QC

Quarterly Commentary
Vol. 1 31 March 2020

ALLAN GRAY

POSITIONING OUR PORTFOLIOS FOR GROWTH BEYOND COVID-19
PAGE 07

ORBIS: TURN AWAY FROM THE NOISE AND LOOK TO THE LONG TERM
PAGE 12

The world after the COVID-19 pandemic

PAGE 04

COVID-19: LOOKING TO HISTORY TO UNDERSTAND POTENTIAL OUTCOMES
PAGE 15

OPTIMISM IN A TIME OF DISTRESS
PAGE 19

AVOID "HOT THINKING" WHEN IT COMES TO YOUR INVESTMENTS
PAGE 22

CONTENTS

COMMENTS FROM THE CHIEF OPERATING OFFICER
Rob Formby 2

THE WORLD AFTER THE COVID-19 PANDEMIC
Sandy McGregor 4

POSITIONING OUR PORTFOLIOS FOR GROWTH BEYOND COVID-19
Andrew Lapping 7

ORBIS: TURN AWAY FROM THE NOISE AND LOOK TO THE LONG TERM
Ben Preston 12

COVID-19: LOOKING TO HISTORY TO UNDERSTAND POTENTIAL OUTCOMES
Stephan Bernard 15

OPTIMISM IN A TIME OF DISTRESS
Lise-Mari Crafford 19

AVOID "HOT THINKING" WHEN IT COMES TO YOUR INVESTMENTS
Nomi Bodlani 22

ALLAN GRAY BALANCED, STABLE AND EQUITY FUND PORTFOLIOS 25

INVESTMENT TRACK RECORD 26

PERFORMANCE AND TOTAL EXPENSE RATIOS AND TRANSACTION COSTS 28

IMPORTANT INFORMATION FOR INVESTORS 32

COMMENTS FROM THE CHIEF OPERATING OFFICER

Rob Formby

We are very fortunate that the company is set up to weather this storm.

This is the 80th edition of our Quarterly Commentary, which was launched in the first quarter of 2000. Each issue has been printed and sent to you via post or email, depending on your preference. Each has been produced by the collective efforts of professionals in the business and the assistance of our creative agency.

This quarter, things have been different. Printers are closed and the postal service is disabled, therefore, unfortunately, there will be no physical copies of this Quarterly Commentary available for distribution. Looking more broadly, the country is in lockdown as we collectively support efforts to slow the progress of the coronavirus. Many aspects of normal life have changed in an unprecedented fashion.

The investment markets have not been spared, and the uncertainty has led to large drops in value both locally and globally, along with extreme volatility. We are very cognisant that these are difficult times for many clients. You rely on us as your investment manager to deliver returns over time and we are disappointed that our portfolios have not withstood the current crisis better.

I want to thank you for your continued trust in us as a business and assure you that we continue to work hard to create the best possible investment outcomes.

Adapting to the situation

Our business is operating differently, with 97% of our employees working remotely. I am extremely grateful to the teams across the business who rallied before the lockdown to make this possible. This has allowed us to continue focusing on our key priority: supporting you, our clients, and making sure you have uninterrupted service and access to your investments.

What counts at times like these is not only how you react, but also how the business is set up, i.e. the strength of the foundations. We are fortunate to be privately owned, and we are designed for resilience to enable the business to withstand extreme uncertainty. The importance of this is being highlighted as we live through a global economic collapse unparalleled in modern times. As investors we must think about what the world will look like when the pandemic has passed. This is difficult because the information we have is so uncertain and fragmentary. In his piece, Sandy McGregor offers his thoughts on some of the features of the post-pandemic world.

Scrutinising opportunities

As investment managers dealing in probabilities, uncertainty is something we are very accustomed to. In fact, at times like these, it can open up opportunities. As others rush to perceived safety, bargains can emerge. But there are also many risks, and many businesses will sadly not survive this crisis. Opportunities have to be approached with a great deal of caution. In his article, Andrew Lapping discusses where some of these opportunities are emerging as he takes a look at the markets and the major investment decisions we have made over the past two months.

One of these decisions has been selling offshore assets in the face of rand weakness and local opportunities, and bringing funds back to South Africa to invest in these undervalued assets. However, we still maintain our full offshore allocation in our asset allocation funds and, although they too are cautious, our offshore partner, Orbis, believes their current portfolios are well positioned for future returns, and that exciting opportunities exist in global markets. Ben Preston takes a look at some of these.

Rationalising the situation

While wrestling with all this uncertainty, one way to try and rationalise things is to look at previous drawdowns to get a sense of what followed. Stephan Bernard draws on history, looking at crises we have endured, as he tries to make sense of the current situation and potential outcomes.

While it may feel like little consolation, we are very excited about the prospects for the portfolios from here. As painful as it may feel, if your circumstances have not changed and you don't need immediate access to your investment, we encourage you to sit tight through the cycle so you can enjoy the returns when they come. This is going to take staying power, and a fair amount of "cool thinking", as Nomi Bodlani explains in her piece.

It's so hard to see beyond the pessimism at the moment. The very tragic loss of life due to the disease, and the immense hardship the lockdown has brought upon many, make it so difficult to look to the future with any sense of optimism. But while we are grappling with the immediate, very real challenges, we also need to make sure we are preparing ourselves for the periods beyond. The only way to do this is with a sense of optimism that this will eventually pass. Lise-Mari Crafford explores the notion of optimism in her contribution.

> … we encourage you to sit tight through the cycle so you can enjoy the returns when they come.

In solidarity

We are very fortunate that the company is set up to weather this storm. With this privilege comes responsibility. As stated earlier, our key focus is remaining robust for our clients. It goes without saying that the health and safety of our employees are also paramount, and we have a deep concern for our long-standing suppliers who may be vulnerable during this downturn. We are doing what we can to support them.

We have also identified worthy initiatives to support, including feeding schemes, COVID-19 testing kits, medical supplies for health workers, and small to medium-sized enterprises in distress. Staff members have donated to these very worthy causes, and the company is matching these donations. Meanwhile, members of the leadership team have followed in our president's footsteps to donate part of their salaries to the Solidarity Fund. The Allan & Gill Gray Foundation, E Squared and the Allan Gray Orbis Foundation Endowment are all making significant donations in their own right.

I sincerely hope that by the time you read this, we have some clarity about the way forward and how we can recalibrate as a country. Stay safe and keep healthy.

Kind regards

Rob Formby

THE WORLD AFTER THE COVID-19 PANDEMIC

Sandy McGregor

Normally after a deep recession, the initial bounceback is very strong.

We are witnessing a global economic collapse without precedent in modern times. As investors we must think about what the world will look like when the pandemic has passed. This is difficult to do because the information we have is so uncertain and fragmentary. Sandy McGregor offers his thoughts on some of the features of the post-pandemic world.

The collapse of global economic activity that we are currently witnessing is without modern historical precedent. Conventional measures of economic activity have lost all meaning and we have become reliant on sound bites of information to form a picture of what is going on. It seems that China and other North-East Asian economies are slowly starting to get going again as their shutdowns end, and that the health crisis is reaching its peak in Europe and the United States. In South Africa, the lockdown has contained the spread of the virus, but we have yet to see whether this is sustainable.

There is growing controversy about whether total shutdowns are a sustainable solution to the crisis. Some argue that the cost of massive unemployment is greater than the toll of the pandemic. It is questionable whether a long-term closure of the economy is a viable option. Some countries, such as Brazil, are not going into lockdown for this reason.

As an initial lockdown comes to an end, difficult choices will have to be made. Italy has chosen to extend its lockdown for another three weeks. Alternatives include extensive testing and isolation of anyone who tests positive for the virus. This has been done successfully in Taiwan. Another approach is to quarantine vulnerable groups, for example those over the age of 50.

While one cannot speak with any certainty, judging from similar flu-like epidemics and the recent Chinese experience, the pandemic should run its course during the northern summer, and an economic recovery may start to gain momentum in the third quarter. The rate of recovery will depend on the damage done to corporate and household balance sheets and the pace at which those who lost their jobs during the lockdowns are rehired.

Normally after a deep recession, the initial bounceback is very strong. This time round, consumer confidence could be the critical determinant of the pace of the recovery. Consumers must feel safe enough to get out of their homes to go shopping.

My sense is that it will probably take at least two years to get back to where we were at the end of 2019, and possibly much longer. For emerging markets, such as South Africa, global trade is a key driver of economic growth. The pace of the return to normal will depend on when and how international trade recovers. Fortunately for commodity producers, China, which is the biggest importer of raw materials, is likely to be the first country to get manufacturing going again.

… it will probably take at least two years to get back to where we were at the end of 2019 …

The liquidity crisis

Already in September 2019, a liquidity crisis had developed in the US money markets, which the Federal Reserve (the Fed) was addressing by creating new money at a rate of about US$60 billion per month. With the onset of the global crisis in early March, things got far worse, with a stampede for cash causing much greater liquidity problems.

Throughout the world, central banks have responded with aggressive monetary easing. The European Central Bank (ECB) made EUR700 billion available, and the Fed is injecting some US$2 trillion into the system – with the promise of more to come if required. Developed economy interest rates have been slashed to zero. Simultaneously, any sense of fiscal discipline has been abandoned as governments rush to put in place subsidies deemed necessary to keep the show on the road.

When the pandemic has run its course, it will leave a lasting legacy of hugely inflated monetary aggregates and unsustainable fiscal deficits. Over the past decade, one of the notable features of the economic management of developed economies has been what is euphemistically called quantitative easing (QE), but more accurately described as large-scale money printing. It is noteworthy that all this QE has failed to significantly boost economic growth, but it has massively inflated asset prices.

The outcome of the current orgy of money creation is unlikely to be any different. As the present crisis has cascaded from bad to worse, central banks have been playing a vital role in maintaining a degree of financial stability by ensuring markets and businesses have access to the cash they require to continue operating. However, the experience of the past decade suggests that as markets return to some new equilibrium, most of the new money created will migrate into equities, bonds and property.

