ABRIDGED ANNUAL REPORT
UNIT TRUSTS
2017

ALLAN GRAY

Contents

Edgar Loxton

2017 will not be a year we forget quickly. From the local political goings on, the exposure of corruption and mismanagement in both public and private sectors, to the hope from the recent elective conference and major changes within our close neighbour Zimbabwe.

As 2018 gets traction, there are many questions about what we can expect, and how we can prepare for the year ahead. Is upheaval the new normal?

Unfortunately no one really knows and we prefer not to spend our time trying to guess. Rather we continue to focus on thorough research to assess the underlying value of individual companies and make a careful assessment of whether or not they should be included in your portfolios.

Positioning and performance of our unit trusts

Some of you that follow our commentaries have raised eyebrows at our appetite for local stocks over the recent past, bearing in mind the ongoing uncertainty. When managing portfolios it is important that we separate what we as individuals want to happen in South Africa, from our thinking about the portfolio. As Andrew Lapping explains in his chief investment officer's comments, we look for undervalued shares that we believe will reach their true value over time. This means we often find opportunities where others fear to tread. It also means we look at individual companies, rather than sectors as a whole, in our quest for value. This approach has worked well for us through different market cycles. Our offshore partner Orbis follows the same approach and has managed to find good investment opportunities despite some global markets looking very overvalued.

It is also important that portfolios are well diversified so that when one sector or asset class is performing poorly, returns can come from somewhere else. This has paid off in the past year, with our flagship Equity, Balanced and Stable Funds returning 14%, 11% and 9.6% respectively – all slightly ahead of their benchmarks.

The commentaries later in this report give good insight into the performance of the individual unit trusts, as well as their exposures.

Closure of the rand-denominated offshore unit trusts

As at 31 December 2017 South African foreign exchange controls limit the amount unit trusts can invest overseas to 35% of retail assets under management, collectively. Available foreign capacity is affected dramatically by offshore assets under- or outperforming local assets in rand terms, the strength of the local currency, and demand. When local optimism wanes and the rand weakens the demand for offshore capacity tends to increase, sometimes very rapidly, at exactly the point when less capacity is available. Conversely, when the rand is strong and local assets outperform their offshore equivalents, flows into offshore funds tend to decline at exactly the point that more capacity is opened up.

Our rand-denominated unit trusts were opened briefly to new investment in March 2017. However, following strong inflows, Orbis' strong performance and rand volatility, we reached our limit within a few weeks and had to close the unit trusts again. This means that as at the time of writing, other than through existing debit orders, investors cannot invest directly into the Allan Gray-Orbis Global Equity Feeder Fund, Global Fund of Funds and Global Optimal Fund of Funds.

In 2017, the Orbis funds outperformed their benchmarks by 3.4% on an asset-weighted basis and after all fees and expenses. We commend our offshore partner for outpacing strong global stock markets and building on their favourable performance of 2016. Orbis' performance boosted the performance of our local unit trusts that have offshore exposure, although this performance was masked to some extent by the strengthening of the rand.

Industry update

2017 saw the beginning of fundamental reform of the financial sector regulatory framework, when the Financial Services Regulation Act was signed into law in August.

The new legislation has been a few years in the making and gives effect to some important changes: It gives the Reserve Bank an explicit mandate to maintain and enhance financial stability. It also creates a Prudential Authority within the Reserve Bank to supervise the safety and soundness of banks, insurance companies and other financial institutions, and establishes the Financial Sector Conduct Authority to supervise how financial services firms conduct their business and treat customers.

We are supportive of these changes, which aim to achieve a safer financial sector which works more effectively in ensuring the fair treatment and protection of financial customers, and supports balanced and sustainable economic growth.

Update on unit holders

Assets under management as at 31 December 2017 were R287.5bn. This is an increase from the R254.3bn we reported at the end of 2016. There were net inflows of R4.6bn in 2017. Gross client outflows divided by the average value of assets in our unit trusts in 2017 were at 13%. This means that, on average, clients are staying with Allan Gray for eight years. Our individual fund churn rate, which includes switches between unit trusts*, has come in at 16% for the year, reflecting a weighted average fund holding period for investors of just over six years. This suggests that clients are taking note of our message to remain focused on the long term to enjoy the benefits of our philosophy and approach to investing. This is especially important during times of uncertainty. Thank you for your support – it is much appreciated.

*This excludes switches between classes of the same unit trust, and excludes switches from the Money Market Fund.

Andrew Lapping

Separating oneself from the noise is tricky. There is an enormous amount of information out there; you can listen to experts on television, read newspapers, unit trust annual reports, stockbroker research or take in what the pundits have to say on social media. But are these content generators trying to inform you or serve their own agendas? In a world of ever-more noise, it is important to make a conscious effort to focus on what matters and adds value to your life, while at the same time thinking about what commentators are looking to achieve. This is increasingly important when quality, independent journalism is being squeezed out. 2017 reinforced this point for me, along with a few others.

Patience

Be patient and trust your analysis. Steinhoff is a great example. Constant disclosure changes, non-existent cash flow, equity issuance, very low tax charges and even lower cash tax payments, convertible bond issuance, strategic about-turns, annual reports that did not reconcile from year to year and management explanations that did not ring true struck us as extremely suspicious. We were patient for 10 years and avoided the share; but we were not patient enough. With the stock down 40% relative to the market over 18 months, having raised substantial equity to pay down debt and improved clarity on some of the operations, we began to buy a small position in October. Very frustrating that after ten years of work, only a little more patience would have seen us clear.

Short termism and the fear of missing out

Investing and accumulating wealth is a long-term business – as in more than 40 years. Many people are unwilling to invest consistently and significantly towards their retirement despite evidence that indicates a sensible strategy of compounding, executed over decades, will likely yield excellent results. But they will happily invest in something that has no intrinsic value or ability to work for them, on totally unregulated exchanges, with substantial transaction costs, in the hope of becoming wealthy overnight.

The long-term, valuation-based Allan Gray investment philosophy positions us well versus the short-term thinking, blind investing by passive funds and dearth of thoughtful, independent analysis that is the modern world.

The portfolios

Our long-term approach can be seen in the changes to the portfolios over the past year, which were fairly modest. Taking the Equity Fund as an example, only two of the top ten constituents changed. Rand Merchant Investment Holdings (RMI) and KAP Industrial Holdings were replaced by medical groups Life Healthcare and Netcare. Life Healthcare and Netcare were two of the Equity Fund's largest detractors from performance for the year, with their share prices falling by 18% and 21% respectively. However, as can be seen by their entry into the top ten holdings, we were buyers of both of these companies as the share prices fell below our assessment of fair value.

We increased the Equity Fund's exposure to internationally listed companies from 16% to 20% as we reduced our holdings in certain SA-listed companies like Standard Bank. The holding in Standard Bank fell from 7.3% of Fund to 5.7% as the share price rose 27% and the valuation became less compelling. The comparison is even more interesting when you consider that Standard Bank appreciated 41% over the year when measured in US dollars.

The equity allocation in the Balanced Fund increased slightly over the year to 62.5% from 61%. We were net sellers in 2017, particularly of international equities, where our exposure declined from 14.1% of Fund to 13.6%, despite strong price performance.

Asset allocation changes in the Stable Fund were even more pronounced. The Stable Fund's share exposure increased from the mid-teens in 2015, to a peak of just below 40% in July 2017, as we found more opportunities. The subsequent rally in domestic and global shares has led to fewer opportunities and we have started to reduce the Stable Fund's share exposure. At time of writing it is sitting at 36%. Interestingly, for the first time in many years, we are beginning to find value in select South African property companies. These are still a small exposure in the Fund but it is a sector we are monitoring closely for opportunities.

Environmental and social

In 2017 we made changes to how we analyse and monitor environmental and social issues in the investment process. We hired a dedicated environmental and social analyst who works with the analyst team to assist in identifying and analysing any issues that arise. We have updated our Policy on Sustainability, which you can find on our website. Our annual Stewardship Report, which details our processes and activity regarding environmental, social and governance issues that arose in 2017, is also available on our website (visit www.allangray.co.za/responsible-investing/).

Thank you for trusting us with your savings

We focus on managing the risk of capital loss and look to take advantage of opportunities as they arise by buying undervalued assets in an effort to generate real returns for our clients. This has proven to be a winning strategy over the past 44 years and we don't plan on changing it.

PORTFOLIO MANAGERS

Andrew Lapping

Chief Investment Officer

BSc (Eng) BCom CFA

Andrew joined Allan Gray in February 2001 as a fixed interest trader and moved to the research 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. He completed his BSc (Eng) and BCom at UCT.

Duncan Artus

Portfolio Manager

BBusSc (Hons) PGDA CFA CMT

Duncan joined Allan Gray in 2001 and has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. He is a director of Allan Gray Group Proprietary Limited. Duncan completed his Honours in Business Science and postgraduate diploma in accounting at UCT. He holds both the CFA and CMT charters.

Mark Dunley-Owen

Portfolio Manager

BBusSc (Hons)

Mark joined Allan Gray in 2009 having worked at a number of international investment banks. He started managing a portion of the fixed interest portfolios in July 2011, and a portion of the stable portfolios in May 2013. He is one of the portfolio managers of the Allan Gray Stable Fund, the portfolio manager of the Allan Gray Bond Fund and the Allan Gray Money Market Fund and also manages Africa ex-SA bonds.

Leonard Krüger

Portfolio Manager

BSc (Hons) Actuarial Mathematics

Leonard joined Allan Gray in 2007 as an equity analyst. He began managing a portion of our client's equity and balanced portfolios earmarked for associate portfolio managers from July 2014 and was appointed as portfolio manager of the Stable portfolio in November 2015. Leonard completed his BSc (Hons) Actuarial Mathematics at the University of Pretoria and is a qualified actuary.

Nick Ndiritu

Portfolio Manager

BSc (Eng) (Magna cum laude) MBA

Nick is a portfolio manager for the Allan Gray Africa ex-SA Equity Fund and Africa ex-SA Bond Fund. He joined Allan Gray in 2010, with prior experience in investment banking and management consulting. Nick holds a BSc in Industrial Engineering (magna cum laude) from Northeastern University and an MBA from Harvard Business School.

Jacques Plaut

Portfolio Manager

BSc in Mathematics

Jacques joined Allan Gray in 2008 as an equity analyst after working as a management consultant. He began managing a portion of client equity and balanced portfolios earmarked for associate portfolio managers from March 2013 and was appointed as portfolio manager in November 2015. Jacques completed his BSc degree in Mathematics at UCT.

Simon Raubenheimer

Portfolio Manager

BCom (Hons) (Cum laude) CFA

Simon joined Allan Gray in 2002 and has been managing a portion of client equity and balanced portfolios since July 2008, when he was appointed as a portfolio manager. He completed a BCom (Econometrics) degree at UP in 2000 and a BCom (Honours) degree at UCT in 2001 and is a CFA charter holder. Simon is a director of Allan Gray Investment Services Proprietary Limited.

Ruan Stander

Portfolio Manager

BSc (Hons) FIA FRM

Ruan joined Allan Gray in 2008 and is a quantitative and equity analyst as well as the portfolio manager of the Allan Gray Optimal Fund. Ruan managed a portion of client equity and balanced portfolios earmarked for associate portfolio managers from March 2013 and was appointed portfolio manager of these portfolios in November 2015. He has an Honours degree in Financial and Actuarial Mathematics, is a certified GARP Financial Risk Manager and a qualified actuary.

