

Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 40%. The Fund's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund or a balanced fund.

ASISA unit trust category: South African – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited, plus 2%.

How we aim to achieve the Fund's objective

A major portion of the Fund is typically invested in money market instruments. We seek to deploy the Fund's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. 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. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Fund's stock market exposure in consideration of the Fund's capital preservation objectives. The Fund may also invest in bonds, property and commodities. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a unit trust that complies with retirement fund investment limits

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.

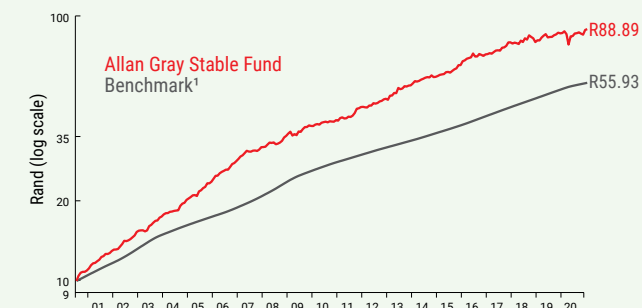
Fund information on 31 December 2020

Fund size	R43.9bn
Number of units	564 981 757
Price (net asset value per unit)	R35.91
Class	A

- The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited plus 2%, performance as calculated by Allan Gray as at 31 December 2020.
- This is based on the latest available numbers published by IRESS as at 30 November 2020.
- Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund (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 April 2006 and the benchmark's occurred during the 12 months ended 30 June 2003. 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 December 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 (1 July 2000)	788.9	459.3	194.2
Annualised:			
Since inception (1 July 2000)	11.2	8.8	5.4
Latest 10 years	8.3	7.1	5.1
Latest 5 years	5.7	7.5	4.6
Latest 3 years	4.3	7.1	4.0
Latest 2 years	5.0	6.7	3.4
Latest 1 year	3.4	5.5	3.2
Year-to-date (not annualised)	3.4	5.5	3.2
Risk measures (since inception)			
Maximum drawdown ³	-16.7	n/a	n/a
Percentage positive months ⁴	77.2	100.0	n/a
Annualised monthly volatility ⁵	5.3	0.7	n/a
Highest annual return ⁶	23.3	14.6	n/a
Lowest annual return ⁶	-7.4	5.5	n/a

Meeting the Fund objective

Since inception and over the latest 10 years, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to minimise the risk of loss over any two-year period.

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 quarterly.	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Cents per unit	33.8100	64.5158	37.6982	29.1088

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 over the last two years, to that of the benchmark. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.50% p.a. excl. VAT
Minimum fee: 0.50% p.a. excl. VAT

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 31 December 2020 (SA and Foreign) (updated quarterly)⁹

Company	% of portfolio
Naspers ⁷	3.6
British American Tobacco	3.3
Glencore	2.4
Sibanye Stillwater	1.4
Standard Bank	1.4
MultiChoice	1.2
Taiwan Semiconductor Mfg.	1.2
Woolworths	1.1
Nedbank	1.1
SPDR Gold Trust	1.0
Total (%)	17.6

7. Including stub certificates and Prosus NV.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 December 2020	1yr %	3yr %
Total expense ratio	0.65	0.90
Fee for benchmark performance	1.03	1.07
Performance fees	-0.48	-0.27
Other costs excluding transaction costs	0.04	0.03
VAT	0.06	0.07
Transaction costs (including VAT)	0.07	0.09
Total investment charge	0.72	0.99

Top credit exposures on 31 December 2020 (SA and Foreign) (updated quarterly)^{8,9}

Issuer	% of portfolio
Republic of South Africa	14.9
FirstRand Bank	8.1
Investec Bank	3.8
Standard Bank (SA)	2.5
Nedbank	2.2
Northam Platinum	1.9
Standard Bank Group	1.2
MTN	1.0
Total (%)	35.6

8. All credit exposure 1% or more of portfolio.

Asset allocation on 31 December 2020⁹

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	34.8	20.9	1.6	12.2
Hedged Equity	13.8	5.1	0.0	8.8
Property	2.3	2.3	0.0	0.0
Commodity-linked	3.6	2.6	0.0	1.0
Bonds	35.9	27.9	3.3	4.7
Money Market & Bank Deposits	9.6	5.3	0.8	3.4
Total (%)	100.0	64.2	5.7	30.1¹⁰

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

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.