Increased state intervention

It is worrying that in many countries, fiscal deficits are growing so large that funding them will require perpetual QE. The political pain involved in restricting spending to what can be financed conventionally is regarded as unacceptable. Prior to the current crisis there was already a widespread political shift in favour of increased government spending and intervention in the economy. The failure of a decade of QE to generate inflation has promoted complacency about the ability of governments to fund greatly expanded fiscal deficits. For example, the latest UK budget, tabled just before the health crisis struck, abandoned Margaret Thatcher's legacy of fiscal prudence. Meanwhile, President Donald Trump has presided over an increase in the annual US fiscal deficit to over US$1 trillion. Measures being implemented to combat the coronavirus will more than double this. It is to be feared that the present crisis will accelerate the already established trend towards big government.

… the resumption of our traditional exports will promote a return to normality.

Huge fiscal deficits funded by printing money will have all sorts of unintended adverse consequences. Governments will respond not by tackling the real problem, which is that they are spending too much, but rather by attempting to sustain the unsustainable by a plethora of regulations. State intervention in economic activities and in our lives will increase. Ultimately, all this will end in grief as it did in the now forgotten 1970s, when inappropriate monetary and fiscal policies aimed at sustaining economic activity led to very high inflation and ultimately recession.

One of the legacies of the pandemic will be a string of bankrupt companies. These will be concentrated in certain industries, for example airlines. Many of these companies are too important to be allowed to fail. Some will find that they are unable to raise in private markets the capital they require to stay in business and the state will have to intervene, possibly becoming a major shareholder. This will be a repetition of what happened in 2009, when in many countries the state became a major bank shareholder. Direct state involvement in business will increase and the long-running tendency of states to disengage from business activities will end.

An inflation risk

In Quarterly Commentary 4 2019, I wrote about inflation, mentioning the threats which could end a long period of price stability. The massive acceleration in monetary easing, and the expansion of fiscal deficits in response to the pandemic, reinforce these risks. There will be some respite from the collapse of oil prices towards US$20 per barrel, however, all this money creation could be inflationary.

The interruption of supply chains may cause shortages, which in an environment of abundant money will cause significant increases in prices. State interventions almost inevitably put up the cost of doing business, which firms have to recover through higher prices. Once the inflation genie is out of the bottle, it may be difficult to put back. This would be a terrible shock to investors, who have experienced four decades of continually declining inflation rates.

South Africa

South Africa has plunged into a corona crisis, following a path similar to that of other countries, with a 21-day lockdown, which was subsequently extended to 35 days. We, too, face difficult decisions about whether lockdown is a sustainable strategy. Whatever choices are made, the damage to business, employment and personal balance sheets will be substantial. It is too early to come to definitive conclusions about the full nature and extent of this damage. All one can say is that it will be large.

We also experienced a financial meltdown at the onset of the crisis, as overleveraged investors tried to sell illiquid assets, and the traditional bond market-making system collapsed under a wave of one-way selling. The South African Reserve Bank acted to restore stability, providing banks with the liquidity they require and reinforcing the bond market-making system.

To add to the pain, Moody's finally reduced its South African rating to a non-investment grade, which will result in our exclusion from the FTSE World Government Bond Index (WGBI) on 30 April, and Fitch downgraded our rating one notch further into junk. So far the market reaction has been muted, but this could change as the 30 April deadline draws closer, because portfolio managers who are restricted by mandates to investment-grade assets will be forced to sell their South African bonds.

With the drying up of export revenues the rand has been weak, and this is likely to continue as long as international trade remains paralysed by lockdowns.

Where to from here?

As the world recovers, so will the South African economy. Initially, the resumption of our traditional exports will promote a return to normality. Of significance will be a recovery in global auto sales, which are a significant market for South African exporters. We shall come out of the crisis with a hugely bloated fiscal deficit and government debt. Recovery will be slow.

Things have never been bad enough for our political leadership to take the hard decisions required to fix the economy. Hopefully the extent of the current crisis will create the opportunity to implement the many reforms that are necessary to return the country to sustainable growth.

Sandy joined Allan Gray as an investment analyst and economist in October 1991. Previously, he was employed by Gold Fields of South Africa Limited in a variety of management positions for 22 years, where much of his experience was focused on investment-related activities. His current responsibilities include the management of fixed interest portfolios. Sandy was a director of Allan Gray Limited from 1997 to 2006.

POSITIONING OUR PORTFOLIOS FOR GROWTH BEYOND COVID-19

Andrew Lapping

… we have assessed our holdings and are very happy with our valuations and positions.

The speed at which the financial market swings from despair to elation is astounding. The past few months have seen no shortage of mood swings as investors priced short-term news into the lifetime value of assets. There is no doubt that there is incredible uncertainty about how the COVID-19 pandemic, and government's reaction to it, will play out, but the asset price volatility is still surprising. The market prices of many large corporates have moved by up to 50% from one week to the next.

On current assumptions, the developed world will experience its deepest recession since the Great Depression, while the fiscal and monetary responses are breaking new ground. The long-term effects of the various rescue packages are unknown, with some arguing for deflation, while others expect hyperinflation. Our role is to design the best strategy to firstly protect, but also to grow your savings over the long term and make sure your portfolios are positioned for multiple outcomes. Andrew Lapping describes how we are going about this during this unsettling time.

We are very fortunate to be value managers, in that we spend our time trying to work out what a business will earn through the economic cycle, rather than attempting to estimate next year's earnings. A caveat to this is that the short term matters if there is a chance a business finds itself in distress. When a business becomes distressed, usually due to excessive debt, management must take actions that can severely reduce shareholder value or, in the worst case, liquidate the business.

In the case of bankruptcy, the long-term business value is immaterial. Which businesses will survive depends on their health going into the crisis, their ability to weather the storm and how long the economic shutdown lasts. The length of the shutdown will also determine the pace of the recovery. The longer the shutdown, the slower the recovery, as a greater number of businesses will be liquidated or permanently impaired.

The government's actions are important. Placing too high a price on the potential medical costs may underestimate the economic, social and human welfare consequences of the shutdown. While it is not clear whether the lockdown will actually achieve fewer COVID-19 fatalities over the full cycle, the economic and social costs are far more certain.

After the initial containment of the virus, we can only hope the lockdown is relaxed sooner rather than later, to limit the economic and social damage.

While we cannot predict the government's next steps with any certainty, what we can do is consider scenarios that examine extreme economic contractions and attempt to determine if the businesses we own will endure. This gives us the ability to put valuations and probabilities in context and make informed decisions about each investment's risk and reward.

We made three major investment decisions over the past two months. We bought government bonds, sold offshore assets and brought the money back to invest in South Africa, and invested in a range of equities.

Finding opportunity in South African equities

After outperforming the world market from 2000 to 2011, the FTSE/JSE All Share Index (ALSI) steadily underperformed the MSCI World Index (WI), until this year's sharp 22% underperformance (see **Graph 1**). Since April 2011, the MSCI WI is up 46%, while the ALSI is down 46% in dollars. This is despite many of the ALSI's large multinational stocks appreciating over the period.

The takeaway is that the average domestic share performed far worse than the headline indices. We were finding good value in South African shares before the COVID-19 collapse (see **Graph 2**). Despite this value, the ALSI fell 34% from January to mid-March, as the crisis unfolded. In addition, the rand weakened 22%, resulting in the ALSI falling 47% in dollars from January to mid-March.

It is quite incredible to think the value of the shares on the JSE basically halved in 10 weeks. If South African shares were very expensive in January, then a 47% price decline would not be surprising, but the starting point was one of fair to good value. The risks have clearly increased by an order of magnitude, but we are of the view that the market prices of many companies are discounting an extreme scenario.

I discussed Glencore and Nedbank specifically in the March Balanced Fund factsheet commentary (available via our website), but when we consider our portfolio as a whole, the expected four-year returns from our equity investments exceed 20% per annum. These expected returns compare with those we saw in the early 2000s and briefly in 2009.

We were buyers of a range of different businesses through March, but the share exposure in the asset allocation funds fell over the period, as the performance of equities relative to fixed interest and offshore assets meant their portfolio weight fell faster than we bought.

Graph 1: FTSE/JSE All Share Index relative to MSCI World Index

Source: IRESS

What happens to the value of money is an important consideration when looking for a place to hide in times like these. Cash is very stable in the short term, but there could come a point where savers realise that money, which can be created without limit by central banks, has very little value. In this case, there could be a rush for real assets, as investors attempt to protect their wealth. This scenario favours a very high equity exposure and, most particularly, companies with lots of debt. But this is just one scenario. We are looking to invest in businesses that will survive in severe and prolonged economic downturns and are undervalued to such an extent that your capital will be protected in a wide range of outcomes.

Government bonds: Low-risk assets offering excellent value

In the case where money begins to lose value, inflation-linked bonds are a very valuable asset. We began buying South African inflation linkers in the latter half of 2019 as the real yields sold off past 3.5%. Locking in government-guaranteed real yields of 3.5% for 10 years is an excellent risk/return outcome. We think inflation-linked bonds are one of the lowest risk assets available. During the March market dislocation, inflation linkers sold off to 6.5% real. Real yields of this magnitude are a rare opportunity and we were keen buyers. Yields subsequently rallied to 4.3%: still a fantastic deal. See **Graph 3** on page 10.

Nominal bonds are a far higher risk asset than inflation linkers, as there is no protection from high rates of inflation. We worry about inflation rising as the government struggles to fund its deficit, particularly in a rapidly shrinking GDP environment.

Prior to the COVID-19 crisis, the 15-year bond yielded 9.8%, compared to inflation of 4.6%, for a real return of 5.2%. The high real rate means investors think the inflation rate will, on average, exceed 4.7% over the next 15 years. Even before the crisis the South African government was expecting a fiscal deficit of 6.8% of GDP for 2021, a very large number for an economy with no growth. Deficits of this magnitude can lead to an unsustainable debt burden and a currency collapse. The current crisis has accelerated this process. This increased risk was quickly reflected in bond prices, with 15-year yields selling off to 13%, a rate that reflects the market's very low expectations that inflation can be kept in check.

Discussing bonds as an investment may seem strange given the grim picture I have painted, but it is not all bad news. The South African Reserve Bank is independent and targets inflation aggressively, and the forthcoming fiscal crisis may also force the ANC to make real changes to the way it manages the economy. This is particularly true if the government takes an International Monetary Fund (IMF) bailout. Finally, South African yields are exceptionally

Graph 2: ALSI dividend yield excluding Naspers and Prosus

The dividend yield is a good indicator of value. We have excluded Naspers as it is such a large component that it distorts the numbers.
Source: IRESS, Allan Gray research

Graph 3: 2028 inflation-linked bond real yield

Inflation-linked bonds give investors a real return above the inflation rate equal to the purchase yield from the purchase date until maturity if held for the entire period.
Source: IRESS

high by global standards. This, together with a weak rand, may entice foreigners, who led the March sell-off, back into our market.