Fund	Fund objective (specific benchmarks are shown on the fund data pages that follow)	Local/Offshore	Fund description	Suitable for investors who:	Category
100% HIGH NET EQUITY EXPOSURE					
Allan Gray Equity Fund	The Fund aims to create long-term wealth for investors. It aims to outperform the average return of South African General Equity Funds over the long term, without taking on greater risk of loss. To pursue its objective the Fund's portfolio may differ materially from those of its peers. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term.	Local	The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund may buy foreign assets up to a maximum of 25% of the Fund, with an additional 5% allowed for African ex-SA investments. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.	▪ Seek exposure to listed equities to provide long-term capital growth ▪ Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility ▪ Are prepared to accept the risk of capital loss ▪ Typically have an investment horizon of more than five years ▪ Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio	South African-Equity-General
Allan Gray SA Equity Fund	The Fund aims to create long-term wealth for investors. It aims to outperform the South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term.	Local	The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.	▪ Seek exposure to JSE-listed equities to provide long-term capital growth ▪ Are comfortable with stock market fluctuation, i.e. short- to medium- term volatility ▪ Are prepared to accept the risk of capital loss ▪ Typically have an investment horizon of more than five years ▪ Wish to use the Fund as an equity 'building block' in a diversified multi asset class portfolio	South African-Equity-General
Allan Gray-Orbis Global Equity Feeder Fund	The Fund aims to outperform global stock markets over the long term, without taking on greater risk.	Offshore	The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The Orbis Global Equity Fund invests in shares listed on stock markets around the world and aims to be fully invested at all times. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.	▪ Seek exposure to diversified international equities to provide long-term capital growth ▪ Wish to invest in international assets without having to personally expatriate rands ▪ Are comfortable with global stock market and currency fluctuation and risk of capital loss ▪ Typically have an investment horizon of more than five years ▪ Wish to use the Fund as a fully invested global equity 'building block' in a diversified multi-asset class portfolio	Global-Equity-General

Fund	Fund objective (specific benchmarks are shown on the fund data pages that follow)	Local/Offshore	Fund description	Suitable for investors who:	Category
40% - 75% MEDIUM NET EQUITY EXPOSURE					
Allan Gray Balanced Fund	The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk.	Local	The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund may buy foreign assets up to a maximum of 25% of the Fund (with an additional 5% for African ex-SA investments). 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 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. 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.	▪ Seek steady long-term capital growth ▪ Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund ▪ Wish to invest in a unit trust that complies with retirement fund investment limits ▪ Typically have an investment horizon of more than three years	South African - Multi Asset - High Equity
Allan Gray-Orbis Global Fund of Funds	The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk.	Offshore	The Fund invests in a mix of equity, absolute return and multi-asset class funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 40% and 75%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of an international equity-only fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.	▪ Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk ▪ Wish to invest in international assets without having to personally expatriate rands ▪ Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund ▪ Typically have an investment horizon of more than five years ▪ Wish to use the Fund as a foreign medium equity 'building block' in a diversified multi-asset class portfolio	Global - Multi Asset - High Equity
Allan Gray Tax-Free Balanced Fund	The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. This Fund was created specifically for tax-free investment accounts and can only be accessed through these products.	Local	The Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts and can only be accessed through these products. The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund may buy foreign assets up to a maximum of 25% of the Fund (with an additional 5% for African ex-SA investments). 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 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. 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.	▪ Seek steady long-term capital growth ▪ Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund ▪ Wish to invest in a tax-free investment account ▪ Typically have an investment horizon of at least three years	South African - Multi Asset - High Equity
0% - 40% LOW NET EQUITY EXPOSURE					
Allan Gray Stable Fund	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.	Local	The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund may buy foreign assets up to a maximum of 25% of the Fund (with an additional 5% for African ex-SA investments). 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.	▪ 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	South African - Multi Asset - Low Equity

Fund	Fund objective (specific benchmarks are shown on the fund data pages that follow)	Local/Offshore	Fund description	Suitable for investors who:	Category
0% - 20% VERY LOW NET EQUITY EXPOSURE					
Allan Gray Optimal Fund	The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns.	Local	The Fund invests mainly in selected shares and it uses exchange-traded derivative contracts on stock market indices to substantially reduce its net equity exposure to within a range of 0-20%. As a result, the Fund's return depends on the level of short-term interest rates (implicit in the pricing of the sold futures contracts) and the performance of the Fund's selected shares relative to the stock market index. The Fund's return is therefore unlikely to be correlated with equity market returns. In addition, a portion of the Fund is typically invested in cash and margin deposits.	▪ Seek steady absolute (i.e. positive) returns regardless of stock market trends ▪ Require a high degree of capital stability ▪ Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a 'building block' in a diversified multi-asset class portfolio	South African - Multi Asset - Low Equity
Allan Gray-Orbis Global Optimal Fund of Funds	The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits.	Offshore	The Fund invests in a mix of absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 0% and 20%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of a foreign equity or balanced fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.	▪ Seek steady absolute returns ahead of those of cash measured in global currencies ▪ Wish to invest in international assets without having to personally expatriate rands ▪ Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk ▪ Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio	Global - Multi Asset - Low Equity
NO EQUITY EXPOSURE					
Allan Gray Bond Fund	The Fund aims to provide investors with a real return over the long-term and outperform the JSE All Bond Index at no greater risk.	Local	The Fund invests in South African interest bearing securities. Securities include national government, parastatal, municipal, corporate bonds and money market instruments. The Fund price is sensitive to interest rate movements because of the long-term nature of the Fund's investments. The duration of the Fund may differ materially from the benchmark. The Fund is managed to comply with investment limits governing retirement funds.	▪ Seek a bond 'building block' for a diversified multi-asset class portfolio ▪ Are looking for returns in excess of those provided by money market or cash investments ▪ Are prepared to accept more risk of capital depreciation than in a money market or cash investment	South African - Interest Bearing - Variable Term
Allan Gray Money Market Fund	The Fund aims to preserve capital, maintain liquidity and generate a sound level of income.	Local	The Fund invests in South African money market instruments with a term shorter than 13 months. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the Fund defaults. In this event losses will be borne by the Fund and its investors.	▪ Require monthly income distributions ▪ Are highly risk-averse but seek returns higher than bank deposits ▪ Need a short-term investment account	South African - Interest Bearing - Money Market

PERFORMANCE SUMMARY

Annualised performance to 31 December 2017 over 10, 5 and 3 years.
Fund performance is shown net of all management fees and expenses.

Fund	10 Years	5 Years	3 Years
Allan Gray Equity Fund[1]	11.1%	12.7%	9.6%
Benchmark[2]	9.7%	10%	6.2%
Allan Gray-Orbis Global Equity Feeder Fund	13.9%	24.1%	16.1%
Benchmark[3]	11.9%	20.3%	12.2%
Allan Gray Balanced Fund[1]	10.8%	12.3%	9.9%
Benchmark[4]	8.9%	9.7%	6.6%
Allan Gray-Orbis Global Fund of Funds	12.1%	18.3%	12.6%
Benchmark[5]	11.2%	15.4%	9.0%
Allan Gray Stable Fund[1]	9.4%	10.2%	9.8%
Benchmark[6]	8%	7.3%	7.9%
Allan Gray Optimal Fund[1]	7.1%	8.2%	7.4%
Benchmark[7]	5.9%	5.2%	5.7%
Allan Gray-Orbis Global Optimal Fund of Funds		11.8%	7.4%
Benchmark[8]		6.9%	2.1%
Allan Gray Bond Fund	9.2%	7.3%	8.2%
Benchmark[9]	8.6%	6.3%	6.9%
Allan Gray Money Market Fund	7.3%	6.7%	7.4%
Benchmark[10]	7.1%	6.5%	7.1%
CPI inflation[11]	5.9%	5.4%	5.3%

The Funds returns shown above are all class A. All benchmark performance is calculated by Allan Gray as at 31 December 2017.
The Allan Gray SA Equity Fund and the Allan Gray Tax-Free Balanced Fund have not been included as they were launched less than three years ago.

1. Different classes of units apply to the Equity, Balanced, Stable and Optimal Funds only and are subject to different fees and charges.
2. The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share index including income (source: IRESS).
3. FTSE World Index including income (source: Bloomberg).
4. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding the Allan Gray funds). From inception to 31 January 2013 the benchmark 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 (source: Morningstar).
5. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (source: Bloomberg).
6. The daily interest rate as supplied by FirstRand Bank Limited plus 2%.
7. The daily interest rate as supplied by FirstRand Bank Limited.
8. The simple average of the benchmarks of the underlying funds.
9. JSE All Bond Index (source: IRESS).
10. The Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since 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.
11. This is based on the latest numbers published by IRESS as at 30 November 2017.

ALLAN GRAY EQUITY FUND

Inception date: 1 October 1998

Portfolio managers

Andrew Lapping, Duncan Artus, Jacques Plaut, Simon Raubenheimer, Ruan Stander. (Most foreign assets are invested in Orbis funds.)

Fund objective and benchmark

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund may buy foreign assets up to a maximum of 25% of the Fund, with an additional 5% allowed for African ex-SA investments. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

Commentary

For most of 2017, domestically orientated sectors fared poorly against the FTSE/JSE All Share Index (ALSI). However, the last few weeks of the year saw a sharp and sudden reversal of this trend. Banks, insurers and retailers all rallied on the back of improving sentiment towards South Africa, and a stronger rand, to regain most, if not more, of all the prior year's lost ground. The last six weeks of 2017 are a reminder of how quickly perceptions can change. Investors in out-of-favour sectors would have been well placed, at least in the short run. Naspers' meteoric rise continued, with the stock up 70% for the year. It constituted 20% of the ALSI at the end of 2017.

Over the course of 2017 the positioning of the Fund has tilted towards a domestic bias as we bought into the laggards. Two positions that have recently crept into the top 10 are Netcare and Life Healthcare.

The companies have a lot in common: Netcare and Life Healthcare are the largest and second-largest private hospital groups in South Africa. Both companies have underperformed the market substantially over the past year. Both companies generate the bulk of their profits in South Africa, a region both companies are actively trying to diversify away from with varying degrees of success.

The combination of a mature healthcare market, poor macroeconomic environment and intensified case management efforts by healthcare funders has resulted in a decline in profitability from South Africa. We believe this is temporary. Given our dual burden of disease and a growing, ageing population, it is not unreasonable to expect case-load growth to resume at some stage. If the hospital operators do a good job on costs, profitability should follow. These are valuable earnings: medical spend is largely non-discretionary, barriers to entry are high, cash conversion is good and the operations are well capitalised.

The prognosis on their foreign operations is less clear. Life Healthcare's Polish business has performed poorly. Their Indian joint venture might be valuable on paper, but it has hardly contributed to profits. Life Healthcare's recent acquisition of UK-domiciled Alliance Medical Group did not come cheaply. The performance of this business is encouraging, but it is too early to pass a verdict. Netcare's foray into the UK, through General Healthcare Group (GHG), has disappointed. GHG's original structure was flawed and errors have compounded subsequently. On our estimates it is unlikely that capital allocated to the UK operations is recoverable. Fortunately for Netcare shareholders, the value of their South African operations exceeds the value of the company. It is important for the management team to ensure that this value is preserved.

