# Abridged Annual Report – Unit Trusts

# 2020

Allan Gray

# Contents

Edgar Loxton

2020 was a different year than what we were expecting, to put it mildly. COVID-19 has delivered life lessons in large doses and forced us all to recalibrate. Many have had painful losses of lives and livelihoods in their families, and we have learnt not to take basic freedoms for granted. On the investment front, the pandemic arrived after a number of years of poor investment returns.

Even before the COVID-19 crisis, South Africa was experiencing a deteriorating fiscal environment with consistently low growth, structurally high unemployment, and a growing budget deficit. Our response to the pandemic exacerbated these trends, with the budget deficit for 2020 in excess of R700bn, and an ongoing deficit of around R500bn per annum expected over the next few years. However, a lot of this negative outlook has been priced into South African assets for some time, and our investment team has used the negativity to pick up some bargains. We are excited about our portfolios' return prospects moving forward. In this environment, performance of our flagship funds has been volatile, but after losing 32.7%, 23.0% and 14.7% respectively between 1 January and their lowest points on 23 March, the Allan Gray Equity, Balanced and Stable funds ended the year with growth of -0.2%, 3.6% and 3.4% respectively. You can read more about our investment performance in the chief investment officer's comments on page 3.

## Changes to the investment team

During the year we communicated the departure of some long-tenured members of the investment team, which opened up the opportunity to make some well-earned promotions. Our approach to succession planning ensures depth in the team and we have a strong bench to draw from.

Chief Investment Officer Andrew Lapping departed as his 20th year at the firm came to a close. He handed over the reins to Duncan Artus, who joined the firm in March 2001 and has been managing a portion of client equity and balanced portfolios since January 2005. With 20 years' experience – 15 of those as portfolio manager at Allan Gray – Duncan is a well-versed and worthy successor. We also bid farewell to Leonard Krüger, who previously managed a portion of the Stable Fund, Mark Dunley-Owen, who managed a portion of the Stable and fixed interest portfolios and Nick Ndiritu, who co-managed Africa ex-SA equities and bonds.

Departures create exciting opportunities for investment team members. In addition to Duncan's promotion, we expanded the responsibilities of others in the team, with Rory Kutisker-Jacobson, Tim Acker and Sean Munsie becoming portfolio managers for our Equity, Balanced and Stable portfolios. Varshan Maharaj, Rami Hajjar and Kamal Govan were also promoted to portfolio managers and will focus on African and frontier market equities – a small slice of which are found in the asset allocation funds.

Andrew and Mark's South African fixed interest portion of the balanced portfolios was split between existing bond and money market portfolio managers Londa Nxumalo and Thalia Petousis, while Sandy McGregor retained his existing responsibilities. Londa and Thalia also assumed full responsibility for the Allan Gray Bond Fund and the Allan Gray Money Market Fund, respectively. You can find biographies for the portfolio managers on pages 5-8.

## Servicing your needs during COVID-19

Although we were classified as an essential service provider at the start of the pandemic and could therefore keep our offices open, we encouraged our employees to work remotely for as long as practically possible. Our IT and Facilities teams rallied before the lockdown, and 97% of staff were set up and able to function remotely. The number of employees accessing the offices varied over the year, as was appropriate. This allowed us to continue focusing on our key priority: supporting you, our clients, and making sure you had uninterrupted service and access to your investments.

What counts at times of crisis is not only how you react, but also how the business is set up. We have been designed for resilience to enable the business to withstand extreme uncertainty and this proved useful during the initial phases of the pandemic. With this privilege also comes responsibility. While prioritising the health and safety of our employees, we also did what we could to support our long-standing suppliers.

We identified worthy initiatives to support, including feeding schemes, the supply of COVID-19 testing kits, the provision of medical supplies to health workers, and assistance to small to medium-sized enterprises in distress. Staff members donated to these very worthy causes, and the company matched these donations. We also made a donation to the South African National Editors' Forum Media Relief Fund. Meanwhile, members of the leadership donated to the Solidarity Fund in their personal capacities. The Allan & Gill Gray Foundation, E Squared and the Allan Gray-Orbis Foundation Endowment all made significant donations in their own right.

## Stable Fund turns 20

The Allan Gray Stable Fund turned 20 in July. When the Stable Fund was launched in July 2000, we felt there was a need for a portfolio that was suitable for more risk-averse investors who required a high level of capital stability, but wanted to achieve a return higher than inflation. The Stable Fund introduced a novel portfolio construction, which was a large weighting towards cash and bonds for downside protection, together with a modest allocation to equities to capture the equity risk premium and generate real returns, while minimising loss over any two-year period. Since inception and over the latest 10 years, the Fund has outperformed its benchmark.

However, in March 2020 for the first time in its history the Fund failed to meet its objective of protecting capital over a two-year period. This was because the prices of South African assets fell sharply as the COVID-19 pandemic worsened, impacting many of the Fund's holdings. Losses in Stable were more contained than in the Equity and Balanced funds, and by December 2020 the Fund had returned a growth of 5% over the two-year period.

With an allocation to assets such as equities being key to long-term growth, even for more conservative investors, we believe the Stable Fund remains as relevant now as it has been over the last 20 years.

## Fee changes

At Allan Gray and our offshore partner, Orbis, we continually review our offering to ensure that it continues to meet your needs and provides good value for money over the long term. In May 2020 Orbis improved its fee structure. The intention of the new fee structure is to lower fees in most circumstances and allow Orbis to refund previously paid performance fees during periods of underperformance. Clients invested in the Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Global Fund of Funds benefit from the change through the applicable underlying Orbis funds. As part of Orbis' fee changes, our Balanced and Stable funds also switched into an improved Orbis fee structure for the portion of the funds managed by Orbis.

## Update on unitholders

Assets under management as at 31 December 2020 were R284.8bn. This is a decrease from the R296.8bn that we reported at the end of 2019. There were net outflows of R21.2bn in 2020, reflecting both the extremely tough economic environment brought on by COVID-19 and the weak performance cycle.

Gross client outflows divided by the average value of assets in our unit trusts in 2020 were at 17%. This means that, on average, clients are staying with Allan Gray for six years. Our individual fund churn rate, which includes switches between unit trusts*, has come in at 21% for the year, reflecting a weighted average fund holding period for investors of five years.

Considering the ongoing uncertainty around COVID-19 and lockdown measures it looks like we are in for a difficult year ahead. Of course, there is always opportunity to be found within the negativity, and our portfolio managers work tirelessly to construct portfolios that can deliver benefit from these opportunities. We thank you for your ongoing support.

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

**Duncan Artus**

As I write this in mid-January 2021, the FTSE/JSE All Share Index (ALSI) is making new all-time highs in rand terms, while the World, Nasdaq and Emerging Market indices are making new highs in US dollars. This may seem almost inconceivable when thinking back to the dark days of March and April 2020 and shows how quickly sentiment can change.

The South African equity market, as represented by the ALSI, returned 7% in 2020, outperforming both cash at 5.4% and inflation of 3.2%. The FTSE/JSE Capped Shareholder Weighted All Share Index (SWIX), which many funds use as a more representative equity benchmark, returned 0.6%. Resource shares outperformed their financial and industrial counterparts. The best-performing local asset class was bonds, with the FTSE/JSE All Bond Index ending the year at 8.7%, with longer maturity bonds underperforming the short- and medium-term portion of the yield curve. The worst-performing asset class was listed property, with a loss of 34.5%. Internationally, the MSCI World Index returned 21.7%, and the FTSE World Government Bond Index 15.6% in rands, respectively. The rand weakened by 4.6% against the US dollar.

The calendar year return numbers highlighted above clearly hide significant intra-year moves. The ALSI fell from 59 105 in early January 2020, to 37 177 on 19 March 2020, having peaked at 61 776 in 2018. This translated to a 48% decline in US dollars given rand weakness. The rand would eventually peak at R19.35/US$ in April 2020. What really unsettled investors was the speed of the market decline. Investors were discounting a deep financial crisis on top of a humanitarian one.