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(January 2010) 12.4%
Average	25.7%
Maximum	(December 2018) 39.6%

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

2020 was a volatile year for markets. It is worth reviewing the objectives of the Fund and assessing how it has performed over this tough period.

The Fund aims to:

- Provide a high degree of capital stability
- Minimise the risk of loss over any two-year period
- Produce long-term returns better than bank deposits and inflation

In 2020 these objectives were only partially met. The value of capital invested in the Fund was much more stable than that of a typical balanced or equity fund, but likely more volatile than investors would expect and prefer. The JSE and global markets fell by around one-third during February and March 2020. At 31 March 2020, the Fund's two-year rolling return was marginally negative (-0.2%), which was a disappointing outcome. The intra-month drawdown was larger, but fortunately lasted only a few days. The Fund's conservative liquidity position enabled it to take advantage of opportunities during this time. As at 31 December 2020, the Fund had returned 5.0% p.a. over the past two years and 5.7% p.a. over the past five years. This is better than inflation and bank deposits over both periods, but marginally behind the benchmark – which is cash +2% – and certainly lower than the level of return we aim to achieve.

Looking back over the Fund's history

The Allan Gray Stable Fund turned 20 in 2020. Since inception, it has generated returns of 5.8% p.a. after inflation, creating substantial wealth for clients, while taking relatively low risk. There have been periods of very high returns, such as 2005-2006, when the local market performed strongly, and the shares owned by the Fund performed even better. Mid-2014 to mid-2016 is an example of a tough period for the Fund, where returns from both the FTSE/JSE All Share Index and the FTSE/JSE All Bond Index were lower than cash. The Fund has a high degree of flexibility to invest in different asset classes, but is not completely immune to market movements. Risk is managed by an overall conservative approach, e.g. a maximum allocation of 40% to equities, a low-duration position in bonds, and maintaining a high allocation to cash and liquid instruments.

What do we expect for future returns from here?

Compared to history, the current opportunities available to the Fund look very attractive. Five years ago, local bonds and shares were both relatively expensive. Subsequent market returns were disappointing, and cash ended up being one of the best investments over this period, helped by high cash interest rates.

Looking forward, the picture is reversed. Cash interest rates are now low, at around 4%, similar to inflation. Holding cash is therefore unattractive, as it puts an investor at risk of losing purchasing power in inflation-adjusted terms. In contrast to five years ago, local bonds and shares are now relatively cheap. In contrast with developed markets, SA longer-dated bonds offer very high real yields. For example, a 10-year South African government bond yields 9%. The Fund has used some of its cash to increase the bond position. The prospect for future returns from shares also looks promising. While South Africa clearly faces numerous risks, our investment team is finding many attractively valued businesses to invest in. There is a high probability that the return from shares should also exceed cash over the next five years.

Overall, this makes us cautiously optimistic for future returns from this starting point. There are, of course, various risks to consider. A key consideration of the Fund is that potential returns from attractive opportunities should be balanced with protecting against the various things that could go wrong. For example, the Fund maintains a 30% weight in offshore assets, which protects against the risk of the rand weakening. Meanwhile, it also holds some inflation-linked bonds, which will do well if South Africa experiences high inflation.

During the quarter the Fund added to AngloGold Ashanti, New Gold ETF and BHP and sold Zambesi Platinum, MultiChoice and Sappi.

Commentary contributed by Tim Acker

**Fund manager quarterly
commentary as at
31 December 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').

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

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.

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

FTSE/JSE All Share Index and FTSE/JSE All Bond Index

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

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**