Commentary contributed by Simon Raubenheimer

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 1998)	5537.1	1776.5	179.4
Annualised:			
Since inception (1 October 1998)	23.3	16.5	5.5
Latest 10 years	11.1	9.7	5.9
Latest 5 years	12.7	10.0	5.4
Latest 3 years	9.6	6.2	5.3
Latest 2 years	11.3	8.2	5.6
Latest 1 year	14.0	12.8	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-31.3	-45.4	n/a
Percentage positive months[4]	66.2	59.3	n/a
Annualised monthly volatility[5]	15.4	16.9	n/a
Highest annual return[6]	125.8	73.0	n/a
Lowest annual return[6]	-20.7	-37.6	n/a

1. The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income (source: IRESS). Performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 May 2008 to 27 October 2008 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 September 1999 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 30 November 2008 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Sector allocation on 31 December 2017[7]

Sector	% of Fund	% of ALSI[8]
Oil and gas	1.0	0.0
Basic materials	17.2	20.7
Industrials	12.2	4.9
Consumer goods	8.6	12.8
Healthcare	5.4	2.9
Consumer services	14.8	27.5
Telecommunications	0.8	4.7
Utilities	0.3	0.0
Financials	29.0	26.3
Technology	3.5	0.3
Commodity-linked	1.3	0.0
Other	1.1	0.0
Money market and bank deposits	4.8	0.0
Total (%)	**100.0**	**100.0**

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

8. FTSE/JSE All Share Index.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2017	31 Dec 2017
Cents per unit	**247.4720**	**248.1496**

Foreign exposure on 31 December 2017[7]

20.4% of the Fund is invested in foreign investments.

Up to 25% of the Fund's value can be invested outside of Africa and 5% in Africa outside of South Africa.

ALLAN GRAY SA EQUITY FUND

Inception date: 13 March 2015

Portfolio managers

Andrew Lapping, Duncan Artus, Jacques Plaut, Simon Raubenheimer, Ruan Stander.

Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the FTSE/JSE All Share Index including income.

Commentary

For most of 2017, domestically orientated sectors fared poorly against the FTSE/JSE All Share Index (ALSI). However, the last few weeks of the year saw a sharp and sudden reversal of this trend. Banks, insurers and retailers all rallied on the back of improving sentiment towards South Africa, and a stronger rand, to regain most, if not more, of all the prior year's lost ground. The last six weeks of 2017 are a reminder of how quickly perceptions can change. Investors in out-of-favour sectors would have been well placed, at least in the short run. Naspers' meteoric rise continued, with the stock up 70% for the year. It constituted 20% of the ALSI at the end of 2017.

Over the course of 2017 the positioning of the Fund has tilted towards a domestic bias as we bought into the laggards. Two positions that have recently crept into the top 10 are Netcare and Life Healthcare.

The companies have a lot in common: Netcare and Life Healthcare are the largest and second-largest private hospital groups in South Africa. Both companies have underperformed the market substantially over the past year. Both companies generate the bulk of their profits in South Africa, a region both companies are actively trying to diversify away from with varying degrees of success.

The combination of a mature healthcare market, poor macroeconomic environment and intensified case management efforts by healthcare funders has resulted in a decline in profitability from South Africa. We believe this is temporary. Given our dual burden of disease and a growing, ageing population, it is not unreasonable to expect case-load growth to resume at some stage. If the hospital operators do a good job on costs, profitability should follow. These are valuable earnings: medical spend is largely non-discretionary, barriers to entry are high, cash conversion is good and the operations are well capitalised.

The prognosis on their foreign operations is less clear. Life Healthcare's Polish business has performed poorly. Their Indian joint venture might be valuable on paper, but it has hardly contributed to profits. Life Healthcare's recent acquisition of UK-domiciled Alliance Medical Group did not come cheaply. The performance of this business is encouraging, but it is too early to pass a verdict. Netcare's foray into the UK, through General Healthcare Group (GHG), has disappointed. GHG's original structure was flawed and errors have compounded subsequently. On our estimates it is unlikely that capital allocated to the UK operations is recoverable. Fortunately for Netcare shareholders, the value of their South African operations exceeds the value of the company. It is important for the management team to ensure that this value is preserved.

Commentary contributed by Simon Raubenheimer

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (13 March 2015)	26.4	23.9	16.6
Annualised:			
Since inception (13 March 2015)	8.7	7.9	5.8
Latest 2 years	12.3	11.4	5.6
Latest 1 year	14.7	21.0	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-13.7	-15.0	n/a
Percentage positive months[4]	52.9	55.9	n/a
Annualised monthly volatility[5]	10.6	11.2	n/a
Highest annual return[6]	17.2	22.5	n/a
Lowest annual return[6]	1.2	-3.4	n/a

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 4 November 2015 to 20 January 2016 and maximum benchmark drawdown occurred from 4 November 2015 to 21 January 2016. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception of the Fund. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 September 2016 and the benchmark's occurred during the 12 months ended 30 November 2017. The Fund's lowest annual return occurred during the 12 months ended 30 June 2017 and the benchmark's occurred during the 12 months ended 31 October 2016. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Sector allocation on 31 December 2017

Sector	% of Fund	% of ALSI[7]
Basic materials	20.4	20.7
Industrials	12.4	4.9
Consumer goods	7.3	12.8
Healthcare	5.3	2.9
Consumer services	15.8	27.5
Telecommunications	0.8	4.7
Financials	33.3	26.3
Technology	0.0	0.3
Commodity-linked	1.3	0.0
Other	1.6	0.0
Money market and bank deposits	1.9	0.0
Total (%)	**100.0**	**100.0**

7. FTSE/JSE All Share Index.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2017	31 Dec 2017
Cents per unit	**445.4012**	**616.8465**

ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND

Inception date: 1 April 2005

Portfolio managers

This Fund invests solely into the Orbis Global Equity Fund, managed by Orbis Investment Management Limited.

Fund objective and benchmark

The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The Orbis Global Equity Fund invests in shares listed on stock markets around the world and aims to be fully invested at all times. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.

Commentary

As strong returns in 2017 helped to keep the current bull market alive for a ninth year, future stock market returns do not look as appealing at current valuations. With its contrarian, bottom-up approach, Orbis sees the world differently and does not need to invest in 'the market'. Instead, the focus is entirely on finding the most compelling individual opportunities on offer. While even that exercise has become more challenging in recent years, it is a challenge that Orbis happily embraces. It is during times like these that blindly following an index can be particularly dangerous – and in which Orbis and Allan Gray's investment style can really earn its keep. The sections below discuss the thinking behind some of the Fund's holdings in two areas: financials and technology.

From a global perspective, few parts of the market have offered abundant bargains in recent years. Financial services is one exception. KB Financial Group, Korea's largest bank, and American International Group, a global insurer, are both reasonable quality businesses on firmer footing than they were in the past. Orbis anticipates profitability to improve at both companies over the long term, which should allow them to grow their book value per share by 10-15% per annum. Today, each trades for less than its book value.

Sberbank, the dominant retail bank in Russia, offers the kind of investment credentials that have become all too rare these days. How often does one find a dominant, competitively advantaged market leader with 20%+ return on equity trading at only seven times earnings? What puts investors off, of course, is the unquantifiable 'Russia risk'. While this deserves consideration and comes with some short-term volatility, Orbis believes the current discount is too severe.

A less traditional financial business is PayPal, the payments technology leader. As a newer business model, it is the hardest of the group to value. The stock looks expensive at first glance because heavy marketing and product development expenses repeatedly weigh down the company's profits. But Orbis regards these as investments that should produce benefits well beyond the short term. PayPal's true economic value creation, in Orbis' view, is considerably higher than what's captured by headline earnings in any given reporting period.

But along with greater online transaction activity, cybersecurity breaches are also becoming more common. Their cost to global economic activity is already comparable to that of narcotics, piracy and car crashes. As was recently seen with Equifax, the cost of a breach to a company can be devastating. Companies have rushed to plug gaps in their security, but despite a surplus of options, there is a scarcity of firms that can provide unified, high-quality expertise. We believe Symantec is an attractive exception.

Founded in 1982 by artificial intelligence researchers, Symantec grew into one of the world's largest cybersecurity firms. The company sells software to consumers under the Norton brand and to enterprises under a variety of product lines. Despite its initial leadership in security over the past decade, Symantec lost its focus, its product competitiveness, its growth, four CEOs and its premium valuation. The market started pricing the company as a 'legacy' business with its best days behind it. Today, at 15 times adjusted earnings, or a free cash flow yield to equity of 8%, Symantec trades at a notable discount to the US market and at a substantial discount to its technology peers.

Orbis views the company differently and believes the new CEO, Greg Clark, has reinvigorated the business. He has invested more than US$80 million of his own money in Symantec and refocused the company on security by transitioning it to stickier subscription pricing and refreshing the product portfolio. Over the long term, Symantec should also benefit from the adoption of cloud computing as cybersecurity transitions away the old 'firewalled fortress' model to a decentralised model that requires broad, integrated coverage.

Individually, these shares represent some of the ideas that Orbis' investment professionals find most compelling on a bottom-up basis.

Adapted from Orbis commentaries contributed by David Campos (San Francisco); Stanley Lu (Hong Kong); Michael Heap, Brett Moshal and Ben Preston (London)

For the full commentary please visit www.orbis.com

Performance net of all fees and expenses

% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (1 April 2005)	538.8	223.1	410.9	158.4	106.7	28.2
Annualised:						
Since inception (1 April 2005)	15.7	9.7	13.6	7.7	5.9	2.0
Latest 10 years	13.9	7.4	11.9	5.5	5.9	1.6
Latest 5 years	24.1	15.2	20.3	11.7	5.4	1.4
Latest 3 years	16.1	13.7	12.2	9.9	5.3	1.5
Latest 2 years	10.0	23.9	3.1	16.1	5.6	2.0
Latest 1 year	15.7	28.7	11.6	24.1	4.6	2.2
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	64.7	60.8	63.4	63.4	n/a	n/a
Annualised monthly volatility[5]	15.0	16.6	13.5	15.3	n/a	n/a
Highest annual return[6]	78.2	63.0	54.2	58.4	n/a	n/a
Lowest annual return[6]	-29.7	-44.8	-32.7	-47.3	n/a	n/a

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 6 June 2008 to 10 March 2009 and maximum benchmark drawdown occurred from 5 June 2008 to 6 March 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 March 2009 and the benchmark's occurred during the 12 months ended 31 March 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	99.2	49.1	14.8	12.5	17.7	5.1
Hedged equity	0.0	0.0	0.0	0.0	0.0	0.0
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	0.8	0.0	0.0	0.0	0.0	0.8
Total	**100.0**	**49.1**	**14.8**	**12.5**	**17.7**	**5.9**
Currency exposure of the Orbis Global Equity Fund						
Fund	100.0	50.6	25.7	9.5	9.0	5.2
Index	100.0	57.8	22.7	9.1	5.8	4.6

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

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 annually.	31 Dec 2017
Cents per unit	**0.5811**

ALLAN GRAY BALANCED FUND

Inception date: 1 October 1999

Portfolio managers

Andrew Lapping, Duncan Artus, Jacques Plaut, Simon Raubenheimer, Ruan Stander. (Most foreign assets are invested in Orbis funds.)

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

Commentary

2017 was an action-packed year on the market. Here are some things that stood out for us:

- Naspers, which is now 20% of the FTSE/JSE All Share Index (ALSI), started the year at R2 000 per share, traded all the way up to R4 100, and is currently R3 400. Only two of the top hundred companies have beaten Naspers: Kumba and Exxaro.
- Steinhoff started the year as a R300 billion company, and now has a smaller market cap than Italtile.
- Our government's financial position continued to deteriorate, but sentiment towards local firms turned positive when Cyril Ramaphosa was elected as head of the ANC. Barclays went from R150 to nearly R200 in the four days following the national conference.
- The rand strengthened by 10% against the US dollar between January and December 2017.
- The price of Bitcoin increased fourteen-fold.

