

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

Note: 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.

Fund information on 30 April 2023

Fund size	R1.8bn
Number of units	65 839 635
Price (net asset value per unit)	R27.63
Class	A

Minimum investment amounts*

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

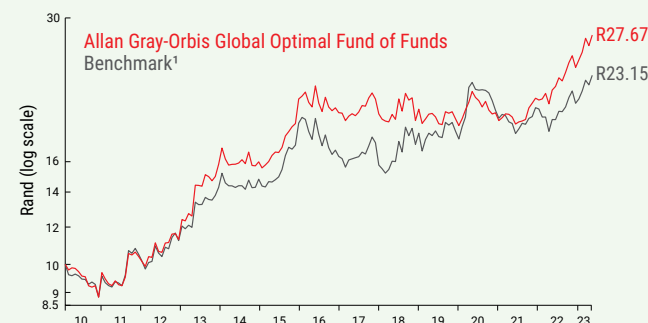
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

**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 30 April 2023.
2. This is based on the latest available numbers published by IRESS as at 31 March 2023.
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	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
Cumulative:						
Since inception (2 March 2010)	176.7	15.9	131.5	-3.0	94.0	38.9
Annualised:						
Since inception (2 March 2010)	8.0	1.1	6.6	-0.2	5.2	2.5
Latest 10 years	8.4	0.9	7.0	-0.4	5.1	2.7
Latest 5 years	7.3	-0.7	7.9	-0.2	5.0	3.9
Latest 3 years	8.7	8.6	1.1	1.0	5.4	5.4
Latest 2 years	20.0	6.5	11.3	-1.2	6.5	6.7
Latest 1 year	27.7	9.7	21.7	4.6	7.1	5.0
Year-to-date (not annualised)	11.7	3.4	11.1	2.9	2.1	1.1
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months ⁴	52.5	54.4	48.1	48.1	n/a	n/a
Annualised monthly volatility ⁵	13.4	7.3	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

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 March 2023	1yr %	3yr %
Total expense ratio	1.04	1.07
Fee for benchmark performance	0.98	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	0.13
Total investment charge	1.19	1.20

Top 10 share holdings on 30 April 2023

Company	% of portfolio
Shell	3.3
Bayerische Motoren Werke	3.2
FLEETCOR Technologies	2.7
British American Tobacco	2.7
Golar LNG	2.3
GXO Logistics	2.2
Borr Drilling	2.1
Motorola Solutions	2.0
Taiwan Semiconductor Mfg.	1.9
Drax Group	1.9
Total (%)	24.3

Fund allocation on 30 April 2023

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	61.7
Orbis Optimal SA (Euro)	38.3
Total (%)	100.0

Asset allocation on 30 April 2023

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	4.1	-3.5	2.3	2.0	1.8	1.6
Hedged equities	85.7	33.5	27.6	17.6	5.1	1.8
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	10.2	0.0	0.0	0.0	0.0	10.2
Total	100.0	30.0	29.9	19.6	6.9	13.6

Currency exposure of the Orbis funds

Funds	100.0	53.4	35.2	9.9	1.2	0.3

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

"...the time when past excesses are corrected is the period of greatest risk. The excesses were meeting a certain need; otherwise they would not have developed in the first place. Can the system function without them? Moreover, the process of correction can develop its own momentum, setting off a self-reinforcing trend in the opposite direction."

– George Soros, *The Alchemy of Finance*

It's getting choppy out there. The past month has seen the collapse of Silicon Valley's lender of choice, a bailout of a 167-year-old Swiss bank and fears of contagion across the banking system. While this precise turn of events would have been impossible to predict, we can't say it is surprising. The quote above serves as a cautionary reminder that markets are reflexive in both directions. The same dynamics that produced the "Everything Bubble" in recent years are equally capable of causing significant damage when they change course – and much uncertainty remains.

