

Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 45% offshore. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

ASISA unit trust category: South African – Multi Asset – High Equity

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund’s benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

How we aim to achieve the Fund’s objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us 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. If the stock market offers few attractive shares we may increase the Fund’s weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund’s stock market exposure. By varying the Fund’s exposure to these different asset classes over time, we seek to enhance the Fund’s long-term returns and to manage its risk. The Fund’s bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

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.

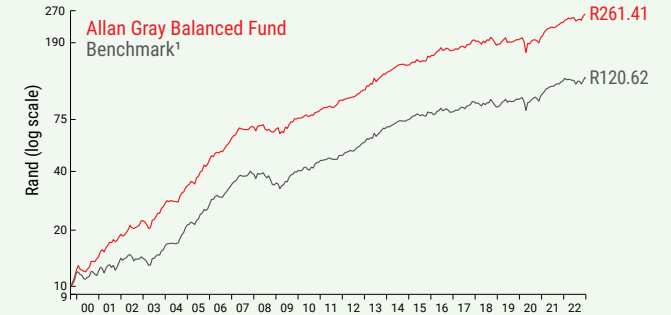
Fund information on 31 December 2022

Fund size	R164.6bn
Number of units	559 870 777
Price (net asset value per unit)	R133.93
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2022. From inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Micropal.
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 drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. 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 30 April 2006 and the benchmark’s occurred during the 12 months ended 30 April 2006. The Fund’s lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark’s occurred during the 12 months ended 28 February 2009. 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:			
Since inception (1 October 1999)	2514.1	1106.2	251.3
Annualised:			
Since inception (1 October 1999)	15.1	11.3	5.6
Latest 10 years	9.6	7.9	5.2
Latest 5 years	6.9	6.1	4.9
Latest 3 years	10.5	8.4	5.3
Latest 2 years	14.1	9.7	6.4
Latest 1 year	8.1	0.1	7.4
Year-to-date (not annualised)	8.1	0.1	7.4
Risk measures (since inception)			
Maximum drawdown ³	-25.4	-23.3	n/a
Percentage positive months ⁴	69.9	67.4	n/a
Annualised monthly volatility ⁵	9.5	9.3	n/a
Highest annual return ⁶	46.1	41.9	n/a
Lowest annual return ⁶	-14.2	-16.7	n/a

Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average balanced fund.

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 biannually.	30 Jun 2022	31 Dec 2022
Cents per unit	107.1483	215.3546

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.50% p.a. excl. VAT
Minimum fee: 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and 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.

Top 10 share holdings on 31 December 2022 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
British American Tobacco	5.4
Glencore	4.3
Naspers ⁸	4.0
Woolworths	2.9
AB InBev	2.8
Nedbank	2.4
Sasol	2.0
Sibanye-Stillwater	1.9
Remgro	1.7
Mondi Plc	1.7
Total (%)	29.1

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2022	1yr %	3yr %
Total expense ratio	1.68	1.09
Fee for benchmark performance	1.02	1.02
Performance fees	0.47	-0.07
Other costs excluding transaction costs	0.03	0.03
VAT	0.16	0.11
Transaction costs (including VAT)	0.07	0.08
Total investment charge	1.75	1.17

Asset allocation on 31 December 2022⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	66.4	45.5	2.8	18.2
Hedged equities	9.8	4.6	0.0	5.2
Property	1.2	1.0	0.0	0.2
Commodity-linked	3.1	2.5	0.0	0.6
Bonds	12.6	8.3	1.5	2.9
Money market and bank deposits	6.9	4.6	-0.1	2.4
Total (%)	100.0	66.4	4.2	29.4⁹

7. Underlying holdings of Orbis funds are included on a look-through basis.

8. Includes holding in Prosus N.V.

9. The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(February 2000) 49.3%
Average	63.1%
Maximum	(May 2021) 72.9%

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

The Fund returned 8.2% for the fourth quarter and 8.1% for the 2022 calendar year. This compares with the benchmark returns of 7.1% for the quarter and 0.1% for the year. We are pleased with the strong recovery in relative performance and have now meaningfully outperformed the average manager in our benchmark over one, three and five years.