We did not know who would win the ANC election. We do not have an edge in predicting this sort of thing, which is why we structure the portfolio for different outcomes. We also focus on buying undervalued shares, preferably shares under a cloud of negative sentiment and with lots of bad news priced in. This approach has worked well for us through numerous bubbles, crises, and upheavals. It is why we owned shares like Mr Price, Standard Bank, Foschini and Remgro - all of which benefitted from the change in sentiment after the ANC conference.

We were substantial net sellers of equity in the fourth quarter given the price appreciation of some of our largest holdings. We reduced our British American Tobacco holding in November while we were substantial sellers of Standard Bank in the latter half of December.

That said we did add to our Woolworths position and initiate a small position in Steinhoff. As of writing the Steinhoff purchase was a mistake and has detracted 0.4% of Fund. There are a few things to be said:

1. We make many mistakes. Steinhoff was not the largest mistake in recent years. Not buying Kumba Iron Ore at R26 or Richemont at R80 were both way worse mistakes, to name just two.
2. There are different senses of the word "mistake". We are not aware of any errors in our analysis, or process, only in how we weighed the upside versus the downside risks. These types of errors are always clear with the benefit of hindsight, never at the time!
3. The accounts of any business may be fraudulent. For some the probability of fraud is higher than for others. We do not take audited accounts at face value. We look for internal inconsistencies, pose questions to management, and evaluate the quality of the audit committee. We found plenty of cause for concern at Steinhoff. This did not lead us to reject the share, but instead we put in place position limits and conservative valuation multiples. We only started investing when we thought the potential upside outweighed the risks.
4. For context, if you had owned a passive fund tracking the ALSI, your total loss would have been 2.4% for the year. This made Steinhoff the top contributor in 2017 to our performance relative to the market.
5. We don't yet know the final outcome or magnitude of the fraud. It is possible that the share recovers some of its losses.

If we were only concerned about avoiding embarrassment, or if we tried to avoid all shares with downside risk, this would almost surely dent our long-term returns.

The Fund's performance over the year was helped by positions in Standard Bank and Astral Foods, while it was hindered by positions in Sasol and Life Healthcare. Unfortunately, we did not find value in Richemont even when the share was below R90 in January 2017 and missed out on the share's strong performance in 2017. Fortunately we could also not find value in Anglogold or Aspen, two large companies that underperformed.

Strong returns from international markets, and outperformance by Orbis, contributed to the performance of the Fund in 2017.

Commentary contributed by Jacques Plaut

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 1999)	1774.6	795.6	175.7
Annualised:			
Since inception (1 October 1999)	17.4	12.8	5.7
Latest 10 years	10.8	8.9	5.9
Latest 5 years	12.3	9.7	5.4
Latest 3 years	9.9	6.6	5.3
Latest 2 years	8.6	5.8	5.6
Latest 1 year	11.0	10.5	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-15.4	-20.5	n/a
Percentage positive months[4]	70.8	68.5	n/a
Annualised monthly volatility[5]	8.9	9.1	n/a
Highest annual return[6]	46.1	41.9	n/a
Lowest annual return[6]	-8.3	-16.7	n/a

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). From inception to 31 January 2013 the benchmark 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. Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2017.

2. This is based on the latest numbers published by IRESS as at 30 November 2017.

3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 May 2008 to 27 October 2008 and maximum benchmark drawdown occurred from 20 May 2008 to 10 March 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).

4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.

5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 28 February 2009 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	62.5	47.9	0.9	13.6
Hedged equity	8.1	0.0	0.0	8.1
Property	1.4	0.8	0.0	0.6
Commodity-linked	3.9	3.6	0.0	0.3
Bonds	11.3	9.6	0.8	0.8
Money market and bank depostits	12.9	11.3	0.6	0.9
Total (%)	**100.0**	**73.3**	**2.6**	**24.4**[8]

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

8. Up to 25% of the Fund's value can be invested outside of Africa and 5% in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2017	31 Dec 2017
Cents per unit	**99.1583**	**102.0649**

ALLAN GRAY-ORBIS GLOBAL FUND OF FUNDS

Inception date: 3 February 2004

Portfolio manager

Andrew Lapping. (The underlying Orbis funds are managed by Orbis.)

Fund objective and benchmark

The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk. The Fund's benchmark is a portfolio made up 60% by the FTSE World Index, including income, and 40% the JP Morgan Global Government Bond index.

Commentary

Global stock markets were up by 22% in US dollars in 2017, setting new records. Despite flat yields and scant coupons, even global government bonds returned 7% (helped by US dollar weakness). Altogether, the Fund's 60/40 benchmark delivered an impressive 17% US dollar return, and the Fund fared better than that.

As one would expect, the Fund's outperformance was driven chiefly by equity and bond selection. Currency exposures also contributed, but the impact of the asset class stances was muted. Though it was a fun year to hold stocks, equity hedging costs offset some of the benefit of being overweight equities versus bonds.

After a year of strong returns, you might expect the portfolio to look substantially different. It doesn't. With few changes to discuss, this is a perfect time to revisit why certain companies and areas are attractive – and why Orbis has steered clear of others.

The Fund still holds zero government bonds, which offer low yields but involve substantial interest rate risk. The Fund also remains underweight the US dollar and US stocks, which continue to look expensive compared to equities in other regions.

One of those regions is Asia ex-Japan, the Fund's biggest regional overweight. More than half of this concentration is represented by just five technology-related companies: e-commerce operator JD.com, Samsung Electronics, internet company NetEase, Taiwan Semiconductor Manufacturing, and social media juggernaut Tencent. Orbis believes each of these companies offers above-average growth and cash generation potential, with minimal balance sheet risk.

Energy shares also continue to look attractively valued versus the wider market. While oil prices are now 13% above their levels of early 2015, US oil and gas producers have still not recovered. A continued oil price recovery is not essential for top holdings BP and Royal Dutch Shell, however. Both companies have refining businesses which have been more profitable recently than in 2013 (when oil fetched US$95 a barrel). Increased discipline has helped BP and Shell improve their free cash flow. If this gives the market confidence in the sustainability of their dividends, we would expect their yields to come down from currently high levels of 6%.

AbbVie, a biopharmaceutical company and the Fund's largest holding, has been going from strength to strength. Investors have long fretted about competitive threats to the company's blockbuster drug Humira. In late 2017 AbbVie reached a settlement with rival Amgen that will delay serious US competition for Humira until 2023. AbbVie's shares have performed well since the Amgen announcement, but Orbis still believes the valuation does not fully reflect the long-term value of AbbVie's development pipeline.

Recent fortunes have been different for Bristol-Myers Squibb, another biopharmaceutical firm. With Bristol, the key drug to assess is the biologic Opdivo. Prior to the Fund's purchase, Bristol shot itself in the foot with a botched trial, which sought to establish new uses for Opdivo. Next year, Bristol is moving forward with a redesigned trial, which should stand a higher chance of securing new approvals. If the company successfully addresses its execution risk, the market should come to recognise the quality of the business and its development pipeline.

Orbis continues to believe that selected shares in Asia, energy, and healthcare offer potential for attractive returns without undue risks. With equity and bond valuations looking rich, Orbis believes that an active approach is a better bet in the current environment. Across asset classes, Orbis continues to build their funds from the bottom-up and remains excited by the quality of the opportunities that have been found.

Adapted from Orbis commentaries contributed by Alec Cutler

For the full commentary please visit www.orbis.com

Performance net of all fees and expenses

% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	**ZAR**	**US$**	**ZAR**	**US$**	**ZAR**	**US$**
Since inception (3 February 2004)	346.8	155.3	317.8	138.7	115.3	32.9
Annualised:						
Since inception (3 February 2004)	11.4	7.0	10.8	6.4	5.7	2.1
Latest 10 years	12.1	5.7	11.2	4.8	5.9	1.6
Latest 5 years	18.3	9.8	15.4	7.1	5.4	1.4
Latest 3 years	12.6	10.3	9.0	6.8	5.3	1.5
Latest 2 years	4.3	17.5	-1.2	11.3	5.6	2.0
Latest 1 year	7.0	19.0	5.1	16.9	4.6	2.2
Risk measures (since inception)						
Maximum drawdown[3]	-24.0	-34.1	-25.1	-37.5	n/a	n/a
Percentage positive months[4]	58.1	61.7	56.9	64.1	n/a	n/a
Annualised monthly volatility[5]	13.8	10.6	12.4	9.7	n/a	n/a
Highest annual return[6]	55.6	40.1	38.8	37.6	n/a	n/a
Lowest annual return[6]	-13.7	-27.3	-17.0	-31.7	n/a	n/a

1. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 October 2010 and the benchmark's occurred during the 12 months ended 30 June 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	64.5	17.7	20.4	8.5	14.7	3.2
Hedged equity	24.4	15.4	3.4	2.7	1.7	1.3
Fixed interest	7.6	7.3	0.1	0.0	0.2	0.1
Commodity-linked	2.3	0.0	0.0	0.0	0.0	2.3
Net current assets	1.2	0.0	0.0	0.0	0.0	1.2
Total	**100.0**	**40.3**	**23.9**	**11.2**	**16.6**	**8.0**
Currency exposure of the Orbis Funds						
Funds	100.0	43.9	35.1	10.8	7.2	2.9
Index	100.0	54.2	29.1	13.2	1.1	2.4

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

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 annually.	31 Dec 2017
Cents per unit	**0.3731**

ALLAN GRAY STABLE FUND

Inception date: 1 July 2000

Portfolio managers

Andrew Lapping, Mark Dunley-Owen, Leonard Krüger. (Most foreign assets are invested in Orbis funds.)

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%.

Commentary

Scott Adams, the Dilbert cartoonist, writes that: "When it comes to any big or complicated question, humility is the only sensible point of view."

Humility is an important part of Allan Gray's philosophy, particularly in the Stable Fund with its dual objectives of generating attractive real returns while minimising the risk of capital loss. Over the longer term, these objectives increase the probability that we can maximise wealth for our clients, but over the short term they may conflict with each other.

The binary nature of the recent ANC presidential race made it likely that either domestic or foreign portfolios would outperform depending on the outcome. Investors who were willing to invest with a bias towards a predicted outcome were rewarded with above-average returns if proven correct. We do not believe we can predict such outcomes reliably, particularly when they relate to politics. Instead, we position the Stable Fund to protect our clients' capital in different scenarios. We do so by investing in low duration fixed income instruments and equities that are undervalued over a longer-term horizon.

Recently the Fund owned above-average quality global companies such as Naspers, Sasol and British American Tobacco, as well as South African-specific companies pricing in low expectations – such as the banks and retailers. This approach limited the risk of capital loss but meant we had to forego the opportunity of material outperformance if the Fund had been positioned towards a positive political outcome. We are nonetheless relieved by Cyril Ramaphosa's victory, and fortunate that the Fund was still able to generate reasonable returns over the last year.

A further aspect of humility is willingness to accept one's limitations. Doing so helps us avoid investments in which we have a poor understanding of intrinsic value, such as Steinhoff. Given the Fund's risk mandate, our failure to make sense of the company's accounting meant that the Fund was not invested in Steinhoff ordinary shares. The Fund does however have limited exposure of 0.10% to Steinhoff preference shares. These are senior to the ordinary shares and should avoid permanent capital loss in many scenarios. We are monitoring the risks following the announcements at the end of 2017.

Activity

The Fund increased exposure to South Africa sensitive shares over much of the last year as deteriorating expectations meant that prices fell below intrinsic value. Many of these shares have performed well since Cyril Ramaphosa's victory, and the Fund has reduced exposure to those which we believe are now fully valued.

