

Fund description and summary of investment policy

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. 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.

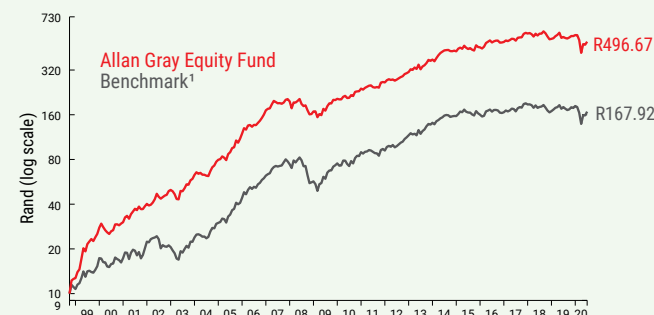
Fund information on 30 June 2020

Fund size	R31.7bn
Number of units	51 381 542
Price (net asset value per unit)	R350.34
Class	A

- 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: IRESS, performance as calculated by Allan Gray as at 30 June 2020.
- This is based on the latest available numbers published by IRESS as at 31 May 2020. Due to a delay in the release of May's CPI value, we have used April's return as an estimate for the month.
- Maximum percentage decline over any period. The maximum drawdown occurred from 3 September 2018 to 23 March 2020 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).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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 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 1998)	4866.7	1579.2	206.7
Annualised:			
Since inception (1 October 1998)	19.7	13.8	5.3
Latest 10 years	9.1	8.8	4.9
Latest 5 years	2.3	0.3	4.5
Latest 3 years	-0.5	-0.1	3.7
Latest 2 years	-6.0	-3.6	3.3
Latest 1 year	-7.0	-6.8	2.1
Year-to-date (not annualised)	-9.7	-8.4	0.8
Risk measures (since inception)			
Maximum drawdown ³	-37.0	-45.4	n/a
Percentage positive months ⁴	64.8	58.6	n/a
Annualised monthly volatility ⁵	15.9	17.1	n/a
Highest annual return ⁶	125.8	73.0	n/a
Lowest annual return ⁶	-24.3	-37.6	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 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 2019	30 Jun 2020
Cents per unit	416.4739	969.596

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. 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 30 June 2020 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
Naspers ⁸	12.0
British American Tobacco	7.1
Standard Bank	3.8
Glencore	3.5
Reinet	3.0
Remgro	2.4
NetEase	2.3
Woolworths	2.0
Old Mutual	1.9
FirstRand	1.8
Total (%)	39.8

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

8. Including stub certificates and Prosus NV.

9. FTSE/JSE All Share Index.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2020	1yr %	3yr %
Total expense ratio	0.99	1.47
Fee for benchmark performance	1.14	1.13
Performance fees	-0.28	0.17
Other costs excluding transaction costs	0.04	0.04
VAT	0.09	0.13
Transaction costs (including VAT)	0.10	0.09
Total investment charge	1.09	1.56

Sector allocation on 30 June 2020 (updated quarterly)⁷

Sector	% of Fund	% of ALSI ⁹
Oil and gas	1.5	0.0
Basic materials	14.7	34.3
Industrials	6.4	1.7
Consumer goods	13.3	12.6
Healthcare	4.8	1.8
Consumer services	7.2	6.5
Telecommunications	1.0	2.7
Utilities	0.4	0.0
Financials	28.2	17.3
Technology	16.1	23.0
Commodity-linked	0.9	0.0
Other	1.1	0.0
Money market and bank deposits	4.5	0.0
Total (%)	100.0	100.0

Asset allocation on 30 June 2020⁷

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	93.8	61.4	2.6	29.7
Property	0.8	0.8	0.0	0.1
Commodity-linked	0.9	0.9	0.0	0.0
Bonds	0.2	0.0	0.0	0.2
Money market and bank deposits	4.3	3.6	0.1	0.6
Total (%)	100.0	66.6	2.7	30.6¹⁰

10. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

The second quarter of 2020 saw further extreme moves in equities. An intraday price move of 20% is a rare event, especially for a large company. In the month of January, only one of the largest 100 companies listed on our market experienced such a move; during the second quarter there were 70 such moves. For example:

- On 8 April, Sasol opened at R72 and closed slightly lower at R69. But during the day, the share traded as low as R52 and as high as R83 – an intraday move of more than 60%.
- On 14 April, Redefine opened at R2.70, traded as low as R2.50, as high as R3.50, and closed at R3.10 – a 41% intraday move.

March was even more extreme: There were 238 intraday moves of more than 20%.

An investor with perfect foresight could have made a 100% return on 11 of the 100 largest shares during the quarter, and a 50% return on 40 of them. For example:

- You could have bought Anglo American Platinum for R690 per share on 1 April, and sold it for R1 190 on 2 June, for a return of 72%.
- You could have bought Nedbank for R79 on 3 April and sold it for R128 on 8 June, for a return of 62%.

The FTSE/JSE All Share Index (ALSI) gave a total return of 23% for the quarter. However, this return came from a small group of stocks. Each of the following groups contributed about 5% to the 23% total return:

1. Naspers and Prosus
2. BHP and Anglo American
3. Miners of precious metals

Many domestic stocks are still at very depressed levels, even though they have bounced during the quarter. 50 of the 100 largest shares are more than 50% off their all-time highs. Woolworths, Foschini and Truworths are all 70% off their highs, as is Netcare. Half of companies are more than 20% off their levels from the start of the year, including Nedbank (-52%), Redefine (-56%), and PEP (-39%).

Of course, the economic crisis brought about by COVID-19 and the global lockdowns is far from over. We are concerned about the high level of corporate and government debt – not only in South Africa, but also in developed countries like the US. Ever-higher bailouts by central banks carry with them the risk that money starts losing its meaning, and to the cautious (paranoid?) investor there are already signs that this is happening. Look, for instance, at the prices of collectable sneakers, cryptocurrencies, and certain forms of [art](#).

The most important determinant of investment success is the price you pay for an asset, and valuations for many high-quality companies are the cheapest they have been in decades. We are expecting good returns over the long term from the holdings in the Fund.

The Allan Gray Equity Fund returned 19% for the quarter, compared with the benchmark's return of 21%. During the quarter we bought Capitec and Shoprite, and sold Aspen and Investec. We also lightened our Sasol position after it rallied. The foreign portion of the Fund contributed positively to performance.

Commentary contributed by Jacques Plaut

Fund manager quarterly commentary as at 30 June 2020

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 11 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 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. Where annualised performance is mentioned, this refers to the average return per year over the period. 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) 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 [STT], STRATE and Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost 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').

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 and investments in Africa outside of South Africa.

Important information for investors

Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website www.allangray.co.za or via our Client Service Centre on **0860 000 654**