.1
Year-to-date (not annualised)	19.5	12.1	4.6	-1.9	7.4	7.1
Risk measures (since inception)						
Maximum drawdown[3]	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months[4]	51.9	53.2	47.4	47.4	n/a	n/a
Annualised monthly volatility[5]	13.4	7.4	13.9	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

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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 2022
Cents per unit	**0.3832**

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 31 December 2022	1yr %	3yr %
Total expense ratio	**1.05**	**1.07**
Fee for benchmark performance	0.99	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.07	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	**0.15**	**0.14**
Total investment charge	**1.20**	**1.21**

Top 10 share holdings on 31 December 2022

Company	% of portfolio
British American Tobacco	3.8
Shell	3.0
Woodside Energy Group	2.5
Sumitomo Mitsui	2.4
FLEETCOR Technologies	2.4
Motorola Solutions	2.3
Drax Group	2.2
Golar LNG	2.1
GXO Logistics	1.9
Bank of Ireland	1.9
Total (%)	**24.5**

Fund allocation on 31 December 2022

Foreign absolute return funds	%
Orbis Optimal SA (US$)	59.3
Orbis Optimal SA (Euro)	40.7
Total (%)	**100.0**

Asset allocation on 31 December 2022

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	4.5	-0.2	1.8	1.7	-0.1	1.3
Hedged equities	80.6	30.1	24.7	17.7	5.4	2.7
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	14.9	0.0	0.0	0.0	0.0	14.9
Total	**100.0**	**29.9**	**26.5**	**19.4**	**5.4**	**18.9**
Currency exposure of the Orbis funds						
Funds	100.0	57.6	41.4	0.2	0.8	0.0

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

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Fund manager quarterly commentary as at 31 December 2022

In recent years, we have been warning clients that government bonds appeared to offer "return-free risk". If you bought a 10-year US Treasury bond at the start of 2022, you were being paid a scant 1.5% annual return for a 10-year venture into the unknown. As of today, you would be down about 20% on your investment with nine more years of uncertainty to go. Bonds also failed to perform their traditional function as a diversification tool, leading to a punishing year for typical balanced portfolios.

Against this backdrop, it was nice to see the Fund deliver a positive US dollar return of 12% after fees. As a reminder, the Fund's returns have historically been *un*-correlated with major asset classes, not *anti*-correlated, so its role as a safe haven in 2022 was not a given. The lifeblood of the Fund's returns has always been the relative performance of our bottom-up stock selections, and good stockpicking performance made all the difference in 2022.

Said differently, the ideal set-up for the Fund is when our stock selections do well and the broader stock market environment does poorly. While we cannot predict either outcome, history provides some reasons for optimism. The boom/bust cycle that we are currently experiencing has several parallels with the late 1960s and the late 1990s. Both episodes featured loose monetary policies that inflated asset prices and encouraged rampant speculation. Both were characterised by extreme valuation dislocations *within* markets, notably between the "new economy" businesses of the future and the boring "old economy" incumbents. Both were followed by a long period in which the excesses and dislocations of the boom years were unwound. And finally, both produced exciting opportunities for stock selection amid generally disappointing equity returns.

As an alternative illustration, we can look at several decades of Japanese history. Japan's economy and markets experienced an extraordinary bubble in the late 1980s, leaving stock market valuations so extreme that the Orbis funds owned no Japanese shares at inception on 1 January 1990 despite Japan's 30% weight in the MSCI World Index at the time. By 1998, however, there were many compelling bargains in Japan and so we launched the Orbis Japan Equity Strategy.

Japan is an interesting illustration, because it provides a glimpse of what can be achieved through stockpicking, even in a lacklustre market environment. Over the past 25 years, the Japanese stock market has returned just 3% per annum in yen and its weight in the MSCI World Index has shrunk to just 6%.

The Orbis Japan Equity Strategy, however, has generated yen returns of 8% per annum after fees since inception. We attribute this to the disciplined application of our long-term, fundamental and contrarian approach to stock selection. Our preference for value-oriented shares has certainly helped.

Value stocks in Japan have generally outperformed their growth peers, but in Japan we have often found the best of both worlds: decent businesses at great prices *and* great businesses at decent prices.

Today, we are just as enthusiastic about the stock selection opportunities in Japan as we were 25 years ago. Japan accounts for 19% of the Fund's gross equity exposure and includes several businesses trading on low valuation multiples and paying attractive dividend yields. What is even more exciting is the dislocation between growth and value shares *within* the Japanese market.

For contrarian stockpickers like us, this can create exciting opportunities. For some time, we have preferred "old economy" businesses such as trading companies, commodity producers, select financials and others – with the common ingredient being decent fundamental quality at a big discount to our view of intrinsic value.

The Japanese holdings in the Fund trade at a substantial discount to the local Tokyo Stock Price Index. This requires no sacrifice in quality, as the stocks we hold have similar growth and profitability characteristics – we just pay a lot less for them. Our preferred Japanese shares also pay an average dividend yield of 4%, which is well above the benchmark and a full three percentage points higher than the yield on 10-year Japanese government bonds.

A key lesson from our experience in Japan, and our broader analysis of historical periods of valuation dislocations, is that it can take a long time for valuation gaps to normalise. But once in motion it can become a powerful virtuous upcycle. While prospective stock market returns (beta) may be depressed, there is ample opportunity for selected shares to outperform (alpha) as the cycle turns and asset pricing becomes more rational.

We added a position in the UK-listed Auto Trader Group, the dominant auto classifieds business in the UK. We also added to BMW where, despite an improving long-term outlook, the company's price-to-book valuation fell as low as 0.6 times.

We sold Schlumberger, the leading oilfield services provider, following strong share price performance. We also trimmed Shell and a few other energy producers which held up well during the quarter despite a fall in the oil price.

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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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

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MSCI Index

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