Commentary contributed by Mark Dunley-Owen

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2000)	683.6	355.5	161.8
Annualised:			
Since inception (1 July 2000)	12.5	9.0	5.7
Latest 10 years	9.4	8.0	5.9
Latest 5 years	10.2	7.3	5.4
Latest 3 years	9.8	7.9	5.3
Latest 2 years	8.0	8.2	5.6
Latest 1 year	9.6	8.2	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-4.1	n/a	n/a
Percentage positive months[4]	80.0	100.0	n/a
Annualised monthly volatility[5]	4.3	0.7	n/a
Highest annual return[6]	23.3	14.6	n/a
Lowest annual return[6]	2.8	6.2	n/a

1. 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 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 12 May 2006 to 14 June 2006. Drawdown is calculated on the total return of the Fund (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 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 May 2017 and the benchmark's occurred during the 12 months ended 31 January 2014. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	36.3	26.1	0.9	9.3
Hedged equity	12.4	0.8	0.0	11.6
Property	3.0	2.4	0.0	0.6
Commodity-linked	3.1	2.7	0.0	0.4
Bonds	19.8	17.6	1.1	1.2
Money market and bank depostits	25.3	23.1	0.8	1.5
Total (%)	**100.0**	**72.6**	**2.8**	**24.6[8]**

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Up to 25% of the Fund's value can be invested outside of Africa and 5% in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017
Cents per unit	**35.5995**	**27.5280**	**35.3905**	**22.3895**

ALLAN GRAY OPTIMAL FUND

Inception date: 1 October 2002

Portfolio manager

Ruan Stander.

Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited.

Commentary

After a couple of successful years the Optimal Fund disappointed in 2017 by only returning 3.2%. The most significant contribution to underperformance was the Fund's exposure to what is commonly called the Naspers Rump.

The Rump includes the unlisted part of a holding company's assets. The Naspers holding company owns roughly 7.3 Tencent shares per Naspers share in issue and hence by selling 7.3 Tencent shares per Naspers share owned you get exposure to the rest of Naspers' assets. In the case of Naspers, the Rump comprises interests in a number of emerging market e-commerce companies (OLX, Flipkart and PayU) and a pay TV business (MultiChoice). Last year was a particularly bad year for this investment for two reasons: the Tencent share price increased by 90% in rands and the discount that Naspers trades to the sum of its parts widened to roughly 40%. This caused the value of the Naspers Rump to drop further.

Though a 40% discount is high by most standards, and hindsight is perfect, we should have foreseen the possibility of such an outcome and taken a smaller position size. Going forward you could argue that there is substantial upside from the current price for a number of reasons:

1. A 40% discount is high.
2. Tencent's PE ratio is high relative to its own history.
3. The e-commerce businesses in the Rump have recently picked up revenue momentum and are crossing over to profitability.
4. These businesses have a long runway of growth ahead given their strong positions in emerging markets.

The risk in the short run is that although the holding company discount might not widen the stock market could value Tencent at a higher valuation. We follow the development of these assets very closely and we will adjust our position size accordingly.

The top three contributors to performance for 2017 were overweight positions in Naspers, Capitec and Comair. The top three detractors were overweight positions in the Naspers Rump, Life Healthcare and MMI Holdings.

Commentary contributed by Ruan Stander

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 2002)	225.4	160.9	121.7
Annualised:			
Since inception (1 October 2002)	8.0	6.5	5.4
Latest 10 years	7.1	5.9	5.9
Latest 5 years	8.2	5.2	5.4
Latest 3 years	7.4	5.7	5.3
Latest 2 years	7.6	6.1	5.6
Latest 1 year	3.2	6.0	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-5.9	n/a	n/a
Percentage positive months[4]	79.8	100.0	n/a
Annualised monthly volatility[5]	3.6	0.6	n/a
Highest annual return[6]	18.1	11.9	n/a
Lowest annual return[6]	0.7	4.1	n/a

1. The daily interest rate as supplied by FirstRand Bank Limited (source: FirstRand Bank), performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 17 May 2017 to 27 September 2017. Drawdown is calculated on the total return of the Fund (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 September 2003 and the benchmark's occurred during the 12 months ended 30 September 2003. The Fund's lowest annual return occurred during the 12 months ended 30 September 2017 and the benchmark's occurred during the 12 months ended 31 August 2013. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017

Asset class	Total
Net equity	6.5
Hedged equity	81.5
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and bank depostits	12.0
Total (%)	**100.0**

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2017	31 Dec 2017
Cents per unit	**22.0761**	**24.2193**

ALLAN GRAY-ORBIS GLOBAL OPTIMAL FUND OF FUNDS

Inception date: 2 March 2010

Portfolio manager

Duncan Artus. (The underlying Orbis funds are managed by Orbis.)

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis funds.

Commentary

The Optimal funds are designed to seek exposure to Orbis' stockpicking capabilities, while also seeking to substantially reduce the stock market exposure inherent in these investments. Orbis achieves this by investing in their favourite stocks from around the world and then selling a basket of stock index futures to offset stock market risk. The net result is that performance is predominantly driven by the relative returns of Orbis' stock selections (termed 'alpha') rather than the direction of the stock market (termed 'beta').

It is important to recognise that, while a hedged strategy comes with less stock market risk than equities alone, it also sacrifices the returns that come from market movements. When stock markets rise strongly, as they have this year and for most of the last decade, the Optimal funds experience little direct benefit.

Orbis has no insight into the direction of the overall market in the next few years, but they can say that persistent price rises have pushed up earnings multiples and squeezed down dividend yields, and that this places a dent in the market's long-term return potential.

While the potential return for taking on 'beta', or stock market risk, has fallen, Orbis continues to observe a constructive 'alpha' environment. The gap in attractiveness between what Orbis considers the most underpriced and most overpriced shares is above normal.

It's interesting to compare these observations with the trend towards passive investment. One of the biggest mistakes an investor can make is overpaying for an asset. While passive index-linked investment vehicles have many advantages, their main drawback is that stock-weightings are systematically skewed towards overpriced assets and away from bargains. This matters little when mispricings are modest, but when stock-level inefficiencies become more pronounced, it starts to matter a whole lot.

Orbis' President William Gray likes to say 'markets tend to cause the greatest pain to the greatest number of people', and under this principle it's perhaps unsurprising to observe heightened stock-level inefficiencies and a stampede towards passives occurring simultaneously. The flow into passives and out of actives has led to crowding into 'beta' at the expense of 'alpha'. A rich market that contains above-normal stock-level mispricings increases the relative attractiveness of market-neutral alpha-harvest strategies such as Optimal.

The positioning of the Optimal funds hasn't changed substantially over the last year. Approximately 1/6th of the funds are currently invested in bank shares. At their core, banks make money by harvesting credit and term risk premia. The latter has been eroded by the actions of central banks which, along with increased regulatory costs, have substantially pressured profitability. Headwinds tend not to last forever, yet financial sector-level earnings multiples are comfortably below normal on a relative basis. This looks especially incongruous given reduced leverage across the space.

There are very few banks capable of earning mid-teen returns on equity in the current environment. One exception is Credit Suisse, a position Orbis established in Q4 2017 and the second-largest private banking franchise in the world behind UBS. A historical obsession with investment banking growth and other non-core activities have diluted what is a highly profitable and growing core wealth management business.

Under new management, Credit Suisse has begun to reconfigure the group, significantly increasing the weight of the private bank and moderating the risk of value destruction by non-core segments. While not without execution risk, Orbis believes that there is a walkable path to a mid-teen return on equity over the long term, and at just over 1.0 times net asset value, Orbis isn't paying much for this potential.

Orbis has identified a number of opportunities, such as Credit Suisse, which offer good value in absolute terms, but which are especially attractive versus an inflated market. Hedging within the Optimal funds allows Orbis to eliminate the 'beta' and isolate the 'alpha', or relative value, contained in these shares. Overall, and as stated above, while the absolute return potential of markets as a whole appears uninspiring, Orbis believes that there are substantial pockets of opportunity available for active investors to pursue – an excellent environment for the Optimal funds.

Adapted from Orbis commentaries contributed by Graeme Forster

For the full commentary please visit www.orbis.com

Performance net of all fees and expenses

% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	**ZAR**	**US$**	**ZAR**	**US$**	**ZAR**	**US$**
Since inception (2 March 2010)	95.0	21.8	55.4	-2.9	49.3	14.0
Annualised:						
Since inception (2 March 2010)	8.9	2.5	5.8	-0.4	5.3	1.7
Latest 5 years	11.8	3.8	6.9	-0.7	5.4	1.4
Latest 3 years	7.4	5.2	2.1	0.0	5.3	1.5
Latest 2 years	-3.3	8.9	-8.9	2.6	5.6	2.0
Latest 1 year	-0.6	10.6	-3.8	7.0	4.6	2.2
Risk measures (since inception)						
Maximum drawdown[3]	-18.9	-14.1	-26.0	-15.1	n/a	n/a
Percentage positive months[4]	50.0	53.2	46.8	51.1	n/a	n/a
Annualised monthly volatility[5]	13.9	6.6	13.6	4.8	n/a	n/a
Highest annual return[6]	39.6	12.9	35.6	9.4	n/a	n/a
Lowest annual return[6]	-12.4	-11.8	-19.1	-11.6	n/a	n/a

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 24 March 2017. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 January 2016. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 28 February 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017

	Total	North America	Europe	Japan	Asia ex-Japan	Other
Net equity	3.4	-10.6	1.0	3.6	7.2	2.3
Hedged equity	86.5	40.8	13.5	20.4	8.2	3.7
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Commodity-linked	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	10.0	0.0	0.0	0.0	0.0	10.0
Total	**100.0**	**30.1**	**14.5**	**24.0**	**15.4**	**16.0**
Currency exposure of the Orbis Funds						
Funds	100.0	61.4	34.0	0.2	2.5	2.0

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

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 annually.	31 Dec 2017
Cents per unit	**0.0000**

ALLAN GRAY BOND FUND

Inception date: 1 October 2004

Portfolio manager

Mark Dunley-Owen.

Fund objective and benchmark

The Fund aims to provide investors with a real return over the long-term and outperform the JSE All Bond Index at no greater risk.

Commentary

On the face of it, 2017 was a good year for South African fixed income investments. The rand strengthened against most major currencies, inflation fell to near historic lows, the Reserve Bank lowered rates, and bond yields were relatively stable year on year. However, as any South African knows, this hides a high level of intra-year uncertainty and volatility.

Focusing on long-term fundamentals helped the Allan Gray Bond Fund deliver reasonable returns through these uncertainties. The Fund was conservatively positioned when bond yields did not reflect the underlying challenges of the local economy. Duration was increased as yields sold off to more attractive levels, but maintained below benchmark to limit risk given uncertain future scenarios. While the timing and magnitude of changes was imperfect, the Fund generated returns of 7% above inflation for the year.

Looking forward, we are hopeful that investor confidence and subsequent capital investment will improve following recent political change. However, South Africa's structural challenges are unlikely to have quick or easy solutions.

Improving the growth potential of the economy via education, productivity and employment is a slow and steady process, one that is yet to begin let alone bear fruit.

Within this environment, the Fund's remains focused on generating absolute returns while limiting risk. To do so, the Fund holds a combination of low risk money market instruments, and higher yielding medium duration corporate bonds and long duration government bonds.

