ALLAN GRAY EQUITY FUND

Fund managers: Ian Liddle, Andrew Lapping, Duncan Artus, Jacques Plaut, Simon Raubenheimer, Ruan Stander. (Most foreign assets are invested in Orbis funds.) **Inception date:** 1 October 1998

Fund description and summary of investment policy

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 benchmark

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

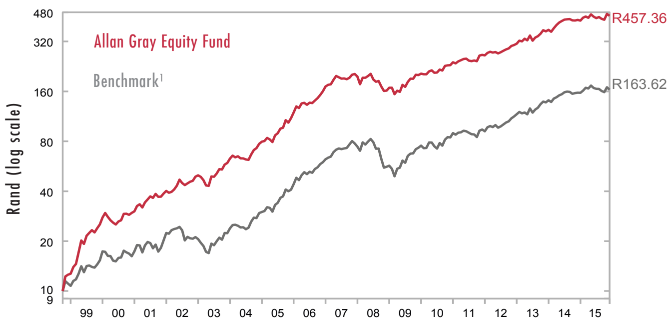
*Only available to investors with a South African bank account.

Fund information on 30 November 2015

Fund size	R38.6bn
Number of units	80 163 611
Price (net asset value per unit)	R340.84
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	4 473.6	1 536.2	151.4
Annualised:			
Since inception	24.9	17.7	5.5
Latest 10 years	15.3	14.9	6.1
Latest 5 years	14.7	14.2	5.5
Latest 3 years	14.5	13.2	5.4
Latest 2 years	11.4	9.2	5.3
Latest 1 year	5.9	4.2	4.7
Year-to-date (unannualised)	6.9	4.4	4.9
Risk measures (since inception)			
Maximum drawdown[3]	-31.3	-45.4	n/a
Percentage positive months[4]	66.0	59.7	n/a
Annualised monthly volatility[5]	16.0	17.6	n/a
Highest annual return[6]	125.8	73.0	n/a
Lowest annual return[6]	-20.7	-37.6	n/a

1. The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income (source: INET BFA), performance as calculated by Allan Gray as at 30 November 2015.
2. This is based on the latest numbers published by INET BFA as at 31 October 2015.
3. 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).
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 September 1999 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 30 November 2008 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.

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, and its returns have exceeded CPI inflation by a significant margin. 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 equity fund. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

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.	31 Dec 2014	30 Jun 2015
Cents per unit	**108.4107**	**225.5493**

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 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 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. 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.

Total expense ratio (TER)

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 (refer to page 4 for further information).

TER breakdown for the year ending 30 September 2015	%
Fee for benchmark performance	1.24
Performance fees	0.69
Other costs including trading costs	0.05
VAT	0.26
Total expense ratio	**2.24**

Top 10 share holdings on 30 September 2015 (SA and Foreign) (updated quarterly)[8]

Company	% of portfolio
British American Tobacco	9.7
Sasol	9.2
Standard Bank	7.1
SABMiller	5.8
Old Mutual	5.4
Reinet Investments SCA	4.1
Remgro	3.7
Naspers[7]	3.3
Investec	3.0
Rand Merchant Insurance[7]	1.7
Total (%)	**53.1**

7. Including Stub Certificates.

Sector allocation on 30 September 2015 (updated quarterly)[8]

Sector	% of Fund	% of ALSI[9]
Oil and gas	0.7	0.0
Basic materials	18.3	17.0
Industrials	11.3	5.7
Consumer goods	18.6	28.0
Healthcare	3.0	3.5
Consumer services	8.8	16.4
Telecommunications	0.9	5.6
Financials	28.4	23.3
Technology	2.3	0.4
Utilities	0.2	0.0
Commodity-linked	1.9	0.0
Other	0.6	0.0
Money market and bank deposits	5.1	0.0
Total (%)	**100.0**	**100.0**

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

9. FTSE/JSE All Share Index.

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

Foreign exposure on 30 November 2015[8]

12.3% of the Fund is invested in foreign investments.

Fund manager quarterly commentary as at 30 September 2015

China has had, and continues to have, a significant impact on the fortunes of the South African stock market. China accounts for 19% of the world's population, approximately 15% of global economic activity and an even higher share of global growth. However, what has been important to South Africa over the last 15 years has been the commodity intensiveness of Chinese growth.

In 2014 China accounted for approximately 45% of the global consumption of copper, 51% of aluminium and 65% of seaborne iron ore. South Africa, which does not have a competitive manufacturing sector (see last quarter's Equity Fund factsheet), nor any new, large technology companies, was still able to earn valuable foreign exchange to pay for imports by exporting commodities at high prices and to enjoy all the associated indirect benefits for our economy.

It is hard to believe now but in 2008, boosted by Chinese demand-driven super profits, mining giants BHP Billiton and Anglo American alone had a weighting in excess of 20% of the FTSE/JSE All Share Index (ALSI). And it was not just the mining companies that benefited: Richemont sold luxury goods to the newly wealthy Chinese and our construction firms built and managed projects for expanding miners. Long-term clients will remember our concerns over the sustainability of that Chinese demand given the size of its investment and debt relative to its economy.

While our concerns over China were early, they are now more widely recognised, and manifested in the weakness in many of the mining shares and in the currencies of commodity-producing countries such as South Africa. Our equity returns look very different when viewed in US dollars.

As China attempts to move from growth premised on investment to greater consumption of goods and services, it does so with a great amount of debt used to finance the boom. It is not clear whether South African companies will benefit to the same extent. While we have increased our weighting to selected mining companies, we have the potential tail risks associated with China front of mind as we do so.

Despite the large fall in commodity prices, China has retained its direct influence on our market through multinational media group Naspers, which, driven by its stake in the Chinese internet company Tencent, now accounts for a greater percentage of our market than BHP Billiton and Anglo American combined. Despite being a top 10 position in the Equity Fund, Naspers is our second-largest underweight relative to the ALSI. This feels more uncomfortable than the Fund's 0% position in BHP Billiton and Anglo American held in 2008 into the peak of the commodity super cycle.

Why is this so? Tencent is a far superior company to the mining giants, with the high return on capital inherent to platform businesses that achieve scale. Tencent has always traded on a high price-to-earnings multiple, justified by the growth in its intrinsic value. To highlight what a winner Naspers picked, and to their credit held onto, consider the following: Tencent has produced the highest compounded rate of return in the world of all companies with a market value greater than US$1bn in June 2004 (2743 companies qualified). Out of interest, Naspers and Apple are in the top 5.

We continue to spend considerable time debating Tencent and Naspers' business fundamentals and the sustainability of their profits in relation to the price being paid today. We doubt whether when we look back in a few years' time, the correct answer will seem as obvious as that of the mining shares in 2008. Nobody said investing is supposed to be easy.

There have been no material changes to the composition of the Fund during the quarter, other than the large positive move in SABMiller's share price in response to a potential offer by Belgian brewer Anheuser Busch Inbev (SABMiller is the Equity Fund's fourth largest holding). We have trimmed the position into the strength.

Commentary contributed by Duncan Artus

Notes for consideration

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 10 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board ('FSB'). 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 Proprietary Limited (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)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 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 total expense ratio (TER) is the percentage of the Fund's average assets under management that has been used to pay the Fund's actual 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, Securities Transfer Tax [STT], STRATE and FSB Investor Protection Levy), VAT and other expenses. Since Fund returns are quoted after the deduction of these expenses, the TER should not be deducted from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. 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. The TER and other funds' 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.