

Allan Gray Equity Fund

Fund managers: Ian Liddle, Duncan Artus, Andrew Lapping, Simon Raubenheimer
(Most foreign assets are invested in Orbis funds)

Associate fund managers: Ruan Stander, Jacques Plaut, Leonard Krüger
Inception date: 1 October 1998
Class: A

Fund description and summary of investment policy¹

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund may buy foreign assets up to a maximum of 25% of the Fund, with an additional 5% allowed for African ex-SA investments. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

Fund objective and benchmark¹

The Fund aims to create long-term wealth for investors. It aims to outperform the average return of South African General Equity Funds over the long term, without taking on greater risk of loss. To pursue its objective the Fund's portfolio may differ materially from those of its peers. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares from sellers who over-react to short term difficulties or undervalue long term potential. We invest in a selection of shares across all sectors of the stock market, and across the range of large, mid and smaller cap shares.

Suitable for those investors who:

- Seek exposure to listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account: R20 000
Additional lump sum: R500
Minimum debit order*: R500

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

Annual management fee and total expense ratio (TER)¹

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 for the day to that of the benchmark.

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

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

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

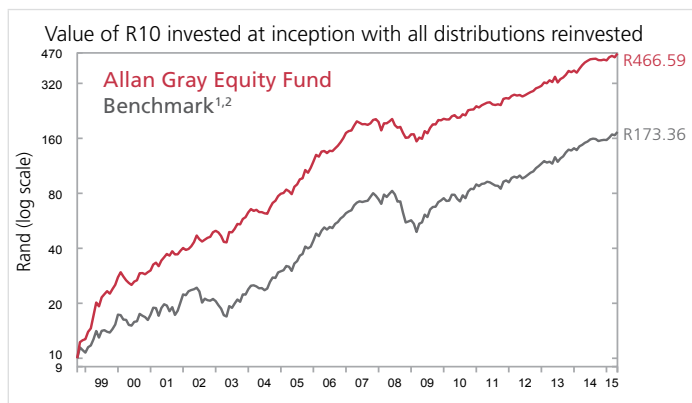
A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each ISSUED: 11 MAY 2015

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Fund information on 30 April 2015

Size: R43.1bn
Price (net asset value per unit): R350.10

Performance net of all fees and expenses



% Returns	Fund	Benchmark ²	CPI inflation ³
<i>Unannualised:</i> Since Inception	4565.9	1633.6	144.3
<i>Annualised:</i> Since Inception	26.1	18.8	5.6
Latest 10 Years	19.4	19.1	6.0
Latest 5 Years	16.8	17.1	5.2
Latest 3 Years	19.1	20.1	5.3
Latest 2 Years	19.8	22.1	5.0
Latest 1 Year	12.1	14.6	4.0
Year-to-date (unannualised)	9.1	10.6	1.9
Risk measures (since inception)			
Maximum Drawdown ⁴	-31.3	-45.4	n/a
Percentage Positive Months ⁵	67.3	61.3	n/a
Annualised Monthly Volatility ⁶	16.0	17.7	n/a
Highest annual return ⁷	125.8	38.3	n/a
Lowest annual return ⁷	-20.7	-27.7	n/a

1. The Fund's objective, benchmark and annual management fee were amended on 1 March 2015. For more information, please read the 'Proposed changes to the Allan Gray Equity Fund' Quarterly Commentary article available via the 'Latest news' page on www.allangray.co.za, or call our Client Service Centre on 0860 000 654.
2. The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). Since inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income (source: I-NET BFA), performance as calculated by Allan Gray as at 30 April 2015.
3. This is based on the latest numbers published by INET BFA as at 31 March 2015.
4. Maximum percentage decline over any period. The maximum drawdown occurred from 20 May 2008 to 27 October 2008 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
5. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
6. 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.
7. This is the highest or lowest consecutive 12 month returns the Fund has experienced since inception, along with the benchmark performance for the corresponding period. This is a measure of how much the Fund's returns have varied per rolling 12 month period. The highest annual return occurred from 1 October 1998 to 30 September 1999 and the lowest annual return occurred from 1 December 2007 to 30 November 2008. All rolling 12 month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Orbis fund's performance relative to its own benchmark. The Orbis equity funds charge 1.5% p.a. for performance equal to their benchmarks. The minimum Orbis equity fund fee is 0.5% p.a. and the maximum is 2.5% p.a.