Despite the risks, there is a price at which nominal bonds become attractive. We think South African bonds are pricing in enough bad news and see value in the asset class.

Rand looking relatively weak

Through February and March, we steadily sold offshore assets and repatriated the funds to invest locally. This seems counter-intuitive during a South African fiscal crisis, but as noted earlier, South African assets grossly underperformed global assets and the situation is not that much worse in South Africa. Global asset prices have, in many cases, held up incredibly well during this crisis. The S&P 500 is only down around 15% from the peak and back to where it was in March 2019, when the world was perfect.

On a purchasing power parity basis, the rand looks weak against developed market currencies, as shown in **Graph 4**. It is important to remember that currencies are measured

Graph 4: Rand compared to the US$ (real)

Source: IRESS

relative to one another. The SA situation is dire, but the Reserve Bank and Treasury have not resorted to extreme monetary measures, or wholesale money printing, as is the case in Europe and the US. In time, these actions may cause the dollar and euro to lose substantial value; whether against other currencies or real assets is unclear.

Offshore opportunities abound

Orbis, our offshore partner, is extremely excited about the assets they own. They are invested in a range of undervalued businesses and, similar to us, have scrutinised company balance sheets to ensure they have the staying power to survive. A limited number of highly rated US growth stocks drove equity market returns over the past five years. The recent sell-off exacerbated this trend as investors rushed to the perceived safety of these large, highly rated shares and dumped the already undervalued cyclical shares.

The valuation spread between growth and value shares has reached record levels, as shown in **Graph 5**. This valuation discrepancy bodes well for Orbis returns. Furthermore, today's market conditions, where some investors panic and throw the baby out with the bathwater, suit Orbis' detailed, research-driven approach and allow them to pick up bargains.

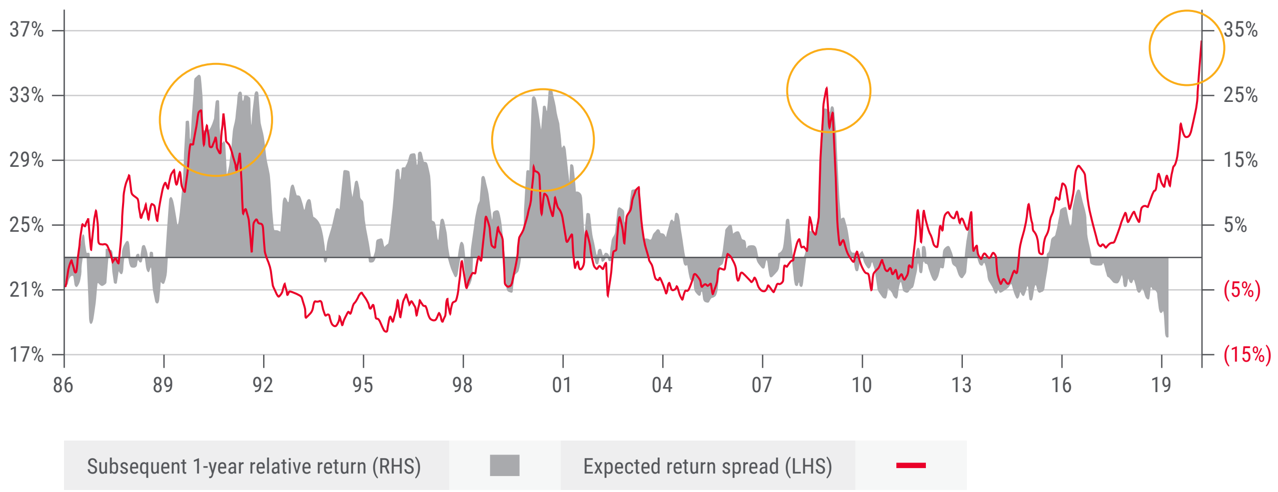
Sticking to our strategy

Historically, owning undervalued assets has protected the downside and resulted in superior real returns over time. Unfortunately, our portfolios did not protect the downside as we hoped during the recent sell-off, but we have assessed our holdings and are very happy with our valuations and positions.

The past few years have been very tough for South African investors, and there is no doubt that the coming months will bring extreme volatility and uncertainty. But it is at times like this that sticking to your strategy is most important. We believe we own a portfolio of undervalued assets which should protect the wealth of our clients and generate excellent returns through a range of outcomes.

Graph 5: Valuation spread between growth and value shares

Spread of expected return between the top and bottom halves of shares in the FTSE World Index by expected return, and forward 1-year relative return of bottom vs top half of shares



Spread is the dispersion of expected returns in the market as a whole. Expected returns are estimated using an internal proprietary model.
Source: Worldscope, Orbis

Andrew joined Allan Gray in February 2001 as a fixed interest trader and moved to the Investment team as an equity analyst in February 2003. He was appointed as fixed interest portfolio manager in June 2006, began managing a portion of client equity and balanced portfolios in February 2008 and was appointed as chief investment officer in March 2016. He also manages African equities. Andrew holds a Bachelor of Science degree in Engineering and a Bachelor of Commerce degree in Accounting, both from the University of Cape Town, and is a CFA® charterholder.

ORBIS: TURN AWAY FROM THE NOISE AND LOOK TO THE LONG TERM

Ben Preston

As a firm, we have gone to great lengths to prepare for moments like this long before they arrive.

Much has been written about the emotional cycle of fear and greed in investing. Both panic and excessive optimism can create extraordinary opportunities for those who can afford to be patient and lean against prevailing sentiment. But investors don't merely buy high and sell low because they are fickle, irrational creatures. While some may indeed fit that description, for many it's simply a case of having spare cash to invest when times are good and the need to call on that money unexpectedly when times are hard. Writing from London, Ben Preston, from our offshore partner, Orbis, discusses how this dynamic is playing out during COVID-19.

Travel restrictions and widespread social distancing measures have ushered in some of the toughest times in many years, triggering an economic shutdown that affects nearly everyone. Small businesses have been hit particularly hard, and for many people faced with job losses, ill health or self-isolation, conditions have become very tight very quickly.

As is their nasty habit, financial markets are piling on the misery just when it is least welcome. Many individuals now find themselves forced to sell some of their stock market investments to meet urgent short-term needs. But a much bigger wave of forced selling has come from professional investors who were aggressively positioned for perpetually good times. Their strategy of borrowing at low rates to juice returns on the assumption of low volatility, rising asset prices and endless liquidity, has suddenly come to a crashing halt.

In nearly two decades at Orbis, this is the third major bear market that I've seen. Of all the lessons I've learned, the single most important one is to stay relentlessly focused on the long term. It also happens to be the easiest thing to say when everything is going well – and the hardest thing to actually do when it really matters.

As a firm, we have gone to great lengths to prepare for moments like this long before they arrive. This has included things like partnering with like-minded clients who are also patient and unlikely to panic, maintaining a global footprint, developing a robust business continuity framework, and eschewing quick profit-enhancing wins like stock-lending (and the counterparty risk that comes with it). Most importantly, the firm is privately owned by those who are best placed to understand and support our contrarian investment philosophy.

What we are focusing on

In the current environment, we are broadly focused on two key questions:

- How will our existing holdings be affected by a prolonged period of intense economic hardship?
- What new opportunities will stand out as exceptional bargains when we are looking back and writing to you five or 10 years from now?

As to the first question, it is comforting to know that there are already many companies with solid balance sheets and bright long-term outlooks in the portfolio – and the sell-off has only made their valuations more compelling.

One example is UnitedHealth Group, the strongest and best-capitalised managed care organisation in the US. Investors are fearful that insurance claims will skyrocket as the pandemic spreads. Like other health insurers, the company annually reprices its policies – which are sold mainly to large employers – thereby insulating it from higher costs, except for a small lag. In fact, there may even be scope to reduce costs if elective procedures and non-essential hospital visits are deferred.

> … there are already many companies with solid balance sheets and bright long-term outlooks in the portfolio …

Our stress testing concludes that, even in a severely adverse scenario, the hit to the company will be equivalent to about 25% of last year's earnings, before returning to (and growing from) prior levels. With the shares experiencing a drop of 30% to their mid-month lows and now trading at 15 times earnings, we think the market has been far too pessimistic.

A second example is BMW. While the pandemic has understandably put a halt to luxury car sales in many markets, shares of major automobile manufacturers were already deeply out of favour thanks to existential concerns about electrification, ride sharing and autonomous vehicles. With BMW, we think both the long- and short-term fears are more than priced into the stock at current levels. Unlike business or holiday travel, you can't put off buying a replacement car forever, so we are confident that pent-up demand will ultimately drive healthy future sales – we just don't know exactly when. If, as seems likely, there is a prolonged preference for private over public transport or ride sharing, the current turmoil may even benefit BMW in the long term.

> … bear markets are exciting times for long-term investors who can keep their focus.

As a conservative, family-controlled company with an excellent track record of profitability, BMW has successfully navigated short-term profit pressure – and disruptive technological forces – on more than a few occasions in nearly a century of making cars. With a robust balance sheet and a compelling selection of new electric models in the pipeline, we are excited about BMW's ability to overcome the challenges it is currently facing.

Meanwhile, its shares are available for purchase at less than four times our conservative assessment of "normal" earnings and a 40% discount to the book value of its tangible assets. In volatile markets, cheap shares can always get cheaper, but such valuations make it clear why bear markets are such exciting times for long-term investors who can keep their focus.

As to our second question, experience has made me mindful that big global events can often accelerate societal change. "Never let a crisis go to waste" is the mantra of many an astute politician. Caught in the here and now of the crisis, big structural changes can sneak by unnoticed. In the dotcom bust of 2000-01, while investors were preoccupied with the "New vs Old Economy" debate, the really big change that dominated the following decade was China quietly joining the World Trade Organization and ushering in a natural resource bonanza in the decade that followed. Similarly, in the aftermath of the global financial crisis, instead of debating whether or not to wade back into banks or stick with something more defensive, the more insightful investors were following the advent of the smartphone, which enabled entirely new business models to emerge and dominate in the 2010s.