## Performance

Absolute and relative performance of Allan Gray unit trusts remained muted for 2020, reflecting a local equity market that had traded sideways since 2014 and, even then, returns were dominated by a few large shares. The Allan Gray Balanced Fund returned 3.6%, underperforming its benchmark's return of 5.7%. The Allan Gray Stable Fund returned 3.4%, underperforming its benchmark of cash plus 2%, which returned 5.5%. South African equities detracted from performance, while fixed interest, foreign assets and commodities contributed. We did not believe South African equities were expensive before the pandemic and added to positions in the decline, as we did with local government bonds, where we were able to lock in what we believe represent attractive returns.

Within equities, detractors included Sasol and financials, such as Old Mutual and Nedbank, that were aggressively sold off during the pandemic collapse. Glencore, our large resource position, while being a positive contributor, underperformed BHP and Anglo American as iron ore continued to trade at very high levels. Positive contributors included Naspers and British American Tobacco, as well as Sibanye-Stillwater and MultiChoice. Reviewing the list of top detractors and assessing where our estimate of intrinsic value has permanently declined, is a useful way of assessing the potential value in the portfolio. Other than Sasol and hospitality shares such as Sun International, I feel comfortable that the intrinsic value for the rest of the list has not declined significantly, although given the effects of the pandemic, it will take longer to realise this value in certain cases.

The performance of our feeder funds and the offshore portion of our local funds depends on the performance of our offshore partner, Orbis, and the levels of the rand. The Orbis Global Equity Fund performed strongly in the fourth quarter of 2020, returning 15.6% in dollars for the year, lagging the FTSE World Index by 0.7%. The Orbis SICAV Global Balanced Fund returned 8.9%, versus a 60/40 benchmark that returned 14.2%. Performance improved in the second half of the year as investors started buying depressed cyclical shares, which complimented winners such as NetEase, XPO Logistics and Taiwan Semiconductor. Within the Global Balanced Fund, we prefer hedged equities and gold to global sovereign bonds. Orbis continues to believe its portfolio is attractive relative to the index.

I encourage clients to read the Fund commentaries on page 17 to 37, which address these points in greater detail.

**Positioning**

Central banks and governments, particularly in the developed world, have responded to the economic fallout of the pandemic with a combined fiscal and monetary policy response of almost unprecedented proportions outside of wartime. In the short term this has propped up economies, but over the longer term the bill will come due – potentially in the form of higher inflation and interest rates.

This money often finds its way into asset prices, and this time perhaps also into the prices of goods and services. This is what the market refers to as the "reflation trade", which is characterised by a weaker dollar, higher commodity prices and higher long-term government bond yields. Reinforcing the trend is the commitment by central banks, to let inflation overshoot targets before raising rates. This, while understandable given the current environment, will be a difficult balancing act, in my view.

Whatever one's view, the reflation trade has benefited emerging markets, and indeed South Africa, through increased portfolio investment flows and higher commodity prices. There is also the possibility that foreign investors start to buy our government debt given the attractive real yields that they offer. The yield curve in South Africa remains steep, and we are holding more bonds than we have in the past. This comes with greater risk given SA's poor fiscal position and long-term fundamentals, but we believe the risks are adequately priced in and must be compared to the alternative risk of holding too much cash with short-term rates at very low levels.

This shift in market thinking has also had a positive effect on value shares internationally, which contributed to Orbis' performance in the fourth quarter. While this is pleasing, we recognise that there is still catching up to be done when looking at the medium-term returns.

This brings me to one of the key preconditions for successful active management: the level of disparity in markets. To produce returns better than the index, you need a distribution of valuations, and the greater the disparity, the greater the opportunity for outperformance. Unfortunately, the journey can be painful in the short term, as we have witnessed recently, as the market has been driven by a small number of large mega cap shares. Local examples include Naspers, Richemont, BHP and Anglo American, as well as the precious metal shares. Our three largest shares are Naspers, British American Tobacco and Glencore, which all trade at attractive valuations. However, many other shares remain well off their highs. We continue to find exciting opportunities in many domestic shares in the financial and industrial sectors, which should benefit from the second-round effects of higher commodity prices. More importantly, their valuations are just too low and sentiment towards them is poor. Great prices are not made in good times. In five years when investors look at the prices they were able to pay for selected local companies in 2020, I think they will seem like bargains.

Internationally, the US market, large tech shares and "disruptor companies" substantially outperformed. While having select exposure to the above, Orbis is finding many opportunities outside the US and across sectors outside of technology. I continue to believe that the offshore portion of the portfolios represents the biggest opportunity for outperformance.

**Balancing risk and return**

It appears the pandemic is going to be with us for a while. Although we do think about it in terms of managing risk in the portfolios, I am doubtful that we can add value by trying to predict the future, as even the experts seem to disagree on the most appropriate response. Our base case is that the rollout of the vaccination will be complicated, and there is going to be bad news along the way. I hope this proves to be pessimistic.

The investment team is applying the same philosophy and process we have for the last 46 years in managing your hard-earned savings. I encourage you to focus on your long-term financial plans and goals, rather than worrying about the daily news cycle. On behalf of the investment team, I thank you for the trust you have placed in us.

## PORTFOLIO MANAGERS

### Duncan Artus

**Chief Investment Officer**

BBusSc (Hons), PGDA, CFA, CMT

Duncan was appointed chief investment officer in 2020. He joined Allan Gray in 2001 and was appointed as a portfolio manager in 2005. He manages a portion of the equity, balanced and stable portfolios. He is also a director of Allan Gray Group Proprietary Limited. Duncan holds an Honours degree in Business Science and a Postgraduate Diploma in Accounting from the University of Cape Town and is a CFA® and CMT® charterholder.

### Tim Acker

**Portfolio Manager**

MAcc, CA, CFA

Tim joined Allan Gray as an equity analyst in 2013 after working in academia and completing his articles. He was appointed as a portfolio manager in 2020 and manages a portion of the equity, balanced and stable portfolios. Tim holds a Master of Accounting degree, specialising in Taxation, from Stellenbosch University. He is a qualified Chartered Accountant and a CFA® charterholder.

# PORTFOLIO MANAGERS

## Rory Kutisker-Jacobson

### Portfolio Manager

BBusSc, CFA

Rory joined Allan Gray as an equity analyst in 2008. He was appointed as a portfolio manager in 2017 and manages a portion of the equity, balanced, frontier markets equity and African equity portfolios. He holds a Bachelor of Business Science degree in Economics and Finance from the University of Cape Town and is a CFA® charterholder.

## Sean Munsie

### Portfolio Manager

BCom (Hons), CA

Sean joined Allan Gray as an equity analyst in 2013 after working for various investment banks in the United Kingdom. He was appointed as a portfolio manager in 2020 and manages a portion of the stable portfolios. Sean holds a Bachelor of Commerce (Honours) degree in Accounting from Stellenbosch University. He is a qualified Chartered Accountant and has passed all three levels of the CFA® examinations.

## PORTFOLIO MANAGERS

### Londa Nxumalo

**Portfolio Manager**

BAcc, MCom, CA

Londa joined Allan Gray as a credit analyst in 2017 and was appointed as a portfolio manager in 2019. She manages the bond portfolio, as well as a portion of the Africa ex-SA and balanced fixed interest portfolios. Londa holds a Bachelor of Accountancy degree in Financial Accounting from Rhodes University and a Master of Commerce degree in Development Finance from the University of Cape Town Graduate School of Business. She is a qualified Chartered Accountant.

### Thalia Petousis

**Portfolio Manager**

MCom, CFA

Thalia joined Allan Gray as a fixed interest trader in 2015. She was appointed as a portfolio manager in 2019 and currently manages the money market portfolio as well as a portion of the balanced fixed interest portfolios. Thalia holds a Master of Commerce degree in Mathematical Statistics from the University of Cape Town and is a CFA® charterholder.

# PORTFOLIO MANAGERS

## Jacques Plaut

### Portfolio Manager

BSc, CFA

Jacques joined Allan Gray as an equity analyst in 2008 after working as a management consultant. He began managing a portion of the equity and balanced portfolios earmarked for associate portfolio managers in 2013 and was appointed as a portfolio manager in 2015. Jacques holds a Bachelor of Science degree in Mathematics from the University of Cape Town and is a CFA® charterholder.