Commentary contributed by Mark Dunley-Owen

Performance net of all fees and expenses

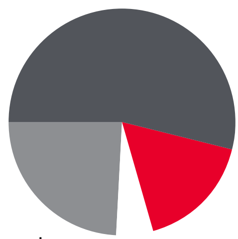
% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 2004)	215.3	199.0	110.9
Annualised:			
Since inception (1 October 2004)	9.1	8.6	5.8
Latest 10 years	9.2	8.6	5.9
Latest 5 years	7.3	6.3	5.4
Latest 3 years	8.2	6.9	5.3
Latest 2 years	13.2	12.8	5.6
Latest 1 year	11.6	10.2	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-11.7	-14.4	n/a
Percentage positive months[4]	71.7	68.8	n/a
Annualised monthly volatility[5]	5.3	7.2	n/a
Highest annual return[6]	18.0	21.2	n/a
Lowest annual return[6]	-2.6	-5.6	n/a

1. JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 30 January 2015 to 11 December 2015 and maximum benchmark drawdown occurred from 29 January 2015 to 11 December 2015. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 January 2015 and the benchmark's occurred during the 12 months ended 31 January 2015. The Fund's lowest annual return occurred during the 12 months ended 31 January 2016 and the benchmark's occurred during the 12 months ended 31 January 2016. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017
Cents per unit	**23.8795**	**23.6523**	**22.4566**	**22.6344**

Asset allocation on 31 December 2017



ALLAN GRAY MONEY MARKET FUND

Inception date: 1 July 2001

Fund manager

Mark Dunley-Owen.

Fund objective and benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

Commentary

For much of 2017, the Fund generated better returns than higher risk equities and bonds. This is unusual, and suggests a combination of abnormally low risk returns due to high uncertainty, and attractive money market returns.

The low returns from risk assets were reversed following the market's interpretation of the outcome of the ANC conference in December, resulting in the FTSE/JSE All Share and All Bond Indices outperforming the Fund by year-end. While recent events are positive, we expect it will take some time for the new ANC leadership to reverse South Africa's structural decline. Lower risk assets such as the Money Market Fund offer reasonable value in this scenario.

The Fund's one-year return was 3.4% higher than inflation, meaning investors' real wealth increased despite them taking little risk to do so. Falling inflation partly explains the Fund's attractive real return, a trend we expect to continue following recent rand strength. Another contributing factor is the willingness of borrowers, particularly banks and the South African government, to pay up for money market funding. This has kept the money market curve steep, with one-year instruments offering a material yield pickup versus cash. The Fund remains positioned near its maximum maturity to benefit from this.

Commentary contributed by Mark Dunley-Owen

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	257.6	252.3	146.9
Annualised:			
Since inception (1 July 2001)	8.0	7.9	5.7
Latest 10 years	7.3	7.1	5.9
Latest 5 years	6.7	6.5	5.4
Latest 3 years	7.4	7.1	5.3
Latest 2 years	7.8	7.5	5.6
Latest 1 year	8.0	7.5	4.6
Risk measures (since inception)			
Highest annual return[3]	12.8	13.3	n/a
Lowest annual return[3]	5.2	5.2	n/a

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since 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, performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. 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 31 July 2003 and the benchmark's occurred during the 12 months ended 31 July 2003. The Fund's lowest annual return occurred during the 12 months ended 30 September 2013 and the benchmark's occurred during the 12 months ended 31 October 2013. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distribution for the last 12 months

Actual payout (cents per unit), the Fund distributes monthly

Jan 2017	Feb 2017	Mar 2017	Apr 2017
0.66	**0.60**	**0.67**	**0.64**
May 2017	Jun 2017	Jul 2017	Aug 2017
0.66	**0.64**	**0.66**	**0.65**
Sep 2017	Oct 2017	Nov 2017	Dec 2017
0.62	**0.64**	**0.62**	**0.64**

Exposure by issuer on 31 December 2017

	% of portfolio
Government and parastatals	**9.8**
Republic of South Africa	9.2
Trans-Caledon Tunnel Authority	0.6
Corporates	**9.9**
Sanlam	2.1
Clindeb (Netcare) Investments	2.0
Aspen	1.8
Toyota Financial Services	1.6
Shoprite	1.3
Mercedes-Benz SA	1.1
Banks[4]	**80.2**
Nedbank	20.2
Absa Bank	17.5
FirstRand Bank	17.8
Standard Bank	11.9
Investec Bank	12.8
Total (%)	**100.0**

4. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

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

ALLAN GRAY TAX-FREE BALANCED FUND

Inception date: 1 February 2016

Portfolio managers

Andrew Lapping, Duncan Artus, Jacques Plaut, Simon Raubenheimer, Ruan Stander. (Most foreign assets are invested in Orbis funds.)

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

Commentary

2017 was an action-packed year on the market. Here are some things that stood out for us:

- Naspers, which is now 20% of the FTSE/JSE All Share Index (ALSI), started the year at R2 000 per share, traded all the way up to R4 100, and is currently R3 400. Only two of the top hundred companies have beaten Naspers: Kumba and Exxaro.
- Steinhoff started the year as a R300 billion company, and now has a smaller market cap than Italtile.
- Our government's financial position continued to deteriorate, but sentiment towards local firms turned positive when Cyril Ramaphosa was elected as head of the ANC. Barclays went from R150 to nearly R200 in the four days following the national conference.
- The rand strengthened by 10% against the US dollar between January and December 2017.
- The price of Bitcoin increased fourteen-fold.

We did not know who would win the ANC election. We do not have an edge in predicting this sort of thing, which is why we structure the portfolio for different outcomes. We also focus on buying undervalued shares, preferably shares under a cloud of negative sentiment and with lots of bad news priced in. This approach has worked well for us through numerous bubbles, crises, and upheavals. It is why we owned shares like Mr Price, Standard Bank, Foschini and Remgro - all of which benefitted from the change in sentiment after the ANC conference.

We were substantial net sellers of equity in the fourth quarter given the price appreciation of some of our largest holdings. We reduced our British American Tobacco holding in November while we were substantial sellers of Standard Bank in the latter half of December. That said we did add to our Woolworths position and initiate a small position in Steinhoff. As of writing the Steinhoff purchase was a mistake and has detracted 0.4% of Fund. There are a few things to be said:

1. We make many mistakes. Steinhoff was not the largest mistake in recent years. Not buying Kumba Iron Ore at R26 or Richemont at R80 were both way worse mistakes, to name just two.
2. There are different senses of the word "mistake". We are not aware of any errors in our analysis, or process, only in how we weighed the upside versus the downside risks. These types of errors are always clear with the benefit of hindsight, never at the time!
3. The accounts of any business may be fraudulent. For some the probability of fraud is higher than for others. We do not take audited accounts at face value. We look for internal inconsistencies, pose questions to management, and evaluate the quality of the audit committee. We found plenty of cause for concern at Steinhoff. This did not lead us to reject the share, but instead we put in place position limits and conservative valuation multiples. We only started investing when we thought the potential upside outweighed the risks.
4. For context, if you had owned a passive fund tracking the ALSI, your total loss would have been 2.4% for the year. This made Steinhoff the top contributor in 2017 to our performance relative to the market.
5. We don't yet know the final outcome or magnitude of the fraud. It is possible that the share recovers some of its losses.

If we were only concerned about avoiding embarrassment, or if we tried to avoid all shares with downside risk, this would almost surely dent our long-term returns.

The Fund's performance over the year was helped by positions in Standard Bank and Astral Foods, while it was hindered by positions in Sasol and Life Healthcare. Unfortunately, we did not find value in Richemont even when the share was below R90 in January 2017 and missed out on the share's strong performance in 2017. Fortunately we could also not find value in Anglogold or Aspen, two large companies that underperformed.

Strong returns from international markets, and outperformance by Orbis, contributed to the performance of the Fund in 2017.

Commentary contributed by Jacques Plaut

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 February 2016)	19.6	14.7	10.4
Annualised:			
Since inception (1 February 2016)	9.8	7.4	5.5
Latest 1 year	11.3	10.5	4.6
Risk measures (since inception)			
Maximum drawdown[3]	-4.8	-6.3	n/a
Percentage positive months[4]	73.9	65.2	n/a
Annualised monthly volatility[5]	6.3	6.6	n/a
Highest annual return[6]	13.3	13.7	n/a
Lowest annual return[6]	2.6	1.0	n/a

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2017.
2. This is based on the latest numbers published by IRESS as at 30 November 2017.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 9 September 2016 to 4 November 2016 and maximum benchmark drawdown occurred from 30 May 2016 to 6 December 2016. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 November 2017 and the benchmark's occurred during the 12 months ended 31 October 2017. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 31 May 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Asset allocation on 31 December 2017[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	61.4	48.2	0.9	12.4
Hedged equity	7.4	0.0	0.0	7.4
Property	1.6	1.0	0.0	0.6
Commodity-linked	3.1	2.8	0.0	0.3
Bonds	10.5	9.0	0.8	0.8
Money market and bank depostits	16.0	14.5	0.6	0.9
Total (%)	**100.0**	**75.6**	**2.2**	**22.3[8]**

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Up to 25% of the Fund's value can be invested outside of Africa and 5% in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2017	31 Dec 2017
Cents per unit	**11.7509**	**12.4376**

ALLAN GRAY UNIT TRUSTS ANNUAL FEES

Fund	Annual investment management fee (excl. VAT)
Allan Gray Equity Fund (JSE code: AGEF)	Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark. Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT. For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered). This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark. A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. The Orbis equity funds charge 1.5% p.a. for performance equal to their benchmarks. The minimum Orbis equity fund fee is 0.5% p.a. and the maximum is 2.5% p.a. Orbis pays a marketing and distribution fee to Allan Gray.
Allan Gray SA Equity Fund (JSE code: AGDA)	Allan Gray charges a fee based on the net asset value of the Fund. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark. Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT. For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered). This means that Allan Gray shares in 20% of annualised performance relative to the benchmark.
Allan Gray-Orbis Global Equity Feeder Fund[1] (JSE code: AGOE)	Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis. Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet, which can be found at www.allangray.co.za
Allan Gray Balanced Fund (JSE code: AGBF)	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. 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.
Allan Gray Tax-Free Balanced Fund (JSE code: AGTBA)	A fixed fee of 1.25% p.a. excl VAT. This fee only applies to the portion of the unit trusts that we manage. The offshore portion of the unit trust is managed by Orbis. Orbis charges fixed fees within these funds. Orbis pays a marketing and distribution fee to Allan Gray.
Allan Gray-Orbis Global Fund of Funds[1] (JSE code: AGGF)	Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis. Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis funds' factsheets, which can be found at www.allangray.co.za
Allan Gray Stable Fund (JSE code: AGSF)	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.
Allan Gray Optimal Fund (JSE code: AGOF)	The fee rate is calculated daily by comparing the Fund's total performance to that of the benchmark. Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT The Fund is first required to recover any underperformance before a fee higher than the fee for performance equal to the benchmark can be charged. This is known as a high watermark. If the Fund's performance is above its previous high watermark, we add 0.2% to the fee for each percentage of performance above the high watermark. The fee is uncapped.
Allan Gray-Orbis Global Optimal Fund of Funds[1] (JSE code: AGOO)	Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis. Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis funds' factsheets, which can be found at www.allangray.co.za
Allan Gray Bond Fund (JSE code: AGBD)	The fee rate is calculated daily by comparing the Fund's total performance over the last year, to that of the benchmark adjusted for Fund expenses and cash flows. Minimum fee: 0.25% p.a. excl. VAT If the Fund outperforms its benchmark, for each percentage of performance above the benchmark we add 0.25% to the minimum fee to a maximum fee of 0.75% p.a. excl. VAT. The fee rate is applied to the daily value of the Fund.
Allan Gray Money Market Fund (JSE code: AGMF)	A fixed fee of 0.25% p.a. excl. VAT