The Orbis Optimal SA Fund can be an attractive alternative at times like these. Importantly, Optimal is not inversely correlated with equity and bond markets. It's entirely possible to lose money while major asset classes are also declining. But over the long term, Optimal's hedging combining our highest-conviction stock selections and offsetting short positions in major stock market indices has produced positive absolute returns that have been uncorrelated with major asset classes.

An additional feature of Optimal is a cash-like component of returns, which has essentially been absent for more than 10 years. Stock market returns can be thought of as a combination of the risk-free rate (i.e. cash) and an equity risk premium (ERP), or compensation for the risk one assumes when buying stocks instead of keeping money in the bank. Global equity returns have averaged just over 7% per annum since 1990 and bank deposits have returned 3%, which implies an ERP of about 4%.

Over the past 10 years, however, the return on cash has averaged just 1% per annum at a time when equity markets were booming. Global equities returned 9% over this period, which suggests a historically wide ERP. Put more simply, it was an unusually rewarding time to be a long-only equity investor. For Optimal, it was an unusually painful time. By design, the Fund eliminates most of the ERP through its hedging policy, and the cash component of returns shrank in the zero-interest rate environment. Worst of all, our stockpicking results went through a stretch of poor performance. Against those headwinds, it was difficult for Optimal to produce attractive returns.

Things look very different today. The cash component of returns has improved, hedging has added value as global equities have declined from their 2021 highs and the performance of our stock selections has improved. Said differently, the key headwinds facing Optimal a few years ago have since become tailwinds. We remain enthusiastic about the bottom-up opportunities in the Fund.

Golar LNG is one example. At a high level, we believe that natural gas is a critical part of the transition to cleaner energy, and Golar is well positioned to benefit after many years of underinvestment in the sector. The company was an early pioneer in floating liquefied natural gas (FLNG) which makes it possible to monetise otherwise stranded gas fields offshore, and we see no evidence of any credible competitive threat to Golar's capabilities in this area.

In recent years, Golar has streamlined its business and sold off several assets, and is now entirely focused on FLNG. Nearly all of the company's value lies in two FLNG projects – "Hilli" and "Gimi". The former is under contract with Perenco, an Anglo-French energy producer, until 2026. The latter, which is expected to come online this year, has been contracted by BP for 20 years.

We often like to frame investment opportunities from the perspective of a business owner. What would the assets be worth to someone buying the whole company?

On a "sum-of-the-parts" basis, we estimate that the market is valuing Golar at a 30-40% discount to the intrinsic value of its existing assets, let alone any new contracts in the future. Based on our estimates, we believe Hilli is worth about US\$1.8bn. Although Gimi has not started yet, the 20-year contract makes it fairly straightforward to estimate the value of the future cash flows, which we believe are worth about US\$750m today. Those two assets add up to about US\$2.5bn which is roughly in line with Golar's current market value. In addition, Golar has other assets which primarily consist of approximately US\$700m in cash that can be used to finance new opportunities or returned to shareholders.

This strikes us as remarkably good value, particularly given that our estimates are based on conservative assumptions. For example, it is possible that the tight energy market will allow Golar to secure Hilli's next contract (post 2026) on terms more favourable than we assume. We have also not included upside from additional projects, but expect Golar to be able to secure these at attractive economics given the solution's low cost, strong demand for LNG and limited competition. The main risk is execution, particularly given that the company only has two major assets, and one is not yet operating. That said, we are confident in Golar's ability to execute and take comfort in the board's close alignment with shareholders.

The Fund's overall net equity exposure rose over the quarter. Among individual positions, the largest buy was BMW, which we believe is a high-quality company trading at depressed valuations. We exited the position in Visa to allocate capital to more attractive ideas.

Adapted from a commentary contributed by John Christy, Orbis Investments (Canada) Ltd., Vancouver and Michael Heap, Orbis Portfolio Management (Europe) LLP, London.

**Fund manager quarterly
commentary as at
31 March 2023**

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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