## Ruan Stander

### Portfolio Manager

BSc (Hons), FRM

Ruan joined Allan Gray as an equity and quantitative analyst in 2008. He began managing a portion of the equity and balanced portfolios earmarked for associate portfolio managers in 2013 and was appointed as portfolio manager in 2015. He is also the manager of the optimal portfolios. Ruan holds a Bachelor of Science (Honours) degree in Actuarial Mathematics from the University of Pretoria. He is an FRM® 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 30% of the Fund, with an additional 10% 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<br>▪ Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility<br>▪ Are prepared to accept the risk of capital loss<br>▪ Typically have an investment horizon of more than five years<br>▪ 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 of loss. 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<br>▪ Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility<br>▪ Are prepared to accept the risk of capital loss<br>▪ Typically have an investment horizon of more than five years<br>▪ 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 is designed to be exposed to all of the risks and rewards of selected global shares. 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<br>▪ Wish to invest in international assets without having to personally expatriate rands<br>▪ Are comfortable with global stock market and currency fluctuation and risk of capital loss<br>▪ Typically have an investment horizon of more than five years<br>▪ 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 30% of the Fund (with an additional 10% 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<br>▪ Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund<br>▪ Wish to invest in a unit trust that complies with retirement fund investment limits<br>▪ Typically have an investment horizon of more than three years | South African - 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 30% of the Fund (with an additional 10% 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<br>▪ Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund<br>▪ Wish to invest in a tax-free investment account<br>▪ Typically have an investment horizon of at least 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 our 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<br>▪ Wish to invest in international assets without having to personally expatriate rands<br>▪ 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<br>▪ Typically have an investment horizon of more than five years<br>▪ Wish to use the Fund as a foreign medium equity 'building block' in a diversified multi-asset class portfolio | Global - 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 30% of the Fund (with an additional 10% 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<br>▪ Seek both above-inflation returns over the long term, and capital preservation over any two-year period<br>▪ Require some income but also some capital growth<br>▪ 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<br>▪ Require a high degree of capital stability over a three-year time horizon<br>▪ 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 our 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<br>▪ Wish to invest in international assets without having to personally expatriate rands<br>▪ Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk<br>▪ 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 Bond Fund's goal is to deliver returns that exceed inflation and cash over the long term, without taking on undue 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<br>▪ Are looking for returns in excess of those provided by money market or cash investments<br>▪ 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.<br><br>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<br>▪ Are highly risk-averse but seek returns higher than bank deposits<br>▪ Need a short-term investment account | South African - Interest Bearing - Money Market |

## PERFORMANCE SUMMARY

Annualised performance to 31 December 2020 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] | 8.6% | 3.8% | -0.9% |
| Benchmark[2] | 7.7% | 3.3% | 0.1% |
| Allan Gray SA Equity Fund[1] | | 2.7% | -3.2% |
| Benchmark[3] | | 6.4% | 3.1% |
| Allan Gray-Orbis Global Equity Feeder Fund | 17.8% | 9.7% | 9.5% |
| Benchmark[4] | 19.0% | 11.4% | 17.4% |
| Allan Gray Balanced Fund[1] | 9.3% | 4.8% | 2.3% |
| Benchmark[5] | 8.3% | 4.6% | 3.8% |
| Allan Gray Tax-Free Balanced Fund[1] | | | 2.5% |
| Benchmark[6] | | | 3.8% |
| Allan Gray-Orbis Global Fund of Funds | 13.9% | 5.5% | 6.3% |
| Benchmark[7] | 16.0% | 8.4% | 15.4% |
| Allan Gray Stable Fund[1] | 8.3% | 5.7% | 4.3% |
| Benchmark[8] | 7.1% | 7.5% | 7.1% |
| Allan Gray Optimal Fund[1] | 5.1% | 3.8% | 1.4% |
| Benchmark[9] | 5.0% | 5.4% | 5.0% |
| Allan Gray-Orbis Global Optimal Fund of Funds | 8.2% | -1.9% | -1.0% |
| Benchmark[10] | 8.3% | 0.4% | 7.2% |
| Allan Gray Bond Fund[1] | 8.6% | 10.7% | 9.0% |
| Benchmark[11] | 8.2% | 10.4% | 8.9% |
| Allan Gray Money Market Fund[1] | 6.6% | 7.4% | 7.1% |
| Benchmark[12] | 6.3% | 7.0% | 6.6% |
| CPI inflation[13] | 5.1% | 4.6% | 4.0% |

The Funds' returns shown above are all class A. All benchmark performance is calculated by Allan Gray as at 31 December 2020.

1. Different classes of units apply to the Equity, SA Equity, Balanced, Stable, Optimal, Bond and Money Market 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 the Allan Gray funds). From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share index including income (source: IRESS).
3. FTSE/JSE All Share Index including income (source: IRESS).
4. FTSE World Index including income (source: Bloomberg).
5. 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).
6. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category, excluding Allan Gray funds (source: Morningstar).
7. 60% of the FTSE World Index including income and 40% of the J.P. Morgan GBI Global Index (source: Bloomberg).
8. The daily interest rate as supplied by FirstRand Bank Limited plus 2% (source: FirstRand Bank).
9. The daily interest rate as supplied by FirstRand Bank Limited (source: FirstRand Bank).
10. The simple average of the benchmarks of the underlying funds.
11. FTSE/JSE All Bond Index (source: IRESS).
12. The Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. From inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
13. This is based on the latest numbers published by IRESS as at 30 November 2020.

# ALLAN GRAY EQUITY FUND

Inception date: 1 October 1998

## Portfolio managers

Duncan Artus, Jacques Plaut, Ruan Stander, Rory Kutisker-Jacobson, Tim Acker. (Most foreign assets are invested in Orbis funds.)

## Fund objective and benchmark

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. The Fund's benchmark is the market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds).

## Commentary

The Fund had a strong final quarter of 2020, returning 9.7%, which brings the return for the year to -0.2%. After losing 33% at the bottom in March, the FTSE/JSE All Share Index recovered to give a total return of 7% for 2020. At a sectoral level, you were much better off owning resources, which returned 21%, compared to financials, which lost 20%. International shares performed much better than domestic industrial shares and you were better off owning Richemont (up 22% and unfortunately not owned by the Fund) than British American Tobacco (a large overweight that was down 1%). This gets one thinking: If only you avoided the decline at the start of 2020, you could have earned 60% for the year from the low point. If you owned more resources at the expense of financials, or more Richemont than British American Tobacco, you would be better off. In general, anticipating changes in investor sentiment can be very rewarding. The problem is that it is very hard to do.

Take British American Tobacco (BTI) and Richemont as examples. If someone tipped you off a year ago that British American Tobacco would grow its earnings by double digits despite a pandemic, take significant market share in premium tobacco and reduced-risk products, such as vaping, and pay down debt on top of a generous dividend, one would have thought the sentiment would improve. It turns out that sentiment deteriorated in 2020, with the price-to-earnings (PE) ratio reducing from an already low level of 10 to 8. Richemont started 2020 on a high PE ratio of 28, suffered a significant reduction in earnings and still outperformed the stock market by 15% for the year. Even if you predicted the short-term fundamentals, you would have made the wrong conclusion since sentiment surprised. Mining stocks offer another example. Assuming you predicted a global pandemic would reduce GDP by the most since the Great Depression, few would have predicted that the resources sector was the place to be in 2020. The stock market as a whole is also interesting. At the low in March, a forecast of a rampant spread of COVID-19 and its devastating impact on economies would have been correct, but the stock market is already looking forward to a recovery, despite a much stronger second wave in most countries.

Do fundamentals matter? Over short periods of time a narrative around recent news flow tends to drive sentiment, whereas fundamentals matter in the long run. If BTI can grow its earnings at 10% p.a. over the next five years (which one could argue is conservative, since they have grown at 12% p.a. for the past 15 years) an investor would earn 14% p.a., even if the PE ratio falls from 8 to 6, since the dividend yield is 8% today. If the continued growth helps to improve sentiment towards the company, the PE ratio could go to 15 (still low for a high-quality consumer staple company), in which case a shareholder will earn 32% per year. British American Tobacco remains a large holding in the Fund.

We may make mistakes in our assessment of long-term company fundamentals, Sasol being a recent example, but we believe that buying companies at a discount to what they are worth, rather than trying to predict investor sentiment, is the surest way to create wealth for our clients.

