

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 45% offshore. 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*

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.

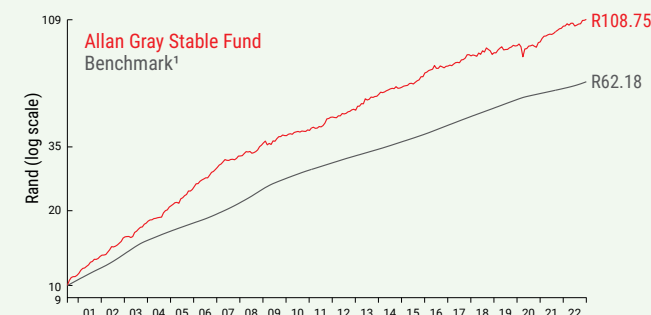
Fund information on 31 December 2022

Fund size	R48.8bn
Number of units	569 829 052
Price (net asset value per unit)	R41.15
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 2022.
- This is based on the latest available numbers published by IRESS as at 30 November 2022.
- 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 August 2021. 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)	987.5	521.8	233.7
Annualised:			
Since inception (1 July 2000)	11.2	8.5	5.5
Latest 10 years	8.5	6.9	5.2
Latest 5 years	6.8	6.4	4.9
Latest 3 years	8.2	5.5	5.3
Latest 2 years	10.6	5.4	6.4
Latest 1 year	6.3	6.3	7.4
Year-to-date (not annualised)	6.3	6.3	7.4
Risk measures (since inception)			
Maximum drawdown ³	-16.7	n/a	n/a
Percentage positive months ⁴	78.1	100.0	n/a
Annualised monthly volatility ⁵	5.2	0.7	n/a
Highest annual return ⁶	23.3	14.6	n/a
Lowest annual return ⁶	-7.4	4.6	n/a

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed 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 2022	30 Jun 2022	30 Sep 2022	31 Dec 2022
Cents per unit	25.7330	31.7375	58.4901	31.6358

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 2022 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
British American Tobacco	2.9
Glencore	2.7
Nedbank	1.5
AB InBev	1.5
Standard Bank	1.5
Woolworths	1.2
AngloGold Ashanti	1.2
Sasol	1.2
Sibanye-Stillwater	1.1
Remgro	1.1
Total (%)	16.0

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

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

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	1.73	1.24
Fee for benchmark performance	1.01	1.01
Performance fees	0.51	0.07
Other costs excluding transaction costs	0.03	0.03
VAT	0.18	0.13
Transaction costs (including VAT)	0.04	0.05
Total investment charge	1.77	1.29

Top credit exposures on 31 December 2022 (SA and Foreign) (updated quarterly)^{7,8}

Issuer	% of portfolio
Republic of South Africa	14.3
FirstRand Bank	7.5
Standard Bank (SA)	6.8
Absa Bank	3.1
Investec Bank	2.5
Northam Platinum	1.8
Standard Bank Group	1.6
Nedbank	1.5
Sasol	1.2
South African Futures Exchange	1.2
Total (%)	41.4

Asset allocation on 31 December 2022⁹

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	25.3	16.3	1.6	7.4
Hedged equities	20.3	10.9	0.0	9.4
Property	1.0	0.9	0.0	0.1
Commodity-linked	2.9	2.5	0.0	0.4
Bonds	32.7	24.9	2.8	5.0
Money market and bank deposits	17.8	12.2	0.0	5.5
Total (%)	100.0	67.7	4.4	27.9⁹

9. 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.

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

Minimum	(January 2010) 12.4%
Average	26.5%
Maximum	(December 2018) 39.6%

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

Global markets saw a sharp reversal in 2022 and South African markets were not unscathed. It is worth assessing how the Allan Gray Stable Fund has performed against its objectives during this volatile 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

These objectives have been met throughout the past two years and the Fund has delivered an annualised return of 10.6%, comfortably ahead of cash returns of 3.4% and inflation of 6.5%¹. Capital invested in the Fund provided stable returns without major drawdowns, despite the volatility in both equity and bond markets. Over the past 12 months, the Fund produced a return of 6.3%, in line with its benchmark of cash returns plus 2%.

During 2022, global equities and global bonds declined by 18.1% and 17.2%, respectively, in US dollars, reversing the returns of previous years. The recent period of volatility has been a good illustration of the benefits of a diversified asset allocation in achieving the Fund's objectives. It can be tempting to hold only cash during periods of uncertainty, but the returns from this are often unsatisfactory over longer timeframes. Over the past two years, cash returns have lagged inflation by a meaningful margin. The addition of some equities at attractive valuations has enhanced returns of the Fund without adding undue risk.

Inflation can be an underappreciated risk for conservative investors. Equities tend to be a good hedge against inflation, as businesses typically have some ability to pass on higher prices. The Fund also has an allocation to foreign assets, which provides some protection against our local currency. This is a

useful feature in the portfolio, as a weakening of the rand often corresponds to falling prices for South African bonds. Combining different asset classes can reduce volatility, as declines in one area are partially offset by gains in others.

What do we expect for future returns?

The last five years have not provided a particularly favourable environment for the Fund. Returns from most South African asset classes have been muted over this period with limited opportunities for returns meaningfully ahead of inflation. Over this period, annualised returns were 8.0% for South African shares, 7.8% for South African bonds and 4.3% for local cash, compared to inflation of 4.9%². Looking forward, the outlook seems much more positive. For example, the current yield on the FTSE/JSE All Bond Index is 11.0% and South African cash rates are at 6.9% – in both cases much higher than the trailing returns. Similarly, the valuations for South African equities are relatively low compared to history, which would suggest higher returns from this starting point. While there are certainly many challenges facing the South African economy and various risks in the market, the available investment opportunities are attractive.

The Fund will strive to take advantage of attractive valuations in various asset classes, without taking on undue risks. The asset allocation remains conservative. Net equity exposure is at 25% compared to a maximum allowable limit of 40%. The domestic fixed income allocation has a relatively low exposure to interest rate risk, with a modified duration of only 3.4.

During the quarter, the Fund added to its positions in AB InBev and DRD Gold, and trimmed its positions in Glencore and Life Healthcare.

Commentary contributed by Tim Acker

**Fund manager quarterly
commentary as at
31 December 2022**

1. Inflation for December 2022 is an estimate.

2. Inflation for December 2022 is an estimate.

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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.

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).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. 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.

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

The FTSE/JSE All Share Index and FTSE/JSE All Bond 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 All Bond 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 All Bond Index vests in FTSE and the JSE jointly. All their rights are reserved.

FTSE Russell Index

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MSCI Index

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