The importance of lateral thinking

As bottom-up stockpickers, we rarely allow ourselves to try to guess what the next big thing will be. But the lesson of these historical episodes is that it does pay to think laterally and beyond the knee-jerk questions. What is quietly happening off to the side while everyone is debating the fate of travel companies and makers of toilet paper and hand sanitiser?

One possibility we'd offer would be climate change. We'd like to believe that the pandemic will prompt greater cooperation on other challenges facing the human race. If so, one such beneficiary might be Vestas Wind Systems, the world's largest manufacturer of wind turbines. Our research suggests that not only is wind power environmentally favourable today, it is also economically superior – beating fossil fuels in cost-effectiveness for the first time in history. As electricity demand grows in the decades ahead, there is both the room and the need for renewable power such as wind to grow approximately eightfold. Vestas, as the industry leader in both profitability and market share, appears to have a particularly bright future. But it too sold off by 30% over a few weeks despite no change, or perhaps even a marginal improvement, in its long-term prospects.

We realise that it is almost impossible to turn away from the noise when it feels like the world is crashing down around you, but it is absolutely critical for success in investing. Far more importantly, though, we wish the very best to you and your loved ones at what is an exceptionally challenging time for many families across the globe. Not only is the pandemic creating extraordinary stresses on our economies, financial markets and our normal ways of life, but far more importantly, it is also having a devastating impact on far too many human lives.

Please stay safe – and focused on the long term.

Orbis
Invest Differently

Ben joined Orbis in 2000. Based in London, he leads the Global Sector Investment team. Ben holds a Master of Arts (Honours) degree in Mathematical Sciences from the University of Oxford and is a CFA® charterholder.

COVID-19: LOOKING TO HISTORY TO UNDERSTAND POTENTIAL OUTCOMES

Stephan Bernard

Now more than ever, it is important to remain calm and focus on one's long-term investment strategy ...

With much of the world in lockdown, one wonders whether it is appropriate to draw on past analogies in thinking about what lies ahead. However, every prior drawdown had some sense of uncertainty, and the world persevered, with investors enjoying strong returns in the years that followed. Stephan Bernard draws on history as he tries to make sense of the current situation and potential outcomes.

We are facing a financial crisis on top of a health crisis as COVID-19 continues on its global path of disruption. An indiscriminate global asset sell-off is playing out, in light of an economic decline without modern precedent. The US market has not fallen this rapidly since the Great Depression. The local market is down by a similar extent, and investors are rightfully concerned as few investments offer refuge and asset class returns have converged.

What can we learn from the past?

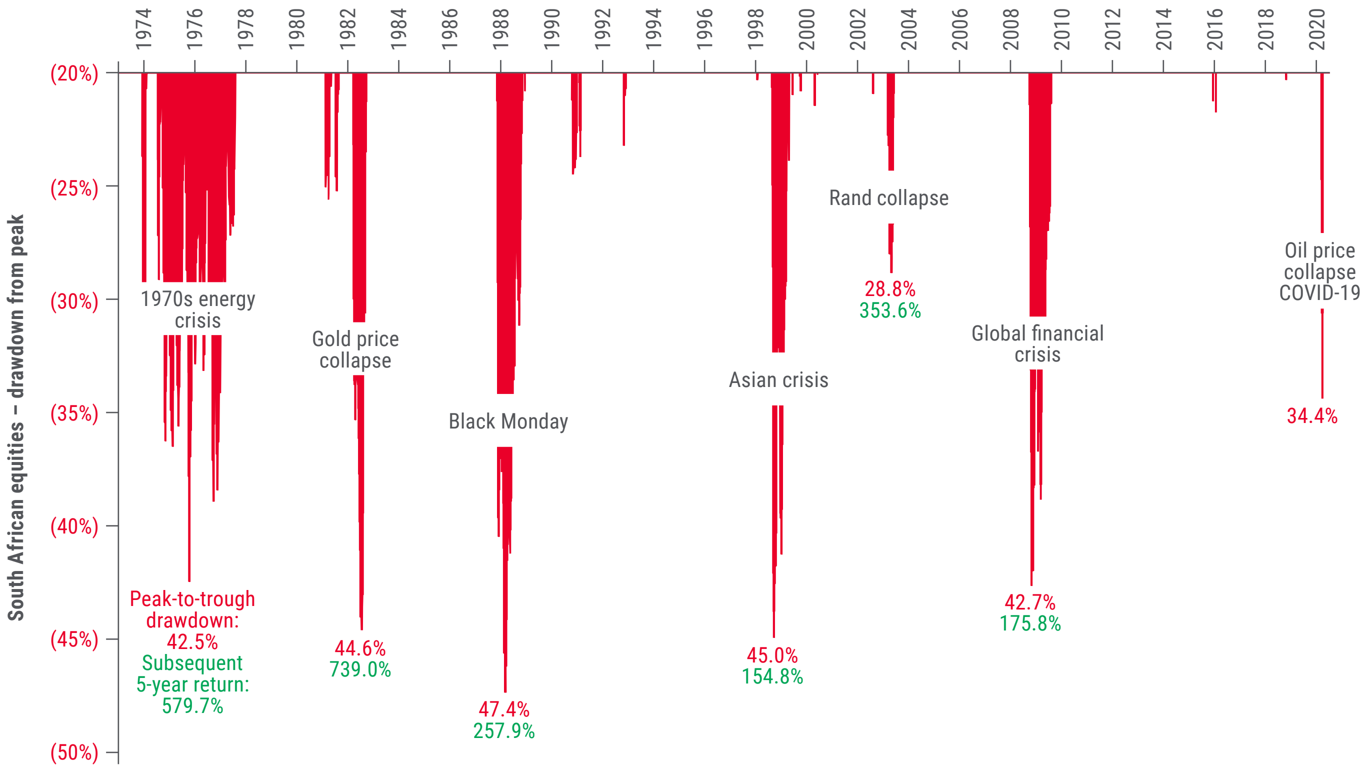
At Allan Gray and Orbis, our analysts are working tirelessly to understand the impact of recent developments on the fundamental value of businesses, cautiously investing where value is exceptional and companies appear to have the potential to survive and thrive beyond the current pandemic. This approach has enabled us to successfully navigate past crises that have impacted markets.

Graph 1 on page 16 captures the most severe events since Allan Gray's inception. Being in the current crisis is particularly painful, and uncertainty and risk abound. However, we continue to believe that our valuation-driven approach will guide us through to the other side.

Large drawdowns are often followed by high returns

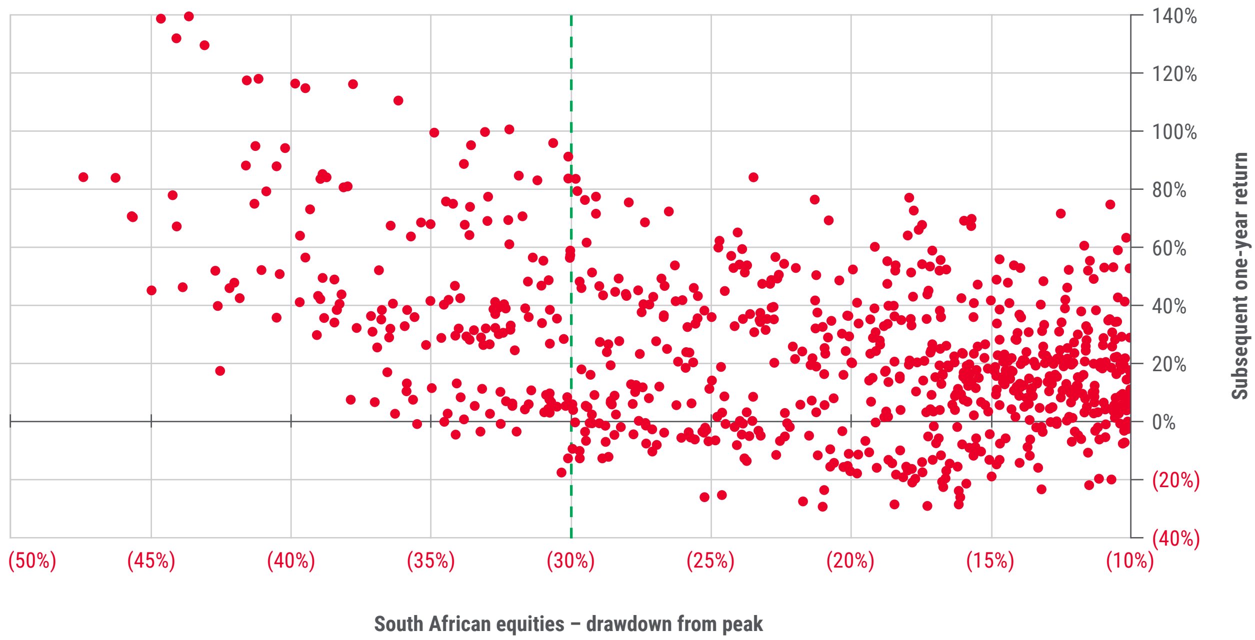
While mindful that past experience may not always be a reliable guide to the future, it is hard to ignore the rhyming in returns experienced after sharp declines in the past. Over one year, the range of possible outcomes after a dramatic sell-off in the local market is quite wide, as shown in **Graph 2** on page 16. But notably, deep drawdowns of the magnitude we have recently witnessed (over 30%) have typically been followed by high one-year returns.

Graph 1: Major South African market drawdowns



Source: Allan Gray research, Refinitiv Datastream, weekly datapoints from 1 January 1973 to 31 March 2020

Graph 2: South African equity market drawdowns and subsequent one-year returns



Source: Allan Gray research, Refinitiv Datastream, weekly datapoints from 1 January 1973 to 31 March 2020

If one extends the time horizon to five years (see **Graph 3**), the range of outcomes narrows markedly. Things could get worse before they get better, but adopting a longer-term view at the most uncomfortable of times has historically resulted in attractive returns for investors who remain patient: The median five-year return following a drawdown greater than 30% is 27% per annum or 231% cumulatively, with the lowest five-year return after such a drawdown being 14% per annum (93% cumulatively) and the highest 54% (755% cumulatively). On previous occasions – and as today – the prevailing pessimism following significant market declines would have made attractive prospective returns feel highly unbelievable.

Looking at valuations, the median price-to-earnings ratio of the constituents of the FTSE/JSE All Share Index (ALSI) is currently at levels seen in the early 2000s. During that period, domestic equities, and consumer stocks in particular, experienced significant declines. The rand depreciated by over 60%, inflation soared, and interest rates spiked. Investors who bought South African equities at these depressed levels were rewarded with exceptional returns in the years that followed.