Commentary contributed by Ruan Stander

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 October 1998) | 5387.6 | 1783.2 | 213.9 |
| **Annualised:** | | | |
| Since inception (1 October 1998) | 19.7 | 14.1 | 5.3 |
| Latest 10 years | 8.6 | 7.7 | 5.1 |
| Latest 5 years | 3.8 | 3.3 | 4.6 |
| Latest 3 years | -0.9 | 0.1 | 4.0 |
| Latest 2 years | 2.8 | 5.5 | 3.4 |
| Latest 1 year | -0.2 | 2.8 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -37.0 | -45.4 | n/a |
| Percentage positive months[4] | 64.8 | 58.4 | n/a |
| Annualised monthly volatility[5] | 15.9 | 17.1 | n/a |
| Highest annual return[6] | 125.8 | 73.0 | n/a |
| Lowest annual return[6] | -24.3 | -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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 3 September 2018 to 23 March 2020 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 31 March 2020 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 2020[7]

| Sector | % of Fund | % of ALSI[8] |
|---|---|---|
| Oil & Gas | 1.5 | 0.1 |
| Basic Materials | 16.6 | 33.7 |
| Industrials | 6.9 | 4.0 |
| Consumer Goods | 15.1 | 12.6 |
| Health Care | 4.0 | 1.6 |
| Consumer Services | 10.1 | 7.0 |
| Telecommunications | 1.0 | 2.6 |
| Utilities | 0.2 | 0.0 |
| Financials | 28.6 | 18.9 |
| Technology | 13.0 | 19.4 |
| Commodity-linked | 0.8 | 0.0 |
| Other | 0.1 | 0.0 |
| Money Market & Bank Deposits | 2.1 | 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.

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 2020 | 31 Dec 2020 |
|---|---|---|
| **Cents per unit** | **969.596** | **291.3975** |

## Foreign exposure on 31 December 2020[7]

29.6% of the Fund is invested in foreign investments.

Up to 30% of the Fund's value can be invested outside of Africa and 10% in Africa outside of South Africa.

# ALLAN GRAY SA EQUITY FUND

Inception date: 13 March 2015

## Portfolio managers

Duncan Artus, Jacques Plaut, Ruan Stander, Rory Kutisker-Jacobson, Tim Acker.

## 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

The Fund had a strong final quarter of 2020, returning 11.4%, which brings the return for the year to -4.1%. After losing 33% at the bottom in March, the FTSE/JSE All Share Index recovered to give a total return of 7% for 2020. At a sectoral level, you were much better off owning resources, which returned 21%, compared to financials, which lost 20%. International shares performed much better than domestic industrial shares and you were better off owning Richemont (up 22% and unfortunately not owned by the Fund) than British American Tobacco (a large overweight that was down 1%). This gets one thinking: If only you avoided the decline at the start of 2020, you could have earned 60% for the year from the low point. If you owned more resources at the expense of financials, or more Richemont than British American Tobacco, you would be better off. In general, anticipating changes in investor sentiment can be very rewarding. The problem is that it is very hard to do.

Take British American Tobacco (BTI) and Richemont as examples. If someone tipped you off a year ago that British American Tobacco would grow its earnings by double digits despite a pandemic, take significant market share in premium tobacco and reduced-risk products, such as vaping, and pay down debt on top of a generous dividend, one would have thought the sentiment would improve. It turns out that sentiment deteriorated in 2020, with the price-to-earnings (PE) ratio reducing from an already low level of 10 to 8. Richemont started 2020 on a high PE ratio of 28, suffered a significant reduction in earnings and still outperformed the stock market by 15% for the year. Even if you predicted the short-term fundamentals, you would have made the wrong conclusion since sentiment surprised. Mining stocks offer another example. Assuming you predicted a global pandemic would reduce GDP by the most since the Great Depression, few would have predicted that the resources sector was the place to be in 2020. The stock market as a whole is also interesting. At the low in March, a forecast of a rampant spread of COVID-19 and its devastating impact on economies would have been correct, but the stock market is already looking forward to a recovery, despite a much stronger second wave in most countries.

Do fundamentals matter? Over short periods of time a narrative around recent news flow tends to drive sentiment, whereas fundamentals matter in the long run. If BTI can grow its earnings at 10% p.a. over the next five years (which one could argue is conservative, since they have grown at 12% p.a. for the past 15 years) an investor would earn 14% p.a., even if the PE ratio falls from 8 to 6, since the dividend yield is 8% today. If the continued growth helps to improve sentiment towards the company, the PE ratio could go to 15 (still low for a high-quality consumer staple company), in which case a shareholder will earn 32% per year. British American Tobacco remains a large holding in the Fund.

We may make mistakes in our assessment of long-term company fundamentals, Sasol being a recent example, but we believe that buying companies at a discount to what they are worth, rather than trying to predict investor sentiment, is the surest way to create wealth for our clients.

Commentary contributed by Ruan Stander

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (13 March 2015) | 14.7 | 35.8 | 31.0 |
| **Annualised:** | | | |
| Since inception (13 March 2015) | 2.4 | 5.4 | 4.8 |
| Latest 5 years | 2.7 | 6.4 | 4.6 |
| Latest 3 years | -3.2 | 3.1 | 4.0 |
| Latest 2 years | -0.2 | 9.5 | 3.4 |
| Latest 1 year | -4.1 | 7.0 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -44.3 | -35.2 | n/a |
| Percentage positive months[4] | 55.7 | 54.3 | n/a |
| Annualised monthly volatility[5] | 16.6 | 14.8 | n/a |
| Highest annual return[6] | 17.2 | 22.5 | n/a |
| Lowest annual return[6] | -32.0 | -18.4 | n/a |

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 December 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception of the Fund. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 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 31 March 2020 and the benchmark's occurred during the 12 months ended 31 March 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

## Sector allocation on 31 December 2020

| Sector | % of Fund | % of ALSI[7] |
|---|---|---|
| Oil & Gas | 0.0 | 0.1 |
| Basic Materials | 22.9 | 33.7 |
| Industrials | 3.4 | 4.0 |
| Consumer Goods | 10.3 | 12.6 |
| Health Care | 3.8 | 1.6 |
| Consumer Services | 10.7 | 7.0 |
| Telecommunications | 0.4 | 2.6 |
| Financials | 31.3 | 18.9 |
| Technology | 12.2 | 19.4 |
| Commodity-linked | 0.2 | 0.0 |
| Other | 0.0 | 0.0 |
| Money Market & Bank Deposits | 4.7 | 0.0 |
| **Total (%)** | **100.0** | **100.0** |

7. FTSE/JSE All Share Index.

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 2020 | 31 Dec 2020 |
|---|---|---|
| **Cents per unit** | **1464.1491** | **401.8824** |

# 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 aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the FTSE World Index, including income.

## Commentary

In life and in markets, 2020 was a year painted with lines on charts. In daily life, the pandemic made some charts indispensable, while in markets, charts of stock prices captured the full spectrum of investor emotions.

February and March were portraits of panic. In the steepest crash ever, global stock markets fell 34%. Then, on 23 March, the US Federal Reserve announced that it would print as much money as necessary to support smooth market functioning. The market began to chart the steepest recovery ever. Sitting in March, it would be hard to imagine that both the stock market and the Fund would produce a 16% return in 2020. More important now is the outlook from here. In short, the relative value on offer in stock markets today looks exceptional, but we are cautious about the absolute valuations of stock markets in aggregate.

On almost any metric, headline indices like the S&P 500 trade at or near their most expensive valuations ever. But looking at headline averages masks the gap between fundamentally cheap and expensive shares. Since 2014, this gap has widened from a narrow crack to a yawning gulf. We thought the gap was wide coming into 2020, but over the course of the year, valuations only got more extreme.

From here, the Fund's relative return potential could be unusually rewarding. Our approach struggles when cheap stocks get cheaper and expensive stocks get more expensive, but it has thrived when share prices converge back towards fundamental value.

The current valuation spread has two sides. On the expensive side is a mixture of excellent businesses at full prices and overhyped businesses at what look to us to be ridiculous prices.

In the first group are Facebook, Amazon, Netflix, Google, Apple, and Microsoft. But it is the latter group that trades at truly scary valuations – think of Tesla and its clones, lockdown beneficiaries like Zoom, and the flock of young companies promising such-and-such "aaS" (as a service).