ALLAN GRAY UNIT TRUSTS TOTAL EXPENSE RATIOS (TER) AND TRANSACTION COSTS

For the 3-year period ending 31 December 2017

Fund	Fee for benchmark performance %	Performance fee %	Other costs excluding transaction costs %	VAT %	Total expense ratio (TER)[3,5] %	Transaction costs (incl. VAT)[3,5] %	Total Investment charge %
Allan Gray Equity Fund [2,4] (JSE code: AGEF)	1.10	0.78	0.01	0.23	**2.12**	0.07	**2.19**
Allan Gray SA Equity Fund [4,6] (JSE code: AGDA)	1.00	-0.04	0.04	0.14	**1.14**	0.08	**1.22**
Allan Gray-Orbis Global Equity Feeder Fund[1] (JSE code: AGOE)	1.50	0.30	0.05	0.01	**1.86**	0.14	**2.00**
Allan Gray Balanced Fund[2,4] (JSE code: AGBF)	1.08	0.37	0.02	0.14	**1.61**	0.07	**1.68**
Allan Gray Tax-Free Balanced Fund[2,4,6,7] (JSE code: AGTBA)	1.36	N/A	0.02	0.13	**1.51**	0.07	**1.58**
Allan Gray-Orbis Global Fund of Funds[1] (JSE code: AGGF)	1.39	0.43	0.08	0.00	**1.90**	0.13	**2.03**
Allan Gray Stable Fund[2,4] (JSE code: AGSF)	1.06	0.44	0.02	0.15	**1.67**	0.07	**1.74**
Allan Gray Optimal Fund[4] (JSE code: AGOF)	1.00	0.62	0.01	0.23	**1.86**	0.15	**2.01**
Allan Gray-Orbis Global Optimal Fund of Funds[1] (JSE code: AGOO)	0.99	0.55	0.09	0.00	**1.63**	0.13	**1.76**
Allan Gray Bond Fund (JSE code: AGBD)	0.25	0.26	0.04	0.08	**0.63**	0.00	**0.63**
Allan Gray Money Market Fund[7] (JSE code: AGMF)	0.25	N/A	0.00	0.04	**0.29**	0.00	**0.29**

1. Due to foreign exchange control regulations, the Fund may be closed from time to time. Unit holders can contact our Client Service Centre to confirm whether or not the Fund is open.
2. Assets invested in the Orbis funds incur a management fee. These, along with other expenses, are included in the total expense ratio.
3. 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 FSB 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 ratio 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.
4. The fees, TERs and Transaction costs provided are for Class A funds only. The fees, TER's and transaction costs for Class B and Class C funds are available from our Client Service Centre.
5. TERs and Transaction costs are unaudited.
6. The TER and Transaction costs cannot currently be determined accurately because of the short lifespan of the Fund. Calculations are based on actual data, and best estimates where actual data is not available or provides a poor estimate of potential future costs.
7. The Allan Gray Tax-Free Balanced Fund and Allan Gray Money Market Fund charge a fixed fee.

Compliance with Retirement Fund regulations

Allan Gray Balanced, Stable, Bond, Tax-Free Balanced and Money Market funds

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Equity Fund		Global Equity Feeder Fund		Balanced Fund		Global Fund of Funds		Stable Fund	
		2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R
REVENUE		983 568 026	1 022 853 962	3 545 071	2 296 931	4 331 587 067	3 977 557 823	2 632 173	1 645 257	2 069 413 744	1 816 465 573
Dividends - Local		909 852 385	957 679 971	-	-	1 893 436 220	1 699 146 218	-	-	406 057 368	379 218 890
Dividends - Foreign		10 030 195	12 777 943	-	-	32 400 838	33 471 925	-	-	8 385 066	3 569 180
Dividends - Real estate investment trust income		10 451 807	6 888 519	-	-	30 392 927	20 419 372	-	-	48 390 226	40 948 927
Interest - Local		51 229 219	41 342 671	3 545 071	2 296 931	2 307 094 260	2 121 535 490	2 632 173	1 645 257	1 579 128 596	1 364 790 515
Interest - Foreign		-	-	-	-	64 083 201	95 305 196	-	-	27 167 286	25 911 371
Sundry income		2 004 420	4 164 858	-	-	4 179 621	7 679 622	-	-	285 202	2 026 690
OPERATING EXPENSES		439 719 248	717 130 604	1 753 516	1 138 546	1 635 240 454	1 469 593 085	1 300 740	929 457	512 381 878	499 493 294
Audit fee		141 805	132 333	53 085	49 540	163 432	152 510	55 009	51 335	145 090	135 403
Bank charges		124 226	122 113	8 484	7 828	496 603	478 374	8 569	8 832	310 391	269 487
Interest expense		-	-	-	-	-	-	-	-	-	-
Commitment fee		2 309 263	-	1 026 646	-	209 053	-	757 768	-	126 111	-
Trustee fees		1 457 135	2 643 412	665 301	1 081 178	4 878 104	4 579 534	479 394	869 290	1 591 595	1 541 422
Management fee		435 686 819	714 232 746	-	-	1 629 493 262	1 464 382 667	-	-	510 208 691	497 546 982
PROFIT/(LOSS) BEFORE UNDISTRIBUTABLE INCOME ITEMS	1	543 848 778	305 723 358	1 791 555	1 158 385	2 696 346 613	2 507 964 738	1 331 433	715 800	1 557 031 866	1 316 972 279

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Optimal Fund		Global Optimal Fund of Funds		Bond Fund		Money Market Fund		SA Equity Fund		Tax-Free Balanced Fund	
		2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R
REVENUE		50 436 498	44 509 096	69 428	-	59 427 654	46 845 583	1 113 251 587	986 814 704	81 409 449	38 999 338	12 415 984	6 625 798
Dividends - Local		32 619 023	30 453 649	-	-	-	-	-	-	76 301 058	35 710 091	5 339 470	2 686 023
Dividends - Foreign		-	-	-	-	-	-	-	-	-	-	48 999	258
Dividends - Real estate investment trust income		-	-	-	-	-	-	-	-	1 157 698	150 702	169 130	21 745
Interest - Local		17 710 735	13 939 607	69 428	-	59 427 654	46 845 583	1 113 251 587	986 814 704	3 775 242	2 835 009	6 724 366	3 827 117
Interest - Foreign		-	-	-	-	-	-	-	-	-	-	123 203	76 400
Sundry income		106 740	115 840	-	-	-	-	-	-	175 451	303 536	10 816	14 255
OPERATING EXPENSES		18 175 432	34 166 842	179 409	237 780	4 618 714	3 912 413	40 395 164	37 253 254	1 025 452	4 754 460	4 070 227	2 011 797
Audit fee		142 244	132 737	54 678	51 337	97 532	91 011	114 326	106 632	117 421	26 195	90 922	63 550
Bank charges		76 213	62 775	9 322	8 802	30 046	22 595	100 462	105 845	89 234	82 946	83 257	84 639
Interest expense		-	-	-	83 481	-	-	-	-	-	-	-	-
Commitment fee		-	-	70 249	-	4 177	-	-	-	153 128	-	1 540	-
Trustee fees		56 490	51 416	45 160	94 160	23 622	19 585	501 899	496 739	97 828	66 293	13 922	6 961
Management fee		17 900 485	33 919 914	-	-	4 463 337	3 779 222	39 678 477	36 544 038	567 841	4 579 026	3 880 586	1 856 647
PROFIT/(LOSS) BEFORE UNDISTRIBUTABLE INCOME ITEMS	1	32 261 066	10 342 254	(109 981)	(237 780)	54 808 940	42 933 170	1 072 856 423	949 561 450	80 383 997	34 244 878	8 345 757	4 614 001

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Equity Fund		Global Equity Feeder Fund		Balanced Fund		Global Fund of Funds		Stable Fund	
	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R
ASSETS										
Investments	42 747 510 028	38 868 247 974	19 466 336 272	16 463 900 662	144 383 215 672	124 138 001 022	13 372 557 364	12 619 667 761	46 037 277 410	42 687 320 652
Current assets	110 381 015	48 519 197	438	67 199 694	108 748 276	60 684 515	84 589 705	38 407 534	88 240 865	20 662 273
TOTAL ASSETS	42 857 891 043	38 916 767 171	19 466 336 710	16 531 100 356	144 491 963 948	124 198 685 537	13 457 147 069	12 658 075 295	46 125 518 275	42 707 982 925
LIABILITIES										
Current liabilities	414 035 676	232 391 821	59 180 456	1 239 412	1 631 505 234	1 538 010 049	1 420 617	783 852	335 103 784	354 776 551
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	42 443 855 367	38 684 375 350	19 407 156 254	16 529 860 944	142 860 458 714	122 660 675 488	13 455 726 452	12 657 291 443	45 790 414 491	42 353 206 374

ALLAN GRAY UNIT TRUSTS

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Optimal Fund		Global Optimal Fund of Funds		Bond Fund		Money Market Fund		SA Equity Fund		Tax-Free Balanced Fund	
	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R
ASSETS												
Investments	1 384 834 489	1 514 963 939	1 189 748 568	1 269 002 003	776 083 469	544 678 182	14 984 298 030	13 571 177 574	2 803 852 914	2 496 905 694	476 390 057	221 099 013
Current assets	7 887 462	18 593 096	2 906 226	156	1 739 930	998 933	8 300 631	9 253 913	4 192 415	14 052 127	1 583 746	1 762 471
TOTAL ASSETS	1 392 721 951	1 533 557 035	1 192 654 794	1 269 002 159	777 823 399	545 677 115	14 992 598 661	13 580 431 487	2 808 045 329	2 510 957 821	477 973 803	222 861 484
LIABILITIES												
Current liabilities	16 175 871	10 386 543	70 370	5 827 805	16 275 762	11 819 166	99 809 908	90 794 217	50 208 418	44 051 149	6 185 115	4 572 910
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	1 376 546 080	1 523 170 492	1 192 584 424	1 263 174 354	761 547 637	533 857 949	14 892 788 753	13 489 637 270	2 757 836 911	2 466 906 672	471 788 688	218 288 574

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Distribution schedules

	Note	2017	2016
ALLAN GRAY EQUITY FUND			
30 June			
Class A			
Cents per unit		247.4720	114.5508
Distribution paid - R		167 035 159	80 121 522
Class B			
Cents per unit		14.1132	-
Distribution paid - R		168 286	-
Class C			
Cents per unit		273.5282	137.0173
Distribution paid - R		90 734 164	45 243 542
Class X			
Cents per unit		416.5525	450.7716
Distribution paid - R		10 179 578	13 192 644
31 December			
Class A			
Cents per unit		248.1496	150.9719
Distribution paid - R		160 587 047	104 062 930
Class B			
Cents per unit		3.9918	-
Distribution paid - R		43 583	-
Class C			
Cents per unit		275.0244	184.8204
Distribution paid - R		96 556 323	60 937 266
Class X			
Cents per unit		521.8662	496.0161
Distribution paid - R		10 991 676	12 660 718
TOTAL DISTRIBUTION FOR THE YEAR		536 295 816	316 218 622
Shortfall of income funded by net assets attributed to unitholders	2	-	(2 488 803)
(Income)/expense on creation and cancellation of units		7 552 962	(8 006 461)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		543 848 778	305 723 358