It is common for pundits to make economic forecasts as a year draws to a close, for the next 12 months and beyond. At Allan Gray, we shy away from this practice, because we feel there are too many unknowns. We could certainly make some educated guesses but that is what they would ultimately be: guesses. The economy is a complex system, and there are a multitude of interrelated factors that need to be considered.

Even if we did know one or more of these factors with certainty, we are not sure it would help with predicting market outcomes. By way of example, in 2020, when the world was under lockdown in response to the COVID-19 pandemic, the US economy shrank by 3.5% in real terms and the S&P 500 delivered a return of 18.4% in US dollars.

Contrast that with 2022. At the end of the third quarter, the US economy was growing at 3.2% and continued to have a tight labour market with unemployment below 4%. Yet the S&P 500 fell 18.1%.

Historically, across markets, there is very little correlation between economic outcomes and market returns. This is because markets are forward looking, and investor sentiment plays a huge role in driving investment returns, particularly in the short term. It is not enough to know what the economy will do. You also need to know what expectations are already priced in.

How do we get around this uncertainty? We look at the current environment and the prices on offer today. We consider the risks and range of possible outcomes, acknowledging full well that there are risks and outcomes we cannot reasonably foresee. Most importantly, we focus on the price we pay: Is the price we are paying today discounting a favourable or unfavourable future? Are the potential risks on the horizon already priced in, or could a bout of turbulence materially disrupt the investment case for the asset?

A quick glance at some of the risks we are concerned about and how we are positioning the Fund highlights our philosophy in practice:

- **Inflation:** We do not know if high inflation will prove to be persistent or transitory over the coming years. As a result, we are largely avoiding assets where a positive outcome of inflation falling rapidly is already priced in.

Therefore, we continue to avoid developed market nominal government bonds, many of which still trade at real negative yields despite the sell-off in 2022. Our preference remains corporate debt and South African government bonds. In South Africa, long-term economic risks persist, but one is at least being compensated with a high nominal and real yield (10.8% and 3.4% at year end on the 10-year bond). In addition, we own a number of companies that trade at undemanding multiples, healthy dividend yields and historically have had strong pricing power. Therefore, if inflation proves to be persistent, these companies will be able to protect their earnings in real terms. Examples in our top 10 include British American Tobacco and AB InBev.

- **Energy:** Globally, we have some ambitious and admirable targets to wean ourselves completely off fossil fuels over the coming decades with the risks from climate change increasing the urgency to transition. Unfortunately, as we have acutely learnt in Europe over the past 12 months, going cold turkey isn't an option, as we haven't invested enough in renewable and cleaner alternatives to displace our existing base of fossil fuel infrastructure. We believe a number of old-economy energy companies have a role to play in the energy transition, yet they continue to be shunned by the wider investment community. Glencore is particularly interesting in this regard in that it produces over 100 million tonnes of coal each year but is also one of the largest producers globally of cobalt, zinc, nickel and copper. These commodities are integral to the renewable energy transition. When you buy Glencore today, you are paying an extremely low price for the coal-producing assets, and very little upside is priced into the company's suite of commodities integral to a cleaner future. Offshore, we are finding value in energy and energy infrastructure-related companies like Schlumberger and Kinder Morgan, which trade at very undemanding multiples.

In summary, we do not know what the future holds, and we manage the risks accordingly. By being patient and disciplined, we strive to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour and there is a large margin of safety. We won't always get it right but focusing on the price we pay is the best way to protect and grow capital over the long term.

During the quarter the Fund bought Nedbank and Mondi, and sold British American Tobacco and Glencore.

Commentary contributed by Rory Kutisker-Jacobson

Fund manager quarterly commentary as at 31 December 2022

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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)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).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Foreign exposure

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

FTSE/JSE All Share Index

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MSCI Index

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Important information for investors

Need more information?

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