These parts of the market are portraits of greed, where the fear of losing money has taken a back seat to the fear of missing out. We remain focused on the risk of losing money, and we believe the best way to mitigate that risk is to buy shares at a steep discount to what they are worth. As a result, we have been avoiding the frothiest areas of the market. That does not mean that we have blindly gone the other way, as many companies that have struggled recently face too much debt or disruption and are cheap for good reason. Today, however, we are increasingly excited about the opportunities we are finding on the cheaper side of that valuation spread, particularly in markets outside the US. Two excellent examples are BMW in Europe and the trading companies such as Mitsubishi in Japan. BMW has a long history of compounding at attractive returns, driven by the strength of its premium brands. Investors now question whether that history is at an end due to the transition to electric vehicles. We think BMW has every chance of success. The company has been preparing for the transition to electric vehicles for over a decade. In 2021, it will have 20 battery and plug-in hybrid models available, and those models sell well – BMW today has a higher market share in electrified vehicles than in the overall market. While uncertainty remains, we believe we are more than compensated for leaning into it. Today BMW trades at valuations last seen during the global financial crisis.

In Japan, Mitsubishi and its fellow trading companies are best thought of as ever-evolving industrial conglomerates. Mitsubishi generates ample cash flows backed by its low-cost resource and industrial assets, and in recent years, management has imposed greater discipline on new investments to free up cash for shareholder returns. Over our holding period, Mitsubishi has grown dividends per share by 12% per annum.

Despite this improvement, Mitsubishi trades at a discount not just to the average Japanese stock, but also to its own book value. With a 5% dividend yield, we are happy to wait for the market to see the value in Mitsubishi as we do.

Pulling all of our ideas together produces a portfolio that is very different to the wider market – and in our view, much more attractive. On an absolute basis, valuations are plainly not as attractive as they were at the market bottom in March. Our shares are now about as cheap as the market was then, and the market is now expensive. But if we focus on the current gap between the Orbis Global Equity Fund and the market, we see that our shares trade at a 30% discount, despite growing more quickly. That is an unusually big discount.

We can never know what path our performance will take, but from these valuation levels, the relative opportunity we see in the portfolio looks exceptional. Accordingly, our relief at seeing 2020 behind us is matched only by our hopeful anticipation of the years ahead.

Adapted from commentary contributed by Rob Perrone, Orbis Investment Advisory Limited, Michael Heap, and Alex Bowles, Orbis Portfolio Management (Europe) LLP, London

For the full commentary please see 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) | 739.3 | 256.1 | 725.9 | 250.4 | 132.3 | 35.1 |
| **Annualised:** | | | | | | |
| Since inception (1 April 2005) | 14.5 | 8.4 | 14.3 | 8.2 | 5.5 | 1.9 |
| Latest 10 years | 17.8 | 8.9 | 19.0 | 10.0 | 5.1 | 1.7 |
| Latest 5 years | 9.7 | 11.0 | 11.4 | 12.8 | 4.6 | 1.8 |
| Latest 3 years | 9.5 | 3.3 | 17.4 | 10.8 | 4.0 | 1.8 |
| Latest 2 years | 19.6 | 18.4 | 23.1 | 21.9 | 3.4 | 1.6 |
| Latest 1 year | 20.9 | 15.6 | 21.7 | 16.3 | 3.2 | 1.2 |
| **Risk measures (since inception)** | | | | | | |
| Maximum drawdown[3] | -34.1 | -52.8 | -38.0 | -57.6 | n/a | n/a |
| Percentage positive months[4] | 63.0 | 59.8 | 61.9 | 64.0 | n/a | n/a |
| Annualised monthly volatility[5] | 15.5 | 17.6 | 14.2 | 15.9 | 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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
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 2020

This fund invests solely into the Orbis Global Equity Fund

| | Total | North America | Europe and UK | Japan | Asia ex-Japan | Other |
|---|---|---|---|---|---|---|
| Net equity | 99.0 | 31.2 | 31.9 | 10.6 | 16.8 | 8.3 |
| 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 |
| Commodity-linked | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net current assets | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| **Total** | **100.0** | **31.2** | **31.9** | **10.6** | **16.8** | **9.4** |
| **Currency exposure of the Orbis Global Equity Fund** | | | | | | |
| Funds | 100.0 | 41.7 | 30.0 | 10.7 | 9.2 | 8.3 |
| Index | 100.0 | 63.5 | 18.8 | 8.0 | 5.8 | 3.9 |

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 2020 |
|---|---|
| **Cents per unit** | **0.6366** |

# ALLAN GRAY BALANCED FUND

Inception date: 1 October 1999

## Portfolio managers

Duncan Artus, Jacques Plaut, Ruan Stander, Rory Kutisker-Jacobson, Tim Acker. (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

Domestic equities had a strong fourth quarter, despite rand strength, translating into the Fund returning 6.3% in rands and 21% in dollars for the period. This pulled the one- and three-year returns into positive territory.

Pleasingly, the rally was broad based, with many of the shares outside of the mega caps staging strong recoveries, as many reported financial results that proved to be less bad than what was discounted into their share prices. This, combined with an underweight position in many of these shares by the average fund, led to some large moves in individual shares, as we saw a partial rotation from the winners.

Naspers, the largest position in the Fund, consolidated its strong performance year to date, as regulators in China announced investigations into certain perceived monopolistic practices in the Chinese internet and ecommerce market. Countering this was the continued strength in the iron price which, in our view, is trading at elevated levels. This has benefited BHP and Anglo American. We continue to prefer Glencore, which we believe will gain from commodity prices – other than iron ore – strengthening.

Low short-term interest rates continue to make it unrewarding to hold significant amounts of cash and, with the steep yield curve, we have allocated more of the fixed income to bonds with longer duration. This comes with greater risk. While attractive for investors, our high real government bond yields result in a very high cost of capital for local corporates in an economy with no growth. This needs to change if we are going to see a sustained increase in the value of local domestic companies in the Fund.

As an example of the opportunities we are finding, the Fund owns several holding companies that are trading at historically large discounts to their underlying investments. These include Naspers, Remgro, Reinet, RMI and PSG. We provide more detail on this opportunity in our Q4 Quarterly Commentary, which is published on our website.

The offshore portion of the Fund had a strong quarter, benefiting from the beginning of a rotation into value shares from the large growth shares that have dominated the index. We continue to believe that global sovereign bonds are overvalued and prefer exposure to gold and hedged equities. The unprecedented fiscal and monetary response to COVID-19 has propped up spending in many large developed economies, making it hard to judge the true level of economic activity underpinning companies' bottom lines. At some stage, the bill is going to come due, which may result in inflation and/or large losses in the bond market.

While risk levels remain high, and experts seemingly continue to disagree on the best way forward in combating the virus, the Fund owns a portfolio of attractive domestic shares, many of which remain depressed when measured in dollars. Cheap multinationals, such as British American Tobacco and Naspers, alongside the offshore holdings, provide diversification from South Africa specific risk.

Commentary contributed by Duncan Artus

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 October 1999) | 1909.7 | 901.9 | 209.8 |
| **Annualised:** | | | |
| Since inception (1 October 1999) | 15.2 | 11.5 | 5.5 |
| Latest 10 years | 9.3 | 8.3 | 5.1 |
| Latest 5 years | 4.8 | 4.6 | 4.6 |
| Latest 3 years | 2.3 | 3.8 | 4.0 |
| Latest 2 years | 5.1 | 8.1 | 3.4 |
| Latest 1 year | 3.6 | 5.7 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -25.4 | -23.3 | n/a |
| Percentage positive months[4] | 68.6 | 67.5 | n/a |
| Annualised monthly volatility[5] | 9.7 | 9.5 | n/a |
| Highest annual return[6] | 46.1 | 41.9 | n/a |
| Lowest annual return[6] | -14.2 | -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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of 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 31 March 2020 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 2020[7]

| Asset class | Total | South Africa | Africa ex-SA | Foreign ex-Africa |
|---|---|---|---|---|
| Net equity | 68.8 | 48.6 | 1.4 | 18.7 |
| Hedged equity | 8.4 | 3.1 | 0.0 | 5.3 |
| Property | 1.1 | 1.0 | 0.0 | 0.1 |
| Commodity-linked | 3.7 | 2.9 | 0.0 | 0.8 |
| Bonds | 13.4 | 9.7 | 1.6 | 2.1 |
| Money market and bank deposits | 4.6 | 1.9 | 0.6 | 2.2 |
| **Total (%)** | **100.0** | **67.3** | **3.6** | **29.1**[8] |

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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 2020 | 31 Dec 2020 |
|---|---|---|
| **Cents per unit** | **266.4257** | **105.3969** |

# ALLAN GRAY TAX-FREE BALANCED FUND

Inception date: 1 February 2016

## Portfolio managers

Duncan Artus, Jacques Plaut, Ruan Stander, Rory Kutisker-Jacobson, Tim Acker. (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

Domestic equities had a strong fourth quarter, despite rand strength, translating into the Fund returning 6.1% in rands and 21% in dollars for the period. This pulled the one- and three-year returns into positive territory.

