

Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). 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 South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. 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 FTSE/JSE All Share Index including income.

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 which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-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.

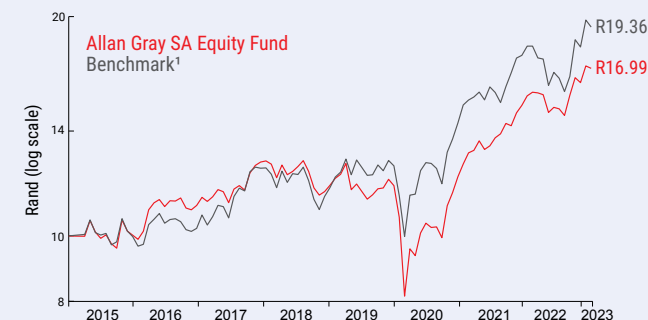
Fund information on 28 February 2023

Fund size	R5.1bn
Number of units	3 905 276
Price (net asset value per unit)	R449.46
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 28 February 2023.
2. This is based on the latest available numbers published by IRESS as at 31 January 2023.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 March 2020. 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 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 of the Fund. 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 31 March 2021 and the benchmark's occurred during the 12 months ended 31 March 2021. 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 31 March 2020. 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 (13 March 2015)	69.9	93.6	48.7
Annualised:			
Since inception (13 March 2015)	6.9	8.6	5.2
Latest 5 years	6.2	9.8	4.9
Latest 3 years	17.0	19.5	5.2
Latest 2 years	16.3	13.1	6.3
Latest 1 year	9.1	6.2	6.9
Year-to-date (not annualised)	4.6	6.5	0.3
Risk measures (since inception)			
Maximum drawdown ³	-44.3	-35.2	n/a
Percentage positive months ⁴	58.3	56.3	n/a
Annualised monthly volatility ⁵	15.2	15.0	n/a
Highest annual return ⁶	57.3	54.0	n/a
Lowest annual return ⁶	-32.0	-18.4	n/a

Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed [here](#).

Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has underperformed its benchmark.

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 2022	31 Dec 2022
Cents per unit	330.6436	899.8108

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. 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.

Total expense ratio (TER) and transaction costs

The annual management fee is 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 31 December 2022 (updated quarterly)

Company	% of portfolio
British American Tobacco	7.8
Naspers ⁷	7.5
Glencore	7.3
AB InBev	5.5
Woolworths	4.8
Nedbank	4.0
Mondi Plc	3.7
Standard Bank	3.4
Sibanye-Stillwater	3.3
Sasol	3.0
Total (%)	50.4

7. Includes holding in Prosus N.V.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2022	1yr %	3yr %
Total expense ratio	1.82	0.62
Fee for benchmark performance	1.00	1.00
Performance fees	0.57	-0.47
Other costs excluding transaction costs	0.01	0.01
VAT	0.24	0.08
Transaction costs (including VAT)	0.11	0.12
Total investment charge	1.93	0.74

Sector allocation on 31 December 2022 (updated quarterly)

Sector	% of Fund	% of ALSI ⁸
Energy	0.4	1.3
Basic materials	25.7	27.3
Industrials	6.2	3.8
Consumer staples	18.4	8.8
Healthcare	1.5	1.8
Consumer discretionary	8.9	18.3
Telecommunications	1.3	4.6
Financials	23.7	19.6
Technology	7.7	11.2
Real estate	1.9	3.3
Money market & bank deposits	4.3	0.0
Bonds	0.1	0.0
Total (%)	100.0	100.0

8. FTSE/JSE All Share Index.

Asset allocation on 28 February 2023

Asset class	Total
Net equities	95.0
Property	1.9
Bonds	0.1
Money market & bank deposits	3.0
Total (%)	100.0

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

The Allan Gray SA Equity Fund had a relatively good 2022. In a year when most assets lost value, the Fund returned 10.0% in rands and 3.2% in US dollars. This was ahead of the benchmark, which returned 3.6% in rands and -2.9% in dollars.

There were significant shifts in the global environment, as world events changed the fortunes of a number of sectors and asset classes. In particular, it seems like the tide has turned for government bonds, technology stocks and cryptocurrencies. Here are some price moves that caught our attention at year end:

- Global equity markets sold off. The MSCI All Country World Index and the S&P 500 were both down almost 20% for the 12 months ending December. The local Capped SWIX All Share Index fared much better but was still down 2% in dollars.
- Technology stocks sold off *a lot*. The Nasdaq Composite was down 33%. Amazon became the first public company to lose US\$1 trillion in market capitalisation and its share price halved over the year. The price of Tesla dropped 65%. By contrast, Naspers returned 7% in dollars over the year.
- Developed market bonds sold off. Investors in the US 30-year bond lost a third of their money by year end. Pound investors in the UK 30-year gilt lost more than 60%. This happened because inflation in developed markets hit levels not seen since the early 1980s.
- The price of Bitcoin fell by 64% over 2022. It is down 75% from its peak. At least nine crypto companies went bankrupt in 2022. The largest was FTX, whose previous CEO has been arrested for fraud.
- Despite the high rate of inflation, the war in Ukraine, and Xi Jinping consolidating his power in China, the dollar gold price was broadly flat over the year.
- The Chinese property market continued to weaken. October and November 2022 saw the average price of a new home fall near 2% year-on-year. More concerning, however, is the value of new homes sold which was down 28% for the 11 months to November, relative to the prior year.

Turning to South African stocks:

- It was a year to own banks. The sector delivered good returns in 2021, and these continued in 2022. Absa provided a total rand return of 35% for the year and Standard Bank gave 28%. Capitec has underperformed the banking index in only five of the past 20 years, and 2022 was one of those: The stock returned -6%.
- Glencore was the top contributor to the performance of the Fund, delivering a total return of 50% in 2022.
- Woolworths, another stock we've held for a long time and a top 10 holding in the Fund, returned 33%.
- The Fund doesn't hold Aspen, which was down 38% for 2022. This was another contributor to relative performance.
- Two of our top detractors during 2022 were Life Healthcare (down 28%) and Old Mutual (down 15%). Relative performance was also hurt by being underweight BHP and Shoprite

We don't know what will happen with inflation, the war in Ukraine or the global economy in 2023. Even if we did know, we might draw the wrong conclusions about the implications for stocks. Who would have thought pre 2020 that a pandemic would be good for suppliers of luxury goods and building materials and bad for hospital stocks? Our approach relies on calculating the intrinsic value of companies by estimating their normal earnings power through many business cycles and buying them at less than their intrinsic value when the market gives us an opportunity to do so. We believe this is the surest way to avoid losing money over the long term.

During the quarter, we bought shares in British American Tobacco and Nedbank, and sold shares in Prosus and Glencore.

Commentary contributed by Jacques Plaut

Fund manager quarterly commentary as at 31 December 2022

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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.

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

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).

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

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MSCI Index

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