The green dots in **Graph 3** represent the market drawdowns over this period and the strong recovery that ensued. The situation today is markedly different, and it is likely that earnings are still to fall, but history suggests that as difficult as things are today, the tide will eventually turn.

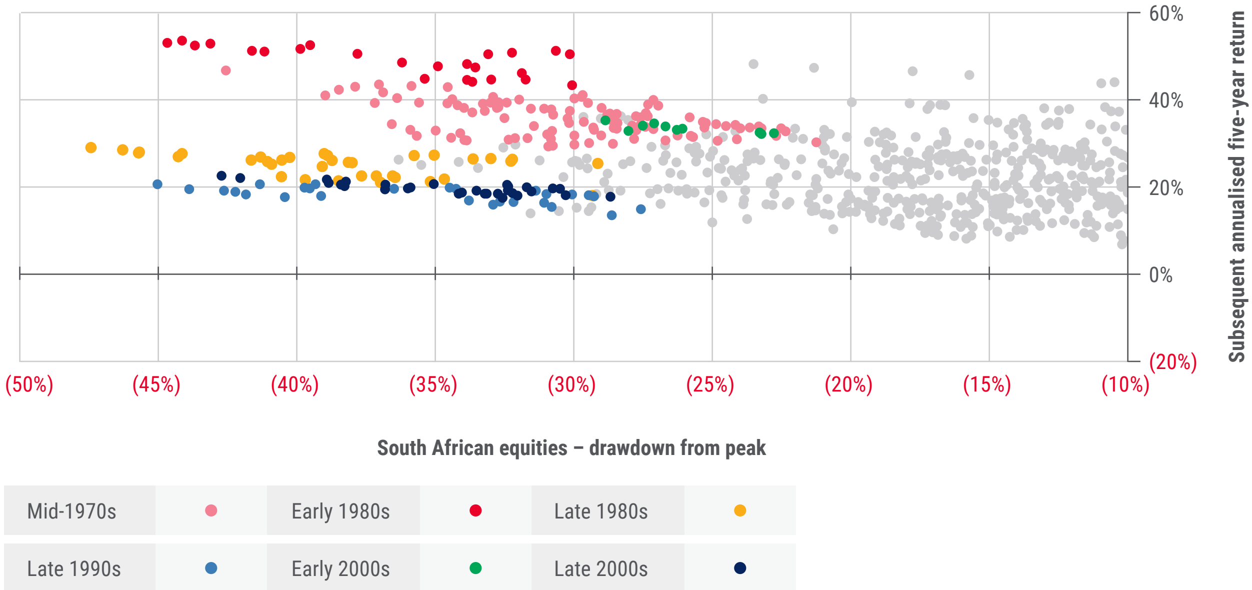
Our long-term approach takes historical outcomes into account

As Duncan Artus reminded us recently (see the Latest Insights section of our website), times of pessimism have historically set the basis for strong future returns. With moves of the magnitude seen of late, there are many forced sellers in the market – with investors desperate for liquidity. Some of the more liquid areas of the market, particularly South African bonds and equities, have been more severely impacted relative to other assets or regions. With enough cash in our portfolios, we are well positioned to take advantage of opportunities that may arise.

In our view, South African assets were not overvalued coming into this crisis, and there were no significant valuation disparities like in 2002 or 2008. We considered the overall market quite attractive. Now, we are being offered the opportunity to buy South African assets at extremely low prices almost across the board.

That said, we are moving very cautiously, extremely tuned in to the risks. We believe many local companies are worth less today than they were at the start of the year, and we are mindful of stepping in one of the many value traps

Graph 3: South African equity market drawdowns and subsequent five-year returns with selected periods highlighted



Source: Allan Gray research, Refinitiv Datastream, weekly datapoints from 1 January 1973 to 31 March 2020 that have been set as an already stagnant South African economy braces itself for what is to come. Government is constrained, debt levels are high, and global supply chains have been disrupted. We think about this when constructing the portfolios, focusing on those businesses best placed to survive, and retaining liquidity to take advantage of considerable price swings as uncertainty and market volatility persist.

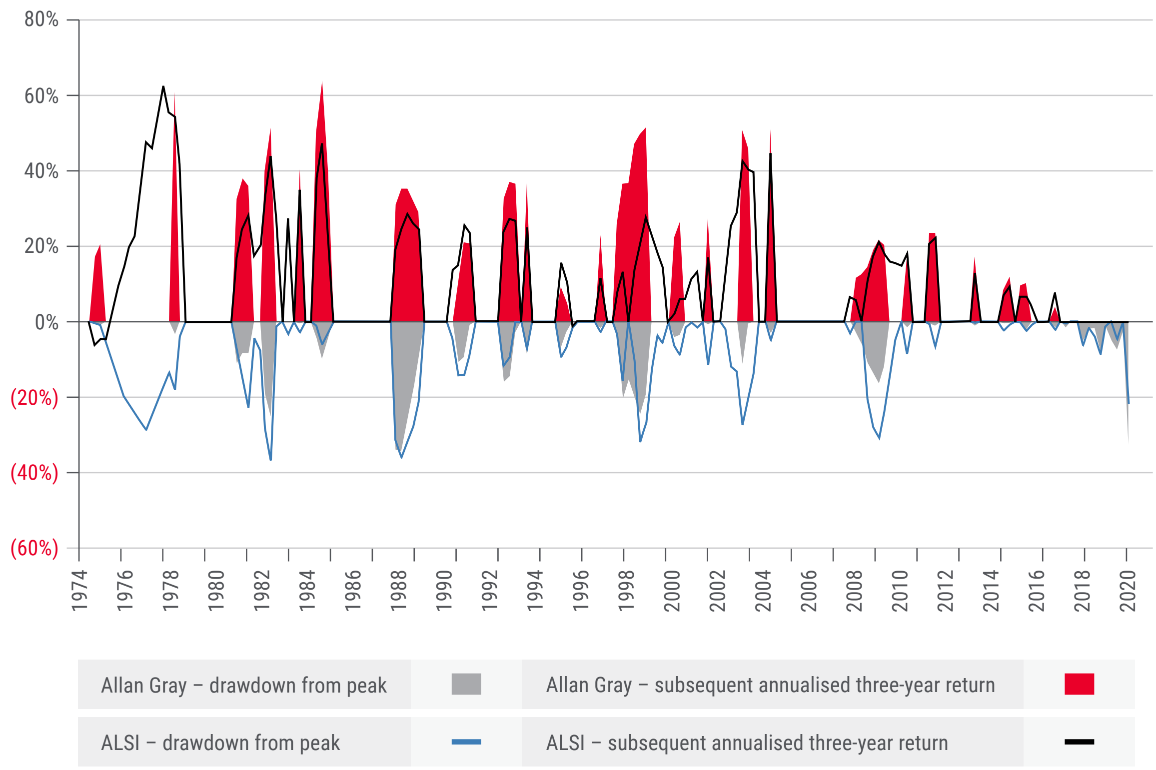
Historically, we have generally done better than the market both in terms of drawdown depth and the level of subsequent returns achieved for our clients, as illustrated by **Graph 4**. In recent months, our stock selection resulted in underperformance of the market portfolio. Sasol has been the standout disappointment as cost overruns in the Lake Charles Chemicals Project resulted in a significant net debt position, leaving the business extremely vulnerable to a collapse in the oil price.

An underweight position in Naspers and Prosus relative to the index was the second largest detractor. Of the top 40 JSE-listed shares, only Naspers and Prosus offered notable positive returns over the past quarter. Collectively they represent 23% of the ALSI. Even though Naspers is our largest holding, our portfolios are nonetheless underweight the share relative to an index weight that would be imprudent to match from a portfolio diversification point of view. We believe that our focused, level-headed approach has the potential to deliver market-beating long-term returns once more as we hold securities that are cheap in any scenario that assumes eventual recovery.

Headlines are likely to get scarier in the coming months. Now more than ever, it is important to remain calm and focus on one's long-term investment strategy, as hard as that may be. We are investing in a period characterised by market conditions that have rarely occurred in the last century – with possibly much pain still in store. Allan Gray and Orbis' investment teams are committed to navigating this environment on your behalf.

This, too, shall pass.

Graph 4: Allan Gray* vs ALSI – drawdowns and subsequent three-year returns



*Returns shown are those of the carve-out of South African shares held in Allan Gray's global balanced mandates.
Source: Allan Gray research, quarterly returns from July 1974 to March 2020

Stephan joined Allan Gray in 2013 and is a business analyst in the Institutional Client Services team. He holds a Bachelor of Commerce Honours in Actuarial Science from Stellenbosch University and is a qualified actuary.

OPTIMISM IN A TIME OF DISTRESS

Lise-Mari Crafford

Realistic optimism helps us achieve our goals.

As we pull together as a nation struggling to come to terms with the health and financial crises we face, is there any room at all for optimism? Lise-Mari Crafford investigates.

It's been a rollercoaster ride for us South Africans – personally, professionally and financially. Writing this from lockdown, in the hope that by the time you read it the situation will be stable enough for President Cyril Ramaphosa to un-pause the economy, I am trying to make sense of how I feel.

Amid concern for my family, friends, colleagues, clients and the broader community, and the daily negative news headlines, there are some reasons to be positive: from our president's display of statesmanship, to the rallying of communities, charities, corporates and musicians to support health workers and help those in need, to the feeling that we are all pulling together to get through this. Sure, this may feel like clutching at straws in the face of adversity, and the tragic loss of life, but history reveals that we will be able to battle our way through, and optimism can help us get to the other side.

Control is key

"Optimism" is defined as "hopefulness and confidence about the future or the success of something" and "a mental attitude reflecting a belief or hope that the outcome of some specific endeavour will be positive, favourable, and desirable" – feelings that all seem noticeably, and understandably, absent at present.

Martin Seligman, professor of psychology at the University of Pennsylvania, has a theory that explains why we are feeling out of sorts. He suggests there is a direct link between control and optimism. According to Seligman, if we feel more in control of our lives, we tend to be happier, healthier and more optimistic about the future. COVID-19 and the lockdown situation have robbed us of our sense of control, which is partly why we are struggling to adopt a positive outlook.