Pleasingly, the rally was broad based, with many of the shares outside of the mega caps staging strong recoveries, as many reported financial results that proved to be less bad than what was discounted into their share prices. This, combined with an underweight position in many of these shares by the average fund, led to some large moves in individual shares, as we saw a partial rotation from the winners.

Naspers, the largest position in the Fund, consolidated its strong performance year to date, as regulators in China announced investigations into certain perceived monopolistic practices in the Chinese internet and ecommerce market. Countering this was the continued strength in the iron price which, in our view, is trading at elevated levels. This has benefited BHP and Anglo American. We continue to prefer Glencore, which we believe will gain from commodity prices – other than iron ore – strengthening.

Low short-term interest rates continue to make it unrewarding to hold significant amounts of cash and, with the steep yield curve, we have allocated more of the fixed income to bonds with longer duration.

This comes with greater risk. While attractive for investors, our high real government bond yields result in a very high cost of capital for local corporates in an economy with no growth. This needs to change if we are going to see a sustained increase in the value of local domestic companies in the Fund.

As an example of the opportunities we are finding, the Fund owns several holding companies that are trading at historically large discounts to their underlying investments. These include Naspers, Remgro, Reinet, RMI and PSG. We provide more detail on this opportunity in our Q4 Quarterly Commentary, which is published on our website.

The offshore portion of the Fund had a strong quarter, benefiting from the beginning of a rotation into value shares from the large growth shares that have dominated the index. We continue to believe that global sovereign bonds are overvalued and prefer exposure to gold and hedged equities. The unprecedented fiscal and monetary response to COVID-19 has propped up spending in many large developed economies, making it hard to judge the true level of economic activity underpinning companies' bottom lines. At some stage, the bill is going to come due, which may result in inflation and/or large losses in the bond market.

While risk levels remain high, and experts seemingly continue to disagree on the best way forward in combating the virus, the Fund owns a portfolio of attractive domestic shares, many of which remain depressed when measured in dollars.

Cheap multinationals, such as British American Tobacco and Naspers, alongside the offshore holdings, provide diversification from South Africa specific risk.

Commentary contributed by Duncan Artus

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 February 2016) | 28.8 | 28.3 | 24.0 |
| **Annualised:** | | | |
| Since inception (1 February 2016) | 5.3 | 5.2 | 4.6 |
| Latest 3 years | 2.5 | 3.8 | 4.0 |
| Latest 2 years | 5.2 | 8.1 | 3.4 |
| Latest 1 year | 4.0 | 5.7 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -24.6 | -23.3 | n/a |
| Percentage positive months[4] | 61.0 | 62.7 | n/a |
| Annualised monthly volatility[5] | 10.7 | 10.0 | n/a |
| Highest annual return[6] | 13.3 | 13.7 | n/a |
| Lowest annual return[6] | -13.4 | -10.3 | 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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of 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 March 2020 and the benchmark's occurred during the 12 months ended 31 March 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

## Asset allocation on 31 December 2020[7]

| Asset class | Total | South Africa | Africa ex-SA | Foreign ex-Africa |
|---|---|---|---|---|
| Net equity | 69.2 | 49.5 | 1.2 | 18.4 |
| Hedged equity | 7.6 | 2.5 | 0.0 | 5.1 |
| Property | 1.2 | 1.1 | 0.0 | 0.1 |
| Commodity-linked | 3.6 | 2.9 | 0.0 | 0.7 |
| Bonds | 12.6 | 9.4 | 1.1 | 2.1 |
| Money market and bank deposits | 5.9 | 3.7 | 0.4 | 1.8 |
| **Total (%)** | **100.0** | **69.1** | **2.8** | **28.2[8]** |

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. The Fund can invest a maximum of 30% offshore. with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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 2020 | 31 Dec 2020 |
|---|---|---|
| **Cents per unit** | **26.2256** | **8.2124** |

## ALLAN GRAY-ORBIS GLOBAL FUND OF FUNDS

Inception date: 3 February 2004

### Portfolio manager

Duncan Artus. (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 J.P. Morgan GBI Global Index.

### Commentary

2020 was an unimaginably painful year for those who lost loved ones to the pandemic or their jobs to the resulting lockdowns. Focusing narrowly on markets, it was a disappointing year for the performance of the Orbis SICAV Global Balanced Fund, particularly in the first quarter. Yet in some parts of the capital markets, 2020 was the best of times. It was the best of times for passive investors in the classic portfolio of 60% global stocks and 40% global government bonds – the "60/40".

Falling bond yields pushed global government bonds to an astonishing 10% return while inflating valuations for equities despite deteriorating corporate profits. But the times ahead could prove much more challenging for the classic passive strategy. Even if today's record-low interest rates persist forever, the return on global government bonds will be just 0.6% per annum. And if yields were to rise by just 1% today, bond prices would decline by 9%. That trade-off scares us, so we have avoided traditional government bonds in favour of gold, cash, inflation-linked bonds, and hedged equity.

From here, the 60/40 looks dangerous to us. The best way to see this is to look at its valuation. By flipping the yield on bonds upside down, we can create a "price-to-earnings (PE) ratio for bonds" to combine with the PE on stocks. When we do that, we see that the 60/40 today trades at 32 times earnings – its worst, most expensive valuation ever.

For active investors, there are attractive opportunities to be found. Coming into 2020 we were increasingly enthusiastic about the gap between the rich prices of the most popular shares and the bargain prices of the most neglected ones. Over the year, that gap has gone from unreasonably wide to unbelievably wide, so despite the rise in markets, neglected shares continue to trade at very compelling valuations. The best way to understand the portfolio is to take a look at some individual stocks in the cheaper parts of the market.

Mitsubishi is a Japanese conglomerate with hundreds of subsidiaries spanning from commodities to food distribution to convenience stores. The company has grown its book value by around 7% per annum over 40 years, has only once made an annual loss, and today earns higher returns on equity than the Japanese average – yet it trades at about half the price. While we wait for the market to recognise its value, we collect a 5% dividend yield.

BMW has been weighed down by concerns about the transition to electric vehicles, even though it has a higher market share in electrified cars than it does in the overall auto market, will have 20 different plug-in models available in 2021, and as a premium brand can charge a premium price to maintain its margins during the transition. On the strength of that brand, BMW has sustained average returns on tangible equity of 15% per year over multiple decades. With its shares trading at less than 1.0 times book value, BMW's future does not need to be anywhere near that bright to deliver attractive returns.

In Europe, we have also found a number of opportunities among banks. ING Group trades at about 0.6 times book value, despite being profitable, prudently run, and well capitalised. If the company can hit the bottom end of its 10-12% return on equity target, as we think it can, it could generate a more than 8% shareholder return yield on its current share price – and likely earn a substantial re-rating in the process.

Banks may be scorned, but energy companies are downright hated, and BP and Royal Dutch Shell were painful stocks to own in 2020. Amid discussions of the broader energy transition, the demand outlook continues to dominate headlines. What gets far less attention is the supply side of the equation. In 2020, oil producers cut investment by over US$100 billion in total. That capital starvation should lead to tighter supply in the years ahead. At a US$60 per barrel oil price, BP and Shell would generate free cash flow equivalent to more than 15% of their current market value every year. Even without an oil price recovery, both stocks offer free cash flow yields in excess of 10% on a forward-looking basis.

