

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 45% offshore. 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*

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.

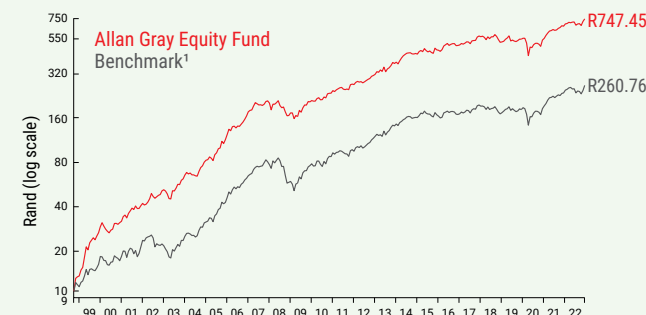
Fund information on 30 November 2022

Fund size	R40.6bn
Number of units	46 980 899
Price (net asset value per unit)	R496.41
Class	A

- The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 30 November 2022. From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS.
- This is based on the latest available numbers published by IRESS as at 31 October 2022.
- 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)	7374.5	2507.6	255.0
Annualised:			
Since inception (1 October 1998)	19.5	14.4	5.4
Latest 10 years	9.4	8.7	5.2
Latest 5 years	5.6	6.4	4.9
Latest 3 years	11.3	13.6	5.3
Latest 2 years	18.3	20.3	6.3
Latest 1 year	12.3	12.7	7.6
Year-to-date (not annualised)	8.3	7.9	7.1
Risk measures (since inception)			
Maximum drawdown ³	-37.0	-45.4	n/a
Percentage positive months ⁴	65.9	59.7	n/a
Annualised monthly volatility ⁵	15.4	16.7	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 year period, the Fund has outperformed its benchmark. Over the latest five-year period, the Fund has underperformed 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 2021	30 Jun 2022
Cents per unit	448.7288	303.2238

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 September 2022 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
British American Tobacco	7.3
Glencore	5.9
Naspers ⁸	5.8
Woolworths	3.6
AB InBev	3.1
Nedbank	2.9
Standard Bank	2.7
Remgro	2.6
Sibanye-Stillwater	2.6
Sasol	2.4
Total (%)	38.9

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

8. Includes holding in Prosus N.V.

9. FTSE/JSE All Share Index.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2022	1yr %	3yr %
Total expense ratio	1.27	0.98
Fee for benchmark performance	1.10	1.12
Performance fees	0.02	-0.27
Other costs excluding transaction costs	0.04	0.04
VAT	0.11	0.09
Transaction costs (including VAT)	0.09	0.10
Total investment charge	1.36	1.08

Sector allocation on 30 September 2022 (updated quarterly)⁷

Sector	% of Fund	% of ALSI ⁹
Energy	5.2	1.5
Basic materials	20.3	26.7
Industrials	8.6	4.2
Consumer staples	16.3	9.3
Healthcare	2.1	2.0
Consumer discretionary	9.6	17.1
Telecommunications	1.7	5.1
Utilities	1.0	0.0
Financials	23.0	20.4
Technology	7.1	10.5
Commodity-linked	0.6	0.0
Real estate	1.2	3.3
Money market and bank deposits	3.4	0.0
Bonds	0.1	0.0
Total (%)	100.0	100.0

Asset allocation on 30 November 2022⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	94.6	65.2	3.1	26.2
Hedged equities	0.0	0.0	0.0	0.0
Property	1.2	1.2	0.0	0.0
Commodity-linked	0.6	0.6	0.0	0.0
Bonds	0.3	0.1	0.0	0.2
Money market and bank deposits	3.3	1.6	-0.2	1.8
Total (%)	100.0	68.7	3.0	28.3¹⁰

10. 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.

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

The Fund declined by 0.4% over the quarter and is down 2.4% year to date. This compares with the FTSE/JSE All Share Index (ALSI) return of -1.9% over the quarter and -10.1% year to date.