There are some easy strategies to help us regain control and improve our state of mind to help us through this incredibly difficult time. Sometimes referred to as the "grandmother factor", doing more of the things that your grandmother would advise, like eating well, getting enough rest, and connecting with family and friends, can go a long way towards regaining control and feeling more optimistic.

This basic self-help method may help you on an individual level, but research has shown that while people tend to be optimistic about their own future, they can at the same time be extremely pessimistic about the future of their country. Tali Sharot, professor of cognitive neuroscience at University College London, has popularised the idea of an innate optimism bias built into the human brain. She believes we are wired to focus on the most positive interpretation of events, and are optimistic, rather than realistic, when considering our individual future. Unfortunately, however, according to her, we don't have the same rosy outlook when it comes to our feelings about our nation's future.

Here, Seligman's control theory helps to provide clarity: He explains that individual optimism is easier to conjure up than "societal optimism" as we are in direct control of our own lives, but not the destiny of the nation.

The results of a European Commission Eurobarometer survey illustrate this point: When asked about their expectations for the future, most of the respondents anticipated that their own job or financial situation would improve or stay the same, yet they expected the economic situation in their home country to get worse or stay the same. An interesting dichotomy.

Other surveys and studies conducted before this pandemic saw sentiment spiralling downwards, confirming that many of us feel very pessimistic about the future state of the world. This is despite the fact that we are, on average, healthier, wealthier, freer and have a more peaceful existence than our ancestors – which, in theory, should give us hope.

As US professor of international relations and journalist David Rothkopf wrote: "We do not live in a perfect world. But we live in a perfectible one. History shows that, over the long run, we collectively have made progress work." This is a reason to be a bit more optimistic about the future, as long as we work hard to extend this trend.

Reality check

The ability to move beyond difficulties is critical to success – and indeed to getting through the current crisis – but can present a problem when perspectives become divorced from reality, or when positives are overly emphasised, and negatives are brushed under the table. This can happen in a wide range of situations, from politics to the military to business – to our own finances. Behavioural scientists explain that to remain optimistic about outcomes, we dismiss bad news, readily incorporate good news, and cherry-pick information to confirm our views.

... it is worthwhile adopting realistic optimism to propel us through ...

This is the darker side of optimism, also termed "irresponsible optimism" or "blind optimism". Blind optimists have so much faith in their view of the future that they often fail to plan for less positive outcomes. They are also guilty of excessive "optimism bias". We've seen irresponsible optimism come crashing down in the US, where a more realistic and pragmatic approach from President Donald Trump may have seen this pandemic being better contained. Different from its cousin "hope", which is an emotion, optimism needs to be based on fact and analysis at times like these.

To avoid falling into the blind optimism trap, we should try to get a balanced view by seeking perspectives contrary to our own and ensuring our decisions are grounded in reality – i.e. what we should aim for is "realistic optimism". Realistic optimists accept that there are challenges; they endeavour to understand the action they need to take to achieve what they want, and accept that there are things that cannot be changed.

We can take some good lessons from sports professionals: For them, optimism and confidence that they can achieve their goal are key, but it is also important for them to take a realistic look at what they may need to change to deliver quality performance.

Why optimism helps

Studies show that when people are future-oriented (as optimists tend to be), they think creatively about what a future world will look like, and how they can get there. And then they make a plan to make it happen. So, although we may feel inclined to ditch optimism altogether in the face of our current situation, it is worthwhile adopting realistic optimism to propel us through – both in our individual and collective activities, and in investing.

Here are three reasons why:

1. Optimism supports creative thinking and the generation of new ideas

In a world where we have a health crisis and have come to an economic standstill, optimism will help individuals and businesses alike to think differently about how they can support their communities, and how they can position themselves for a future that may look very different from what we knew just a few weeks ago.

2. Optimism produces a tendency to act

Optimists see the future as holding opportunity and they want to act to prepare for it and make it happen. This driving force will be critical in the coming weeks and months.

3. Optimism supports persistence in a chosen course of action that is difficult

Things are tough, and it's going to take a long time for them to get better. It may feel very difficult to persevere – with a struggling business, with a poorly performing investment, with a goal that will take longer than expected to achieve. Optimism will help you get there.

Optimism and investing

It could be said that investing is in itself an activity grounded in optimism: Essentially, you have your eye on a positive future outcome. And optimism and pessimism themselves are market-makers: driving prices up and down each day based purely on what investors are feeling, rather than the reality of how a company is performing.

Blind optimism lures investors in droves; pessimism creates opportunities for value investors. Realistic optimism helps us achieve our goals.

Lise-Mari joined Allan Gray as a consultant in the Life and Retirement Operations team in 2008 and is currently the head of the ManCo Distribution team. She holds a Bachelor of Commerce (Honours) degree in Financial Risk Management from Stellenbosch University and is a CFP® professional.

AVOID "HOT THINKING" WHEN IT COMES TO YOUR INVESTMENTS

Nomi Bodlani

... it is during times of crisis that the right decisions can enhance long-term returns.

The markets have plunged in the face of COVID-19. The temptation to disinvest and wait on the sidelines for things to improve is real. But is this a form of "hot thinking" that is best avoided? Nomi Bodlani discusses.

It is human nature to make decisions that are influenced by our emotions. Sometimes, this leads us to actions that protect and progress our well-being and that of the people and things we care about. However, when it comes to investing, acting too quickly on our emotions can have a devastating long-term impact on our portfolios.

The key to being a long-term investor is learning the art of blocking out the short-term market noise that can distract you from achieving your long-term investment goals. This can be difficult to achieve when you're watching the market downturn negatively impacting your investments. The disappointment, fear and perceived loss may make you feel compelled to act. Although this is a natural reaction, it may not be the best course of action. There is another way of thinking through your options to decide your next best action – if any at all.

Behavioural scientists accept that emotion and decision-making often go hand in hand and that emotions can be a dominant driver in some of the most meaningful decisions in life. They refer to a certain type of thinking that happens under stress as "hot thinking", and it is this inclination that leads us to react defensively. While hot thinking can help us act swiftly and automatically when we are in real and imminent danger or performing habitual tasks, it can lead to biased judgement and irrational decision-making outside of these circumstances, where shortcuts in processing are not required and are unhelpful.

When it comes to your investment portfolio, hot thinking is not a useful strategy. As counter-intuitive as it may seem, and as painful as it may feel, it is during times of crisis that the right decisions can enhance long-term returns.

Morgan Housel, a partner at the US venture capital firm Collaborative Fund, summed it up succinctly at the Allan Gray Investment Summit a few years ago, saying: "Volatility is not the biggest risk in investing. The biggest risk is the action that you take in response to that volatility. You think it is going to make you safe, but it actually injects substantially more risk into your investment portfolio."

So what do you do with the disappointment, fear and perceived loss?

Slow down and reduce the heat. In sharp contrast to hot thinking, behavioural scientists refer to a second important system for processing information as "cold thinking", or "slow thinking". This is our ability to think and act in a deliberate, considered and controlled manner, i.e. to make decisions under circumstances of cool, level or moderate emotions.

While it may be difficult to imagine distancing yourself from the very real emotional responses elicited by current conditions, there are useful strategies you can apply to help you handle these feverish thoughts and carefully consider what actions to take – if any. If we approach the question of what to do with our investments by first understanding some of the features and responses of hot thinking, we may be able to think through our decisions more deliberately and ensure a better long-term outcome, as shown in **Table 1**.

Each of these thoughts and feelings may be easy to ignore in calmer times, but together – and with the frequency at which we see market graphs and big headlines with exclamation points – they make a compelling case for quick and reactive decision-making. Coupled with all the alone time we currently have to stare at screens and consume this panic, withdrawing from our investments may seem to make sense. But will this serve us over the long term? Distancing yourself from the very real emotions of disappointment, fear and perceived loss, and allowing yourself time to consider reliable sources of data, will help you answer this question.

Where to from here?

No one really knows what will happen next. As the pandemic spreads across the globe and a fever of panic and hot thinking follows, it's perhaps smart to remember that while our current disappointment and fear are real, we have within us the capacity for cooler thinking: to take a step back, evaluate reliable data and conclude with certainty that this, too, shall pass.

Table 1: Hot vs cool responses to investment uncertainty

Decision-making inputs	Hot-thinking responses to your investment uncertainty	Cooler thoughts and questions in response to your investment uncertainty
Belief	The financial markets have suffered a fundamental blow from which they cannot recover, therefore I must exit.	Yes, the global economic shutdown is extraordinary, but have the financial markets changed in ways that can't be reversed? Have factories, markets, workshops, commercial centres and people changed fundamentally? Have people's desires for the same products and services changed because of COVID-19?
Time	If I sell my assets now, at least I'll save something before the market really hits rock bottom. If I wait, I end up with nothing.	There was a before and there will be an after. Just a few weeks ago, the lead story on News24 was about the Budget Speech and our inevitable ratings downgrade. Remember that panic? Has the pandemic changed anything in your personal investment timeline? Are you trapped in the now, when the plan was for years in the future?
Stress	I'm worried about my children at home, my parents who are at risk, my income, my job and many other things. I must do something.	Have you given yourself the space to think critically and holistically, i.e. not reactively? Things are difficult and we should respond accordingly, but big decisions need space to breathe.
Emotion	I am panicked and angry and my emotions need an outlet. Selling is something I can do to soothe me. Taking drastic action at least gives me the illusion of control in a situation I am swept along in.	Suppressing emotions and pretending them away make them worse. The better solution is to ask: How can I soothe the emotions I have in a way that is not harmful in the long run? It may be that you need a news and digital detox so that you can stop absorbing the panic in the air, or perhaps you need to talk to someone you trust, like your independent financial adviser.
Group behaviour	Clearly everyone else is doing it. They must know something that I don't know. It's safer to follow the herd.	The wisdom of the crowd is wise if the crowd is informed. What are the beliefs driving market movements? Are they rational, well-thought-through arguments, or whispers of half-baked ideas and emotions?

Nomi joined Allan Gray in 2015. She is currently the head of Strategic Markets and previously occupied manager roles in Retail Client Services. She holds an Engineering degree from the University of Cape Town and a Master of Philosophy in Engineering for Sustainable Development from Cambridge University.