TER breakdown for the year ending 31 March 2015

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 12 month period. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns.

Fee for benchmark performance	1.46%
Performance fees	0.60%
Other costs including trading costs	0.05%
VAT	0.29%
Total expense ratio	2.40%

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Fund manager quarterly commentary as at 31 March 2015

Since unit holders approved the new investment mandate, which came into effect on 1 March 2015, we have started to shift some of the Fund's equity exposure offshore. At the end of the first quarter, 2.1% of the Fund was invested in the Orbis Global Equity Fund, with a further 1.5% in US dollar cash, pending investment into Orbis. We will likely continue to steadily increase the offshore exposure if the valuation discrepancy between JSE-listed equities and the opportunities Orbis is identifying globally remains in place.

We are at a very interesting time in the market. The difference in price performance between the resource sector and financials and industrials is reaching extremes last seen in 1998, when the resource sector presented a great buying opportunity. The resource sector is down 26% over the past year and 17% over the past three years, while the Financial and Industrial Index has rallied 22% and 92% over the two periods.

The Allan Gray Equity Fund had 32% invested in resources in 1998 compared to the current 18% of South African shares, if Sasol is included. We are finding value in selected resource companies and are net buyers in the sector, but we do not yet see the value we saw in 1998. Why is this? Unfortunately, the relative underperformance of the resource sector is not only because of the vagaries of the stock market; resource companies have destroyed huge amounts of value through poor capital allocation over the past 10 years. This compares to many South African industrial companies, which have invested capital wisely and compounded their intrinsic value.

In the late nineties commodity prices had been in a 20-year bear market and investors saw little hope. At the time, resource companies were trading on low price-to-earnings multiples on low earnings, presenting an exceptional opportunity. Today there is still hope priced into many resource share prices and industrial commodity prices have only recently declined to what we consider normal after a period of extraordinarily high prices. From the oil price we know that prices can fall to well below our normal estimates in the short term, during which time investor sentiment can become distressed.

We prefer companies that have a proven track record of cash generation and capital allocation in the resource space, which is why we like Sasol. We are cautious about businesses with high iron ore exposure, as even though iron ore prices are now what we consider normal (the company share prices are still discounting prices that we think are above normal), they could become very depressed in the short term as Chinese demand slows and a wall of new supply hits the market over the next two years.

Sentiment towards the resource sector is deteriorating. We are monitoring the sector very closely and will increase our exposure if the opportunity to buy undervalued businesses presents itself.

Commentary contributed by Andrew Lapping

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Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (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 nine unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board (FSB). The Management Company is a member of the Association for Savings & Investment SA (ASISA) and is incorporated under the laws of South Africa. The Management Company 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 Proprietary Limited (the 'Investment Manager'), an authorised financial services provider, is the appointed investment manager of the Management Company. 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

The Fund may be closed to new investments at any time in order to be managed according to its mandate. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of its 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

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Top 10 share holdings on 31 March 2015 (updated quarterly)

Company	% of portfolio
British American Tobacco	10.1
Standard Bank	9.8
Sasol	9.6
SABMiller	7.9
Old Mutual	5.2
Remgro	4.4
Reinet Investments SA	4.0
Investec	2.9
Naspers ⁸	2.3
Anglo American	1.7
Total	57.8

8. Including Naspers Stub Certificates.

Sector allocation on 31 March 2015 (updated quarterly)

Sector	% of Fund	% of ALSI ⁹
Basic Materials	19.8	20.7
Industrials	11.0	5.9
Consumer Goods	20.7	23.2
Health Care	2.8	4.1
Consumer Services	6.5	15.8
Telecommunications	0.8	6.2
Financials	30.5	23.6
Technology	0.7	0.4
Commodity-linked	1.5	0.0
Foreign Equity Funds	2.1	0.0
Money market and bank deposits	3.5	0.0
Total	100.0	100.0

9. FTSE/JSE All Share Index.

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 2014	31 Dec 2014
Cents per unit	187.7617	108.4107

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

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 (STT), 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)

The TER is the percentage of the Fund's average assets under management that has been used to pay the Fund's operating expenses over the past year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), trading costs (including brokerage, STT, STRATE and FSB Investor Protection Levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. The Fund's performance figures are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A higher TER ratio 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. TERs should then be used to evaluate whether the Fund performance offers value for money.

FTSE/JSE All Share Index

The FTSE/JSE All Share Index is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. The FTSE/JSE All Share Index is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

Foreign exposure

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