Investing in public markets is a strange pursuit, since it is during times of doubt, uncertainty and pessimism that the best investments are made. If one could time the market perfectly – which in practice is extremely unlikely – two of the best dates to buy the ALSI in the last 15 years were 20 November 2008, in the midst of the global financial crisis and, more recently, 19 March 2020, as the world went under lockdown in response to COVID-19. These were hardly moments that would have *felt* like good times to invest.

And yet, investing in the ALSI on 20 November 2008 would have yielded a subsequent return of 24.0% per annum over the next five years (25.0% p.a. in US dollars), and an investment on 19 March 2020 would have yielded a return of 27.6% per annum over the past 2.5 years (25.9% p.a. in dollars). This latter number includes the drawdown of 10.1% year to date.

Overall, however, the Johannesburg Stock Exchange (JSE) has been a relatively poor place to invest over much of this period. An investment at the end of September 2007 would have generated a rand return of 8.5% per annum over the subsequent 15 years, and a pretty disappointing 1.7% per annum when measured in dollars. In contrast, an investment in the S&P 500 over this 15-year period would have yielded a return of 8.0% per annum in dollars.

Many pundits will point to this contrast as proof that money cannot be made in global terms on the JSE. Ironically, it is this same dataset and history that give us cautious optimism about the return prospects of the JSE today.

Why do we say that?

Firstly, it is an increasingly large misnomer to conflate the JSE with the domestic economy. Many of the companies listed on the JSE are multinational companies, which happen to be listed in South Africa. Examples in our top 10 include British American Tobacco, Naspers/Prosus, Glencore and AB InBev, where less than 10% of each company's revenue comes from South Africa. Even many traditionally South African businesses now have significant offshore operations. Examples in our top 10 include Sasol, with substantial American and European chemical operations, and Woolworths, with a *not* insignificant Australian operation.

Secondly, and more importantly, we are optimistic about the outlook for shares listed on the JSE because of the prices on offer today. When investing, money is made in the buying, not the selling. It is the price you pay that matters.

In real terms, i.e. discounting by inflation, the ALSI is trading below where it was 15 years ago. This is not because the underlying businesses have shrunk or gone backwards; the average business has actually grown earnings in real terms over this period. It is simply because the prices at which these businesses change hands have contracted. At the end of September 2007, the average business on the JSE traded at 15.1 times earnings. Today, that multiple is 10.4 times – a roughly 31% decline in price. Importantly, that is the average. There are many businesses where the change in price relative to earnings has been far starker.

While the 15-year period since 2007 yielded relatively scant returns, an investor on the JSE would have actually slightly outperformed the S&P 500 in dollars over the 20-year period since 2002, receiving a return of 10.4% p.a. versus the S&P 500's 9.8%. Why has the JSE outperformed over 20 years and yet underperformed over the last 15 years? In large part, it comes down to starting prices. In 2002, the JSE was extremely cheap in comparison to global markets. Over the subsequent five years, the JSE generated a return of 29.7% p.a. in rands and 41.3% p.a. in dollars, as the rand strengthened over this period. By the end of September 2007, the JSE had rerated materially versus world markets and was no longer cheap in comparison. Thus, all the outperformance over 20 years came in the first five years, when starting prices were markedly cheaper. Again, we see that the price one pays matters.

This brief glance at history teaches us some important things about the future. Firstly, like you, we do not have a crystal ball and do not know what the future holds – such as foreseeing whether global inflation will prove to be persistent or transitory over the coming years. Likewise, we don't know what global and domestic GDP will be in five years' time, and we don't know whether share prices will continue to contract in real terms or recover.

What we do know, however, is that we are finding a lot of cheap shares, and prices appear to be discounting a relatively dire economic outcome. At the moment, we have more ideas than places in the portfolio, which we believe is a relatively good starting point for prospective future returns.

During the quarter, the Fund added to its position in Mondi and sold shares in Glencore.

Commentary contributed by Rory Kutisker-Jacobson

Fund manager quarterly commentary as at 30 September 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.

MSCI Index

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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).

Foreign exposure

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

FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index

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

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