NOTES

Allan Gray Balanced and Stable Fund asset allocation as at 31 March 2020

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign*	Total	SA	Foreign*
Net equities	62.0	41.0	21.0	33.5	18.8	14.7
Hedged equities	9.1	3.2	5.9	9.0	1.8	7.2
Property	0.8	0.7	0.1	2.2	2.2	0.0
Commodity-linked	4.7	3.7	1.0	3.1	1.8	1.2
Bonds	15.2	11.3	4.0	35.1	27.2	7.9
Money market and bank deposits	8.2	5.9	2.4	17.2	12.1	5.1
Total	**100.0**	**65.8**	**34.3**	**100.0**	**63.9**	**36.1**

Note: There might be slight discrepancies in the totals due to rounding. *This includes African ex-SA assets.

Allan Gray Equity Fund net assets as at 31 March 2020

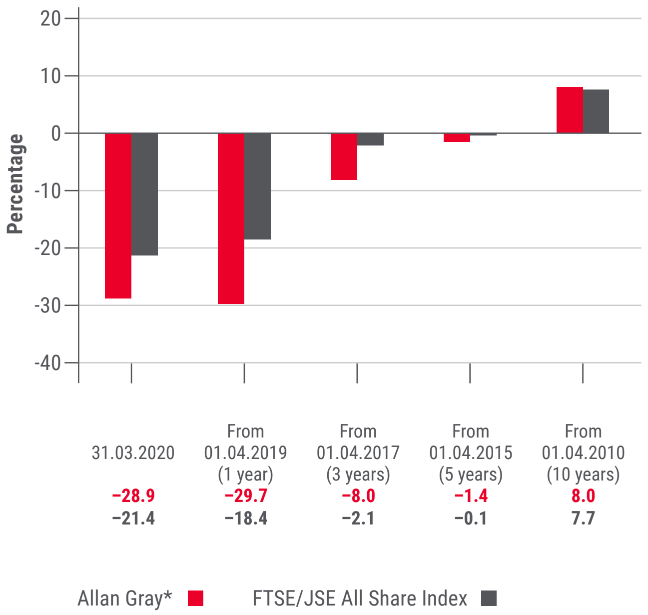
Security (Ranked by sector)	Market value (R million)	% of Fund	FTSE/JSE ALSI weight (%)
South Africa	**17 709**	**65.0**	
South African equities	**16 378**	**60.2**	
Resources	**2 631**	**9.7**	**29.3**
Glencore	831	3.1	
BHP	429	1.6	
AECI	201	0.7	
Sasol	200	0.7	
Pan African Resources	184	0.7	
Sappi	176	0.6	
Positions less than 1%[1]	611	2.2	
Financials	**6 138**	**22.5**	**19.4**
Standard Bank	1 126	4.1	
Reinet	865	3.2	
Remgro	861	3.2	
Old Mutual	607	2.2	
Investec	423	1.6	
Nedbank	357	1.3	
Rand Merchant Investment[2]	328	1.2	
Ninety One	255	0.9	
Momentum Metropolitan	183	0.7	
Positions less than 1%[1]	1 134	4.2	
Industrials	**7 401**	**27.2**	**51.2**
Naspers[2]	2 689	9.9	
British American Tobacco	1 504	5.5	
Life Healthcare	528	1.9	
Woolworths	512	1.9	
MultiChoice	266	1.0	
Tiger Brands	207	0.8	
Super Group	177	0.6	
Positions less than 1%[1]	1 518	5.6	
Other securities	**209**	**0.8**	
Zambezi Platinum	209	0.8	
Commodity-linked securities	**283**	**1.0**	
New Gold Platinum ETF	194	0.7	
Positions less than 1%[1]	88	0.3	
Cash	**1 049**	**3.9**	
Africa ex-SA	**808**	**3.0**	
Equity funds	**808**	**3.0**	
Allan Gray Africa ex-SA Equity Fund	808	3.0	
Foreign ex-Africa	**8 707**	**32.0**	
Equity funds	**8 636**	**31.7**	
Orbis Global Equity Fund	5 212	19.1	
Orbis SICAV International Equity Fund[3]	2 200	8.1	
Allan Gray Frontier Markets Equity Fund Limited[3]	824	3.0	
Orbis SICAV Emerging Markets Equity Fund	400	1.5	
Cash	**71**	**0.3**	
Totals	**27 224**	**100.0**	

[1] JSE-listed securities include equities, property and commodity-linked instruments.
[2] Including stub certificates and Prosus NV.
[3] This fund is not approved for marketing in South Africa. Reference to this fund is solely for disclosure purposes and is not intended for, nor does it constitute, solicitation for investment. **Note:** There may be slight discrepancies in the totals due to rounding.
For other fund-specific information, please refer to the monthly factsheets.

Investment track record – share returns

Allan Gray Proprietary Limited global mandate share returns vs FTSE/JSE All Share Index			
Period	**Allan Gray***	**FTSE/JSE All Share Index**	**Out-/Under-performance**
1974 (from 15.6)	−0.8	−0.8	0.0
1975	23.7	−18.9	42.6
1976	2.7	−10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	−0.3
1979	86.9	94.4	−7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	−4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	−4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	−5.1	9.6
1991	30.0	31.1	−1.1
1992	−13.0	−2.0	−11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	−17.4	−4.5	−12.9
1998	1.5	−10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	−8.1	33.7
2003	29.4	16.1	13.3
2004	31.8	25.4	6.4
2005	56.5	47.3	9.2
2006	49.7	41.2	8.5
2007	17.6	19.2	−1.6
2008	−13.7	−23.2	9.5
2009	27.0	32.1	−5.1
2010	20.3	19.0	1.3
2011	9.9	2.6	7.3
2012	20.6	26.7	−6.1
2013	24.3	21.4	2.9
2014	16.2	10.9	5.3
2015	7.8	5.1	2.7
2016	12.2	2.6	9.6
2017	15.6	21.0	−5.4
2018	−8.0	−8.5	0.5
2019	6.2	12.0	−5.8
2020 (to 31.03)	**−28.9**	**−21.4**	**−7.5**

Returns annualised to 31.03.2020



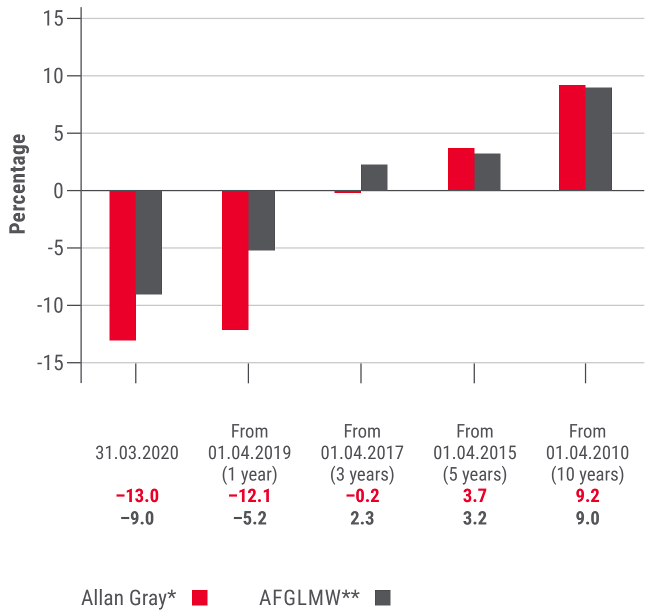
An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R160 518 647 by 31 March 2020. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R7 816 998. Returns are before fees.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Investment track record – balanced returns

Allan Gray Proprietary Limited global mandate total returns vs Alexander Forbes Global Large Manager Watch			
Period	**Allan Gray***	**AFGLMW****	**Out-/Under-performance**
1974	–	–	–
1975	–	–	–
1976	–	–	–
1977	–	–	–
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	−0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	−5.5
1992	1.2	7.6	−6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	−1.8	9.5	−11.3
1998	6.9	−1.0	7.9
1999	80.0	46.8	33.1
2000	21.7	7.6	14.1
2001	44.0	23.5	20.5
2002	13.4	−3.6	17.1
2003	21.5	17.8	3.7
2004	21.8	28.1	−6.3
2005	40.0	31.9	8.1
2006	35.6	31.7	3.9
2007	14.5	15.1	−0.6
2008	−1.1	−12.3	11.2
2009	15.6	20.3	−4.7
2010	11.7	14.5	−2.8
2011	12.6	8.8	3.8
2012	15.1	20.0	−4.9
2013	25.0	23.3	1.7
2014	10.3	10.3	0.0
2015	12.8	6.9	5.9
2016	7.5	3.7	3.8
2017	11.9	11.5	0.4
2018	−1.4	−2.1	0.7
2019	6.5	10.9	−4.4
2020 (to 31.03)	**−13.0**	**−9.0**	**−4.0**