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Distribution schedules

	Note	2017	2016
ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND			
31 December			
Class A			
Cents per unit		0.5811	0.3806
Distribution paid - R		1 772 976	1 143 181
TOTAL DISTRIBUTION FOR THE YEAR		1 772 976	1 143 181
(Income)/expense on creation and cancellation of units		18 579	15 204
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		1 791 555	1 158 385
ALLAN GRAY BALANCED FUND			
30 June			
Class A			
Cents per unit		99.1583	98.5369
Distribution paid - R		782 652 226	763 882 039
Class B			
Cents per unit		36.1712	37.3690
Distribution paid - R		4 038 513	5 347 455
Class C			
Cents per unit		107.8277	106.9497
Distribution paid - R		516 423 207	409 740 550
Class X			
Cents per unit		164.2895	161.3881
Distribution paid - R		24 300 315	6 991 900
31 December			
Class A			
Cents per unit		102.0649	107.9166
Distribution paid - R		786 091 011	845 603 764
Class B			
Cents per unit		35.7981	45.2876
Distribution paid - R		3 563 561	5 390 651
Class C			
Cents per unit		111.0155	116.5161
Distribution paid - R		587 128 292	510 492 414
Class X			
Cents per unit		169.3861	172.5725
Distribution paid - R		29 701 077	11 619 045
TOTAL DISTRIBUTION FOR THE YEAR		2 733 898 202	2 559 067 818
(Income)/expense on creation and cancellation of units		(37 551 589)	(51 103 080)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		2 696 346 613	2 507 964 738

1. Distribution schedules

	Note	2017	2016
ALLAN GRAY-ORBIS GLOBAL FUND OF FUNDS			
31 December			
Class A			
Cents per unit		0.3731	0.1949
Distribution paid - R		1 327 247	697 918
TOTAL DISTRIBUTION FOR THE YEAR		1 327 247	697 918
(Income)/expense on creation and cancellation of units		4 186	17 882
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		1 331 433	715 800
ALLAN GRAY STABLE FUND			
31 March			
Class A			
Cents per unit		35.5995	26.2262
Distribution paid - R		291 403 284	209 873 492
Class B			
Cents per unit		25.0273	15.8605
Distribution paid - R		4 516 647	4 251 299
Class C			
Cents per unit		37.0675	27.6520
Distribution paid - R		158 758 412	84 344 552
Class X			
Cents per unit		45.8776	36.9055
Distribution paid - R		357 979	125 243
30 June			
Class A			
Cents per unit		27.5280	24.9945
Distribution paid - R		224 116 424	204 669 540
Class B			
Cents per unit		16.8361	14.4370
Distribution paid - R		2 882 052	3 569 400
Class C			
Cents per unit		28.9839	26.4508
Distribution paid - R		126 248 860	89 622 939
Class X			
Cents per unit		37.5797	35.8828
Distribution paid - R		360 785	123 117

1. Distribution schedules

	Note	2017	2016
30 September			
Class A			
Cents per unit		35.3905	34.6935
Distribution paid - R		286 128 267	285 250 566
Class B			
Cents per unit		24.4869	24.0154
Distribution paid - R		3 784 210	4 660 659
Class C			
Cents per unit		36.8605	36.1602
Distribution paid - R		162 157 821	135 712 466
Class X			
Cents per unit		46.0847	45.3986
Distribution paid - R		474 267	157 424
31 December			
Class A			
Cents per unit		22.3895	24.4266
Distribution paid - R		173 602 100	202 368 630
Class B			
Cents per unit		11.1413	13.9266
Distribution paid - R		1 619 517	2 612 370
Class C			
Cents per unit		23.8889	25.8682
Distribution paid - R		116 754 720	105 877 183
Class X			
Cents per unit		32.9292	35.0408
Distribution paid - R		1 680 766	236 848
TOTAL DISTRIBUTION FOR THE YEAR		1 554 846 111	1 333 455 728
(Income)/expense on creation and cancellation of units		2 185 755	(16 483 449)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		1 557 031 866	1 316 972 279

ALLAN GRAY OPTIMAL FUND

30 June			
Class A			
Cents per unit		22.0761	2.8394
Distribution paid - R		12 674 446	1 374 656
Class B			
Cents per unit		-	-
Distribution paid - R		-	-
Class C			
Cents per unit		24.0499	4.6697
Distribution paid - R		3 822 395	440 344

1. Distribution schedules

	Note	2017	2016
31 December			
Class A			
Cents per unit		24.2193	12.7035
Distribution paid - R		11 216 665	6 791 645
Class B			
Cents per unit		6.8523	-
Distribution paid - R		49 254	-
Class C			
Cents per unit		26.1454	14.5972
Distribution paid - R		3 499 547	1 954 042
TOTAL DISTRIBUTION FOR THE YEAR		31 262 307	10 560 687
Shortfall of income		85 458	(85 458)
(Income)/expense on creation and cancellation of units		913 301	(132 975)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		32 261 066	10 342 254

ALLAN GRAY-ORBIS GLOBAL OPTIMAL FUND OF FUNDS

	Note	2017	2016
31 December			
Class A			
Cents per unit		-	-
TOTAL DISTRIBUTION FOR THE YEAR		-	-
Shortfall of income funded by net assets attributed to unitholders	2	(109 367)	(227 038)
(Income)/expense on creation and cancellation of units		(614)	(10 742)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		(109 981)	(237 780)

ALLAN GRAY BOND FUND

	Note	2017	2016
31 March			
Class A			
Cents per unit		23.8795	22.3000
Distribution paid - R		12 950 634	10 317 585
30 June			
Class A			
Cents per unit		23.6523	22.4224
Distribution paid - R		13 719 910	10 405 349
30 September			
Class A			
Cents per unit		22.4566	23.1106
Distribution paid - R		15 082 650	10 279 334

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Distribution schedules

	Note	2017	2016
31 December			
Class A			
Cents per unit		22.6344	22.9788
Distribution paid - R		15 681 487	11 505 249
TOTAL DISTRIBUTION FOR THE YEAR		57 434 681	42 507 517
(Income)/expense on creation and cancellation of units		(2 625 741)	425 653
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		54 808 940	42 933 170

ALLAN GRAY SA EQUITY FUND

	Note	2017	2016
30 June			
Class A			
Cents per unit		445.4012	-
Distribution paid - R		938 440	-
Class C			
Cents per unit		459.5569	-
Distribution paid - R		5 156 203	-
Class X			
Cents per unit		506.2363	532.5325
Distribution paid - R		30 885 554	6 732 834
31 December			
Class A			
Cents per unit		616.8465	173.8058
Distribution paid - R		1 386 299	260 346
Class C			
Cents per unit		617.6742	209.8261
Distribution paid - R		4 844 301	1 577 061
Class X			
Cents per unit		617.8535	606.2906
Distribution paid - R		36 143 864	36 085 906
TOTAL DISTRIBUTION FOR THE YEAR		79 354 661	44 656 147
Shortfall of income funded by net assets attributed to unitholders	2	-	(143 368)
(Income)/expense on creation and cancellation of units		1 029 336	(10 267 901)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		80 383 997	34 244 878

ALLAN GRAY TAX-FREE BALANCED FUND

	Note	2017	2016
30 June			
Class A			
Cents per unit		11.7509	11.8510
Distribution paid - R		3 217 245	1 673 215
Class C			
Cents per unit		12.6766	12.6227
Distribution paid - R		1 033 027	644 701

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Distribution schedules

	Note	2017	2016
31 December			
Class A			
Cents per unit		12.4376	12.8481
Distribution paid - R		4 259 293	1 894 563
Class C			
Cents per unit		13.3977	13.7617
Distribution paid - R		947 537	835 938
TOTAL DISTRIBUTION FOR THE YEAR		9 457 102	5 048 417
(Income)/expense on creation and cancellation of units		(1 111 345)	(434 416)
OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS		8 345 757	4 614 001

Allan Gray Money Market Fund

The Allan Gray Money Market Fund distributes on a daily basis. This distribution is paid over to unitholders on a monthly basis. These daily distribution details have not been disclosed on this note due to the frequency of the distributions.

2. Shortfalls of distributable profits

The following amounts have been transferred from the net assets attributable to unitholders to fund shortfalls in distributable profits in terms of the Funds' Trust Deed.

	2017 R	2016 R
Allan Gray Equity Fund B Class (June)	-	1 532 983
Allan Gray Equity Fund B Class (December)	-	955 820
Allan Gray SA Equity Fund A Class (June)	-	79 043
Allan Gray SA Equity Fund C Class (June)	-	64 325
Allan Gray Global Optimal Fund of Funds (December)	109 367	227 038

TRUSTEES' REPORT ON THE ALLAN GRAY UNIT TRUST SCHEME

As Trustees to the Allan Gray Unit Trust Scheme ("the Scheme"), we are required in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the Act") to report to participatory interest holders on the administration of the Scheme during each annual accounting period.

We advise for the period 1 January 2017 to 31 December 2017 we reasonably believe that the Manager has administered the Scheme in accordance with:

(i) the limitations imposed on the investment and borrowing powers of the manager by the Act; and
(ii) the provisions of the Act and the relevant deeds.

We confirm that according to the records available to us there were no material instances of compliance contraventions and therefore no consequent losses incurred by the Portfolios, operated by the Scheme, in the year.

Yours faithfully

Nelia de Beer
Head Trustee Services

Rand Merchant Bank
A division of FirstRand Bank Limited

Marian Rutters
Operations Manager Trustee Services

Rand Merchant Bank
A division of FirstRand Bank Limited

Johannesburg
05 February 2018

IMPORTANT NOTES FOR INVESTORS

Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (the Management Company) is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board (FSB). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana. Allan Gray Proprietary Limited (the Investment Manager), an authorised financial services provider, is the appointed Investment Manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA). The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za

Performance

Collective Investment Schemes in Securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

Fund mandate

The funds may be closed to new investments at any time in order to be managed according to their mandate. 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 (STT), auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

Total expense ratios 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 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, STT, STRATE and FSB Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the funds and impact 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 ratio 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.

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 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. 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

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 World Index

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Feeder fund

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. Allan Gray does not charge any additional fees in its feeder funds.

Fund of funds

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 fees in its funds of funds.

Foreign exposure

The Allan Gray Equity, Balanced, Stable, Tax-Free Balanced and rand-denominated offshore funds may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

Yield

The Allan Gray Bond Fund yield is current, calculated as at month-end.

IMPORTANT NOTES FOR INVESTORS

Compliance with Regulation 28

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

Communication with investors

Statements are sent to all unitholders on a quarterly basis. In addition, confirmations are sent on a transaction basis (excluding debit orders).

Copies of the audited annual financial statements of the Manager and of the unit trusts it manages are available, free of charge, on request by any investor.

Management Company
Allan Gray Unit Trust Management (RF) Proprietary Limited
Reg. No. 1998/007756/07
1 Silo Square V&A Waterfront Cape Town 8001

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Directors
Executive Directors

R J Formby	BSc (Eng) MBA
J C Marais	BSc MBA

Non-executive Directors

V A Christian	BCom CA (SA) (Independent)
R W Dower	BSc (Eng) MBA
E D Loxton	BCom (Hons) MBA (Chairman)
J W T Mort	BA LLB (Independent)
N M Nene	BCom (Hons) (Independent)

Company Secretary
C E Solomon BBus (Hons) CA (SA)

Details of the individual who supervised the preparation of the Annual Financial Statements
T J W Molloy BCom (Hons) CA (SA)

Investment Manager
Allan Gray Proprietary Limited

Trustee
Rand Merchant Bank, a division of FirstRand Bank Limited
P O Box 786273 Sandton 2146 South Africa

Auditors
Ernst & Young Inc.

Allan Gray Unit Trust Management (RF) Proprietary Limited is a member of the Association for Savings & Investment South Africa (ASISA)


ALLANGRAY