Looking at the portfolio as a whole, valuations for both global stock markets and our shares are significantly less cheap than they were in March. The relative picture is more encouraging, however, because the discount between our shares and the market is exceptional. Today our selected equities trade at a 40% discount to the wider market, despite having similar growth rates. That discount is comparable to what we saw at the inception of the Global Balanced Fund in early 2013.

In our view, the prices of our securities remain miles away from the values justified by their fundamentals. We never know what our performance will look like in a given month, quarter, or even year. But the behaviour of markets since November has provided a taste of how the Fund could perform if the world returns to any semblance of normality.

Adapted from commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda

For the full commentary please see 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) | 437.0 | 157.3 | 541.6 | 207.4 | 141.9 | 40.0 |
| **Annualised:** | | | | | | |
| Since inception (3 February 2004) | 10.4 | 5.6 | 11.6 | 6.8 | 5.4 | 2.0 |
| Latest 10 years | 13.9 | 5.3 | 16.0 | 7.2 | 5.1 | 1.7 |
| Latest 5 years | 5.5 | 6.8 | 8.4 | 9.7 | 4.6 | 1.8 |
| Latest 3 years | 6.3 | 0.3 | 15.4 | 8.9 | 4.0 | 1.8 |
| Latest 2 years | 10.7 | 9.6 | 17.8 | 16.6 | 3.4 | 1.6 |
| Latest 1 year | 13.9 | 8.9 | 19.8 | 14.5 | 3.2 | 1.2 |
| **Risk measures (since inception)** | | | | | | |
| Maximum drawdown[3] | -24.0 | -37.0 | -25.1 | -37.5 | n/a | n/a |
| Percentage positive months[4] | 56.7 | 59.6 | 57.6 | 63.5 | n/a | n/a |
| Annualised monthly volatility[5] | 14.0 | 11.6 | 12.9 | 10.0 | 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 J.P. Morgan GBI Global Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
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 2020

| | Total | North America | Europe and UK | Japan | Asia ex-Japan | Other |
|---|---|---|---|---|---|---|
| Net equity | 63.1 | 14.0 | 22.7 | 7.1 | 15.6 | 3.7 |
| Hedged equity | 22.5 | 9.4 | 6.2 | 2.2 | 3.2 | 1.5 |
| Fixed interest | 8.6 | 6.4 | 0.5 | 0.2 | 0.2 | 1.3 |
| Commodity-linked | 4.6 | 0.0 | 0.0 | 0.0 | 0.0 | 4.6 |
| Net current assets | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 |
| **Total** | **100.0** | **29.8** | **29.5** | **9.5** | **18.9** | **12.2** |
| **Currency exposure of the Orbis funds** | | | | | | |
| Funds | 100.0 | 40.3 | 33.7 | 9.8 | 11.2 | 5.0 |
| Index | 100.0 | 58.9 | 25.5 | 12.5 | 0.8 | 2.3 |

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 2020 |
|---|---|
| **Cents per unit** | **0.0000** |

# ALLAN GRAY STABLE FUND

Inception date: 1 July 2000

## Portfolio managers

Duncan Artus, Sean Munsie, Tim Acker. (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

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

The Fund aims to:

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

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

### Looking back over the Fund's history

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

### What do we expect for future returns from here?

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

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

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

Commentary contributed by Tim Acker

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 July 2000) | 788.9 | 459.3 | 194.2 |
| **Annualised:** | | | |
| Since inception (1 July 2000) | 11.2 | 8.8 | 5.4 |
| Latest 10 years | 8.3 | 7.1 | 5.1 |
| Latest 5 years | 5.7 | 7.5 | 4.6 |
| Latest 3 years | 4.3 | 7.1 | 4.0 |
| Latest 2 years | 5.0 | 6.7 | 3.4 |
| Latest 1 year | 3.4 | 5.5 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -16.7 | n/a | n/a |
| Percentage positive months[4] | 77.2 | 100.0 | n/a |
| Annualised monthly volatility[5] | 5.3 | 0.7 | n/a |
| Highest annual return[6] | 23.3 | 14.6 | n/a |
| Lowest annual return[6] | -7.4 | 5.5 | n/a |

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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund (i.e. including income).
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 March 2020 and the benchmark's occurred during the 12 months ended 31 December 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

## Asset allocation on 31 December 2020[7]

| Asset class | Total | South Africa | Africa ex-SA | Foreign ex-Africa |
|---|---|---|---|---|
| Net equity | 34.8 | 20.9 | 1.6 | 12.2 |
| Hedged equity | 13.8 | 5.1 | 0.0 | 8.8 |
| Property | 2.3 | 2.3 | 0.0 | 0.0 |
| Commodity-linked | 3.6 | 2.6 | 0.0 | 1.0 |
| Bonds | 35.9 | 27.9 | 3.3 | 4.7 |
| Money market and bank deposits | 9.6 | 5.3 | 0.8 | 3.4 |
| **Total (%)** | **100.0** | **64.2** | **5.7** | **30.1[8]** |

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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 quarterly.

| | 31 Mar 2020 | 30 Jun 2020 | 30 Sep 2020 | 31 Dec 2020 |
|---|---|---|---|---|
| **Cents per unit** | **33.8100** | **64.5158** | **37.6982** | **29.1088** |

# 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

The Fund returned 1.7% in the final quarter of 2020, and -5.5% for the full year. After losing 33% at the bottom in March, the FTSE/JSE All Share Index recovered to give a total return of 7% for 2020. At a sectoral level, you were much better off owning resources, which returned 21%, compared to financials, which lost 20%. International shares performed much better than domestic industrial shares and you were better off owning Richemont (up 22% and unfortunately not owned by the Fund) than British American Tobacco (a large overweight that was down 1%). This gets one thinking: If only you avoided the decline at the start of 2020, you could have earned 60% for the year from the low point. If you owned more resources at the expense of financials, or more Richemont than British American Tobacco, you would be better off. In general, anticipating changes in investor sentiment can be very rewarding. The problem is that it is very hard to do.

Take British American Tobacco (BTI) and Richemont as examples. If someone tipped you off a year ago that British American Tobacco would grow its earnings by double digits despite a pandemic, take significant market share in premium tobacco and reduced-risk products, such as vaping, and pay down debt on top of a generous dividend, one would have thought the sentiment would improve. It turns out that sentiment deteriorated in 2020, with the price-to-earnings (PE) ratio reducing from an already low level of 10 to 8. Richemont started 2020 on a high PE ratio of 28, suffered a significant reduction in earnings and still outperformed the stock market by 15% for the year. Even if you predicted the short-term fundamentals, you would have made the wrong conclusion since sentiment surprised. Mining stocks offer another example. Assuming you predicted a global pandemic would reduce GDP by the most since the Great Depression, few would have predicted that the resources sector was the place to be in 2020. The stock market as a whole is also interesting. At the low in March, a forecast of a rampant spread of COVID-19 and its devastating impact on economies would have been correct, but the stock market is already looking forward to a recovery, despite a much stronger second wave in most countries.

Do fundamentals matter? Over short periods of time a narrative around recent news flow tends to drive sentiment, whereas fundamentals matter in the long run. If BTI can grow its earnings at 10% p.a. over the next five years (which one could argue is conservative, since they have grown at 12% p.a. for the past 15 years) an investor would earn 14% p.a., even if the PE ratio falls from 8 to 6, since the dividend yield is 8% today. If the continued growth helps to improve sentiment towards the company, the PE ratio could go to 15 (still low for a high-quality consumer staple company), in which case a shareholder will earn 32% per year. British American Tobacco remains a large holding in the Fund.

We may make mistakes in our assessment of long-term company fundamentals, Sasol being a recent example, but we believe that buying companies at a discount to what they are worth, rather than trying to predict investor sentiment, is the surest way to create wealth for our clients.