Returns annualised to 31.03.2020



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R21 720 738 by 31 March 2020. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R5 075 931. Returns are before fees.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
**Consulting Actuaries Survey returns used up to December 1997. The return for March 2020 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexander Forbes Global Large Manager Watch.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Allan Gray South African unit trusts annualised performance (rand) in percentage per annum to 31 March 2020 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure (100%)									
Allan Gray Equity Fund (AGEF) Average of South African - Equity - General category (excl. Allan Gray funds)[1]	27.2	01.10.1998	19.0 13.0	7.0 5.8	−1.2 −3.6	−6.4 −6.7	−24.3 −22.9	125.8 73.0	−24.3 −37.6
Allan Gray SA Equity Fund (AGDE) FTSE/JSE All Share Index including income	2.1	13.03.2015	−3.7 0.0	– –	−3.7 −0.1	−9.9 −2.1	−32.0 −18.4	17.2 22.5	−32.0 −18.4
Allan Gray-Orbis Global Equity Feeder Fund (AGOE) FTSE World Index	17.7	01.04.2005	13.5 13.6	14.5 16.5	9.1 11.7	5.2 12.2	4.6 10.1	78.2 54.2	−29.7 −32.7
Medium net equity exposure (40% - 75%)									
Allan Gray Balanced Fund (AGBF) **Allan Gray Tax-Free Balanced Fund (AGTB)** Average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[2]	121.3 1.0	01.10.1999 01.02.2016	14.6 1.4 10.8/1.2	8.0 – 7.1	2.4 – 1.3	−1.7 −1.3 −0.6	−14.2 −13.4 −10.3	46.1 13.3 41.9/13.7	−14.2 −13.4 −16.7/−10.3
Allan Gray-Orbis Global Fund of Funds (AGGF) 60% of the FTSE World Index and 40% of the J.P. Morgan GBI Global Bond Index	12.7	03.02.2004	10.2 11.7	11.5 15.0	8.0 11.9	4.0 13.7	4.1 19.1	55.6 38.8	−13.7 −17.0
Low net equity exposure (0% - 40%)									
Allan Gray Stable Fund (AGSF) Daily interest rate of FirstRand Bank Limited plus 2%	42.7	01.07.2000	10.9 8.9	7.2 7.3	5.3 7.9	2.2 7.9	−7.4 7.8	23.3 14.6	−7.4 6.2
Very low net equity exposure (0% - 20%)									
Allan Gray Optimal Fund (AGOF) Daily interest rate of FirstRand Bank Limited	1.0	01.10.2002	7.3 6.4	5.7 5.2	4.7 5.8	1.9 5.8	−3.8 5.7	18.1 11.9	−3.8 4.1
Allan Gray-Orbis Global Optimal Fund of Funds (AGOO) Average of US$ bank deposits and euro bank deposits	0.9	02.03.2010	7.4 8.1	7.7 8.7	5.4 8.7	2.1 11.3	5.4 22.6	39.6 35.6	−12.4 −19.1
No equity exposure									
Allan Gray Bond Fund (AGBD) FTSE/JSE All Bond Index (Total return)	3.1	01.10.2004	8.5 7.9	8.0 7.4	6.7 5.2	6.6 5.3	−1.1 −3.0	18.0 21.2	−2.6 −5.6
Allan Gray Money Market Fund (AGMF) Alexander Forbes Short-Term Fixed Interest (STeFI) Composite Index[3]	24.6	03.07.2001	8.0 7.8	6.7 6.5	7.6 7.2	7.8 7.3	7.7 7.2	12.8 13.3	5.2 5.2

[1] From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index including income (source: IRESS).
[2] From inception to 31 January 2013, the benchmark of the Allan Gray Balanced Fund was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund.
[3] From inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011, the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
[4] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Allan Gray total expense ratios and transaction costs for the 3-year period ending 31 March 2020

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.13%	0.25%	0.03%	0.14%	1.55%	0.09%	1.64%
Allan Gray SA Equity Fund	1.00%	−0.56%	0.01%	0.07%	0.52%	0.10%	0.62%
Allan Gray Balanced Fund	1.11%	0.17%	0.03%	0.12%	1.43%	0.09%	1.52%
Allan Gray Tax-Free Balanced Fund	1.37%	0.00%	0.05%	0.14%	1.56%	0.13%	1.69%
Allan Gray Stable Fund	1.09%	−0.04%	0.03%	0.09%	1.17%	0.10%	1.27%
Allan Gray Optimal Fund	1.00%	0.00%	0.02%	0.15%	1.17%	0.11%	1.28%
Allan Gray Bond Fund	0.25%	0.37%	0.01%	0.09%	0.72%	0.00%	0.72%
Allan Gray Money Market Fund	0.25%	0.00%	0.00%	0.04%	0.29%	0.00%	0.29%
Allan Gray-Orbis Global Fund of Funds	1.44%	0.21%	0.06%	0.00%	1.71%	0.11%	1.82%
Allan Gray-Orbis Global Equity Feeder Fund	1.49%	0.16%	0.05%	0.00%	1.70%	0.10%	1.80%
Allan Gray-Orbis Global Optimal Fund of Funds	1.00%	0.41%	0.07%	0.00%	1.48%	0.13%	1.61%

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 three years. 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.

Foreign domiciled funds annualised performance (rand) in percentage per annum to 31 March 2020 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure								
Orbis Global Equity Fund	**01.01.1990**	**17.4**	**14.6**	**9.4**	**5.4**	**4.8**	**87.6**	**−47.5**
FTSE World Index		13.4	16.5	11.8	12.2	10.2	54.2	−46.2
Orbis SICAV Japan Equity (Yen) Fund	**01.01.1998**	**14.5**	**15.1**	**11.6**	**9.8**	**14.3**	**94.9**	**−40.1**
Tokyo Stock Price Index		9.6	14.2	10.8	11.0	14.6	91.0	−46.4
Orbis SICAV Emerging Markets Equity Fund (US$)[5]	**01.01.2006**	**13.2**	**11.4**	**5.5**	**2.5**	**−0.4**	**58.6**	**−34.2**
MSCI Emerging Markets Equity (Net) (US$)[5]		13.0	12.3	7.5	8.2	1.5	60.1	−39.7
Allan Gray Africa ex-SA Equity Fund	**01.01.2012**	**9.8**	**–**	**0.9**	**8.7**	**−15.9**	**65.6**	**−24.3**
Standard Bank Africa Total Return Index		3.3	–	−1.5	2.9	−9.9	33.6	−29.4
Allan Gray Australia Equity Fund	**04.05.2006**	**11.9**	**11.1**	**5.7**	**−2.9**	**−22.3**	**99.5**	**−55.4**
S&P/ASX 300 Accumulation Index		10.8	10.1	4.8	1.6	−8.9	55.6	−45.1
Medium net equity exposure								
Orbis SICAV Global Balanced Fund	**01.01.2013**	**13.8**	**–**	**7.7**	**4.0**	**3.5**	**54.4**	**−9.8**
60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan GBI Global Bond Index		16.0	–	11.8	13.6	19.5	40.2	−8.4
Allan Gray Australia Balanced Fund	**01.03.2017**	**4.1**	**–**	**–**	**2.8**	**−4.0**	**16.2**	**−5.3**
The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and J.P. Morgan GBI Global Bond Index expressed in AUD (16%).		9.5	–	–	8.3	8.3	25.1	−5.8
Low net equity exposure								
Allan Gray Australia Stable Fund	**01.07.2011**	**10.6**	**–**	**7.8**	**3.7**	**2.3**	**32.7**	**−7.4**
Reserve Bank of Australia cash rate		7.1	–	4.9	3.5	7.6	28.8	−12.6
Very low net equity exposure								
Orbis Optimal SA Fund (US$)	**01.01.2005**	**9.6**	**8.9**	**6.4**	**2.9**	**8.5**	**48.6**	**−15.7**
US$ Bank deposits		9.7	10.2	9.6	12.1	26.0	57.9	−25.6
Orbis Optimal SA Fund (Euro)	**01.01.2005**	**7.3**	**5.9**	**4.7**	**1.2**	**3.3**	**44.1**	**−19.3**
Euro Bank deposits		7.4	7.0	8.1	10.5	20.0	40.2	−20.9
No equity exposure								
Allan Gray Africa ex-SA Bond Fund	**27.03.2013**	**14.9**	**–**	**14.4**	**14.3**	**10.5**	**28.9**	**2.4**
J.P. Morgan GBI EM Global Diversified Index		7.1	–	8.3	9.1	15.3	23.5	−7.7

Performance as calculated by Allan Gray

[4] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

[5] From inception to 31 October 2016, this Fund was called the Orbis SICAV Asia ex-Japan Equity Fund and its benchmark was the MSCI Asia ex-Japan Index. From 1 November 2016, the Fund's investment mandate was broadened to include all emerging markets. To reflect this, the Fund was renamed and the benchmark was changed.

IMPORTANT INFORMATION FOR INVESTORS

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. ("Allan Gray" means Allan Gray Proprietary Limited and all of its subsidiaries and associate companies, and "the company" includes all of those entities.) Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, it is recommended that you consult an independent, qualified financial adviser regarding your specific situation. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

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 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). 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). Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. Except for the Allan Gray Money Market Fund, where the Investment Manager aims to maintain a constant unit price, the value of units may go down as well as up.

Past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee regarding the capital or the performance of its unit trusts. Funds may be closed to new investments at any time in order for them to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending.

Performance

Performance figures are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, it 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. Movements in exchange rates may also be the cause of the value of underlying international investments going up or down. Certain unit trusts have more than one class of units and these are subject to different fees and charges. 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 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za. Permissible deductions 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 the Management Company.

Benchmarks

FTSE/JSE All Share Index

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

FTSE Russell Indexes

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2020. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

J.P. Morgan Index

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved.

MSCI Index

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Understanding the funds

Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the fund(s) they select. The Allan Gray Equity, Balanced, Stable and rand-denominated offshore funds may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fee in its feeder fund or fund of funds.

The Allan Gray Money Market Fund is not a bank deposit account. The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event, investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to the applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure. If this happens, withdrawals may be ring-fenced and managed over a period of time.

Additional information for retirement fund members and investors in the tax-free investment account, living annuity and endowment

The Allan Gray Retirement Annuity Fund, Allan Gray Pension Preservation Fund, Allan Gray Provident Preservation Fund and Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment

Services Proprietary Limited, an authorised administrative financial services provider and approved under section 13B of the Pension Funds Act as a benefits administrator. Allan Gray Proprietary Limited, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund. The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and Allan Gray Endowment are underwritten by Allan Gray Life Limited, also an authorised financial services provider and a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual life and retirement products are portfolios of collective investment schemes in securities (unit trusts or funds).

Tax note

In accordance with section 11(i) of the Botswana Income Tax Act (Chapter 52;01), an amount accrued to any person shall be deemed to have accrued from a source situated in Botswana where it has accrued to such person in respect of any investment made outside Botswana by a resident of Botswana, provided that section 11(i) shall not apply to foreign investment income of non-citizens resident in Botswana. Botswana residents who have invested in the shares of the Fund are therefore requested to declare income earned from this Fund when preparing their annual tax returns. The Facilities Agent for the Fund in Botswana is Allan Gray (Botswana) (Proprietary) Limited at 2nd Floor, Building 2, Central Square, New CBD, Gaborone, where investors can obtain a prospectus and financial reports.

About the paper

The Allan Gray Quarterly Commentary is printed on LumiSilk, a paper made from trees grown specifically for paper manufacturing.
The paper is certified by the Forest Stewardship Council (FSC), an organisation which promotes responsible management of the world's forests.

NOTES

NOTES

Registration number
2005/002576/07

Business address
1 Silo Square
V&A Waterfront
Cape Town
8001

P O Box 51318
V&A Waterfront
Cape Town
8002
South Africa

Client Service Centre
T 0860 000 654 or +27 (0)21 415 2301
F 0860 000 655 or +27 (0)21 415 2492
E info@allangray.co.za
www.allangray.co.za


ALLAN GRAY