

**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.

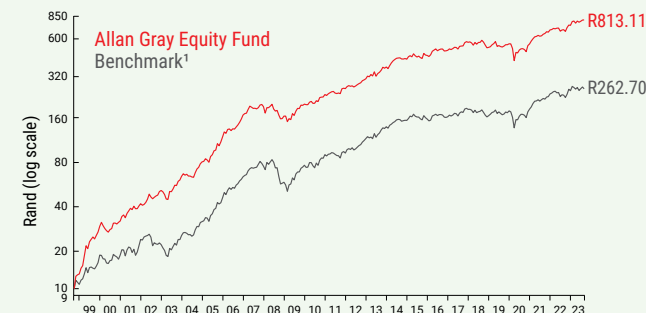
**Fund information on 31 August 2023**

Fund size	R42.7bn
Number of units	47 090 826
Price (net asset value per unit)	R530.93
Class	A

1. 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 31 August 2023. From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS.
2. This is based on the latest available numbers published by IRESS as at 31 July 2023.
3. 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).
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 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 <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 October 1998)	8031.1	2527.0	269.3
<b>Annualised:</b>			
Since inception (1 October 1998)	19.3	14.0	5.4
Latest 10 years	9.0	7.5	5.1
Latest 5 years	6.9	7.1	4.9
Latest 3 years	17.0	15.0	5.8
Latest 2 years	12.5	8.2	6.3
Latest 1 year	17.4	11.0	4.7
Year-to-date (not annualised)	9.3	3.1	3.7
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-37.0	-45.4	n/a
Percentage positive months <sup>4</sup>	65.9	59.2	n/a
Annualised monthly volatility <sup>5</sup>	15.3	16.6	n/a
Highest annual return <sup>6</sup>	125.8	73.0	n/a
Lowest annual return <sup>6</sup>	-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 2022	30 Jun 2023
<b>Cents per unit</b>	<b>707.3119</b>	<b>128.4571</b>

### 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 2023 (SA and Foreign) (updated quarterly)<sup>7</sup>

Company	% of portfolio
British American Tobacco	6.0
Glencore	4.4
Naspers & Prosus	4.2
AB InBev	3.8
Woolworths	3.3
Standard Bank	3.1
Nedbank	2.8
Mondi	2.6
Remgro	2.4
Sasol	2.1
<b>Total (%)</b>	<b>34.8</b>

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

8. Includes listed property.

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 June 2023	1yr %	3yr %
<b>Total expense ratio</b>	<b>2.31</b>	<b>1.23</b>
Fee for benchmark performance	1.08	1.10
Performance fees	0.96	-0.02
Other costs excluding transaction costs	0.04	0.04
VAT	0.23	0.11
<b>Transaction costs (including VAT)</b>	<b>0.08</b>	<b>0.09</b>
<b>Total investment charge</b>	<b>2.39</b>	<b>1.32</b>

### Sector allocation on 30 June 2023 (updated quarterly)<sup>7</sup>

Sector	% of equities <sup>8</sup>	% of ALSI <sup>9</sup>
Energy	3.8	1.0
Basic materials	16.5	28.2
Industrials	10.4	4.7
Consumer staples	16.3	10.0
Healthcare	2.2	1.9
Consumer discretionary	13.9	7.3
Telecommunications	2.1	5.5
Utilities	1.1	0.0
Financials	26.9	24.2
Technology	5.8	13.6
Real estate	1.0	3.6
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

### Asset allocation on 31 August 2023<sup>7</sup>

Asset class	Total	South Africa	Foreign <sup>10</sup>
Net equities	96.0	56.7	39.3
Hedged equities	0.0	0.0	0.0
Property	0.8	0.8	0.1
Commodity-linked	0.6	0.6	0.0
Bonds	0.2	0.0	0.2
Money market and bank deposits <sup>11</sup>	2.3	1.2	1.1
<b>Total (%)</b>	<b>100.0</b>	<b>59.3</b>	<b>40.7<sup>12</sup></b>

10. Includes Africa ex-SA exposure following the consolidation of the foreign ex-Africa and Africa ex-SA allowances into a single foreign limit of 45%.

11. Including currency hedges.

12. 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.

Over the recent past, we have been highlighting the potential risks posed to South African portfolios from an increasingly divided world. Given the large direct and indirect exposure that our equity market has to China, we initially focused on the implications of its rising strategic competition with the United States. The war in Ukraine and the subsequent actions taken by the West against Russia showed how real these geopolitical risks are for global businesses. We were concerned at the time that the South African government would choose to side with Russia and China, with negative implications for South African assets.

Although most emerging markets have been affected by the attractive yields available on short-duration, hard-currency fixed interest assets, it is clear to us that South African sovereign risk has been repriced upwards given loadshedding, our political stance and the seemingly endless stream of own goals. The most important question to ask, however, is whether it has been more than priced into local assets.

If we use the FTSE/JSE Mid Cap Index as a proxy for shares that are reliant on the local economy, we can see that it is trading below the level it did relative to the FTSE/JSE All Share Index at the peak of the pandemic sell-off in March 2020. This is remarkable if we think about how pessimistic investors were on the outlook for small and medium companies at the time.

These are not just businesses with poor fundamentals. AVI, which we regard as one of the best-managed companies in South Africa, is trading at its highest dividend yield since its listing in 2005. AVI has derated as it has struggled to grow its earnings in real terms given the tough consumer environment and increased costs associated with loadshedding and a weaker currency.

Unfortunately, a higher cost of capital coupled with slow real economic growth puts pressure on the estimation of the intrinsic value of a business and results in a low valuation. It is just the maths of it. For locally focused shares to re-rate from these depressed valuations, both of these variables need to change for the positive. In other words, we need to get the cost of capital down and grow the economy.

The Fund has taken advantage of the greater flexibility provided by the revised offshore investment limits to increase its diversification. The offshore weighting increased during the quarter, from both active purchases of offshore equities and rand weakness. As at the end of June, the Fund had direct offshore exposure of 40.1%. More than 20% of the Fund is invested in offshore businesses such as AB InBev, British American Tobacco and Glencore. These businesses happen to be listed in South Africa, and we believe they are attractively valued in a global context.

We have spent a lot of time thinking about the appropriate balance between local and offshore equities. We also want to remind clients that our offshore holdings are very different to those of many of our peers.

Over the quarter, the Fund purchased The Walt Disney Co and Booking Holdings Inc and reduced its stakes in Prosus and Reinet.

**Commentary contributed by Duncan Artus**

## **Fund manager quarterly commentary as at 30 June 2023**

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## 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](http://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](http://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. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

## 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).

## FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap 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, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap 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, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index vests in FTSE and the JSE jointly. All their rights are reserved.

## FTSE Russell Index

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