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) | 239.5 | 202.0 | 149.1 |
| **Annualised:** | | | |
| Since inception (1 October 2002) | 6.9 | 6.2 | 5.2 |
| Latest 10 years | 5.1 | 5.0 | 5.1 |
| Latest 5 years | 3.8 | 5.4 | 4.6 |
| Latest 3 years | 1.4 | 5.0 | 4.0 |
| Latest 2 years | -0.9 | 4.6 | 3.4 |
| Latest 1 year | -5.5 | 3.4 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -10.2 | n/a | n/a |
| Percentage positive months[4] | 76.3 | 100.0 | n/a |
| Annualised monthly volatility[5] | 4.0 | 0.6 | n/a |
| Highest annual return[6] | 18.1 | 11.9 | n/a |
| Lowest annual return[6] | -8.2 | 3.4 | 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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 6 February 2020 to 15 September 2020. 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 31 August 2020 and the benchmark's occurred during the 12 months ended 31 December 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

## Asset allocation on 31 December 2020

| Asset class | Total |
|---|---|
| Net equity | 4.7 |
| Hedged equity | 80.3 |
| Property | 0.6 |
| Commodity-linked | 0.0 |
| Bonds | 0.0 |
| Money market and bank deposits | 14.4 |
| **Total (%)** | **100.0** |

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 biannually. | 30 Jun 2020 | 31 Dec 2020 |
|---|---|---|
| **Cents per unit** | **75.6238** | **19.9481** |

# 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

Optimal has a way of testing our clients' patience in the sense that some of the most opportune times to invest have come on the heels of frustrating performance. Those who stay the course can be well rewarded, but the reward often comes after significant discomfort. The past quarter – a pleasant surprise amid an otherwise disappointing year – has been a reminder of this unique feature of Optimal. We are hopeful that it offers a glimpse of what lies ahead if our stock selection results continue to be favourable, as the gap between the cheapest and most expensive stocks reverts back to more "normal" levels of dispersion.

Market inefficiencies are the lifeblood of Optimal. The longer they persist and the larger they become, the greater the potential for future returns. This explains why we are so excited about Optimal's risk-reward proposition today. Optimal can be seen as an investment that is designed to exploit the "gap" in value between our stock selections and the market indices that we hedge. If you believe that this gap will persist forever, then Optimal is the wrong strategy for you. But if you believe, as we do, that markets are increasingly frothy and the gap between cheap and expensive shares is unsustainable – then Optimal is very well placed to benefit as this gap closes.

After a long dry spell, the valuation gap started to close, and alpha came back with a vengeance in the fourth quarter. Many of the companies held in Optimal rallied and outpaced their local benchmarks, prompted in part by several promising COVID-19 vaccines that arrived sooner than expected. While there is still a long way to go from a public health perspective, markets now have enough information to ask the question of "when" rather than "if" economic activity will return to some semblance of "normal", and this can be seen in the recent market repricing.

As a result, Optimal's performance in the past quarter was encouraging and a better reflection of what we believe the Fund can deliver when alpha is strong. In the fourth quarter of 2020, 57% of Optimal's stock selections were winners and 64% of capital was deployed into these winning names, which is more in line with our long-term stock selection record. The Orbis Optimal SA Fund's after-fee return of 7.7% in US dollars for the quarter compares to 13.6% for the average global equity fund and 1.3% for the average US$ bond fund. Most exciting of all, the "correction" in dispersions over the past quarter has barely made a dent in the dislocation that has built up over several years.

As an example of the value that we are seeing in our stock selections, let's take a closer look at Japan. In last quarter's commentary, we mentioned our holdings in the Japanese trading companies Mitsubishi, Mitsui & Co and Sumitomo, and highlighted the attractive dividend yields on offer. Despite the promising vaccine results that have boosted cyclical businesses elsewhere, the trading companies remain neglected. We, however, continue to find them highly attractive. Two other holdings in Japan that offer attractive dividend yields are the telecom operators – KDDI and Nippon Telegraph and Telephone (NTT). While political pressure on mobile tariffs remains a concern, we believe that risk is more than reflected in the stocks' valuations. Both trade at just 10 times forward earnings at a time when many other "defensive" businesses trade for 30, 40, 50, or even 60 times earnings.

BMW is another good example. The overwhelming consensus view is that electric cars are the future and early innovators like Tesla will dominate the landscape. While we would agree that electric vehicles are likely to be much more common, we don't believe it's a winner-take-all market. In fact, BMW has over 15 electrified models of its own with even more in the pipeline, and it actually has a higher market share of new electric vehicle sales in the US, Europe and China than it does with traditional internal combustion engine vehicles. BMW also has the benefit of a premium brand, which makes it much easier for the company to pass along the cost of the transition to electric models.

Despite its strong historical track record and promising competitive position in electric cars, BMW's valuation is extremely depressed relative to its history. Today, BMW trades at less than 1.0 times book value, and roughly six times normalised earnings – levels only seen once before, during the global financial crisis.

We have seen our share of "false dawns" before, so we would caution clients against reading too much into Optimal's recent performance. But this should not detract from our genuine enthusiasm for the value embedded in the portfolio. Encouragingly, the past quarter has been a welcome reminder that active stockpicking is still very much alive, even if the timing remains as unpredictable as ever.

Adapted from commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda and Ryan Fitzpatrick, Orbis Investments (Canada) Limited, Vancouver

For the full commentary please see 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) | 89.3 | -0.8 | 91.3 | 0.2 | 67.8 | 20.0 |
| **Annualised:** | | | | | | |
| Since inception (2 March 2010) | 6.1 | -0.1 | 6.2 | 0.0 | 4.9 | 1.7 |
| Latest 10 years | 8.2 | 0.0 | 8.3 | 0.1 | 5.1 | 1.7 |
| Latest 5 years | -1.9 | -0.7 | 0.4 | 1.6 | 4.6 | 1.8 |
| Latest 3 years | -1.0 | -6.6 | 7.2 | 1.1 | 4.0 | 1.8 |
| Latest 2 years | -2.5 | -3.5 | 3.4 | 2.4 | 3.4 | 1.6 |
| Latest 1 year | 2.2 | -2.3 | 9.7 | 4.9 | 3.2 | 1.2 |
| **Risk measures (since inception)** | | | | | | |
| Maximum drawdown[3] | -18.9 | -31.3 | -26.6 | -15.1 | n/a | n/a |
| Percentage positive months[4] | 48.5 | 51.5 | 46.2 | 50.0 | n/a | n/a |
| Annualised monthly volatility[5] | 13.9 | 7.5 | 14.5 | 4.4 | 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 | -15.3 | -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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
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 23 February 2018. 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 2020

| | Total | North America | Europe and UK | Japan | Asia ex-Japan | Other |
|---|---|---|---|---|---|---|
| Net equity | 3.5 | -1.3 | 1.4 | -0.1 | 1.8 | 1.8 |
| Hedged equity | 88.2 | 21.4 | 28.0 | 19.1 | 15.2 | 4.6 |
| 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 | 8.2 | 0.0 | 0.0 | 0.0 | 0.0 | 8.2 |
| **Total** | **100.0** | **20.1** | **29.3** | **19.0** | **17.0** | **14.6** |
| **Currency exposure of the Orbis funds** | | | | | | |
| Funds | 100.0 | 55.4 | 37.9 | -0.3 | 7.0 | 0.0 |

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 2020 |
|---|---|
| **Cents per unit** | **0.4566** |

## ALLAN GRAY BOND FUND

Inception date: 1 October 2004

### Portfolio manager

Londa Nxumalo.

### Fund objective and benchmark

The Bond Fund's goal is to deliver returns that exceed inflation and cash over the long term, without taking on undue risk. The Fund's benchmark is the FTSE/JSE All Bond Index.

### Commentary

The novel coronavirus, COVID-19, rightfully consumed the minds of policymakers, investors, and everyday people in 2020. The first signs of what would eventually take an enormous human and economic toll emerged early in the year, with the Chinese lockdown and its ripple effect on trade reminding every industry and country what it means to be part of an interconnected global ecosystem. Lockdowns quickly cascaded through the rest of the world as policymakers tried to limit the spread of the virus, and the global economy sank into a recession.

The heightened uncertainty caused a spike in risk aversion, with global investors dumping risk assets in a dash for US dollar cash. The gravity of the economic, fiscal and market disruption led to unprecedented monetary stimulus being unleashed by developed market (DM) central banks, led by the Federal Reserve, European Central Bank, Bank of Japan, and Bank of England. This action was mimicked in a much smaller way by emerging market (EM) central banks – for example, Indonesia and South Africa – who were constrained by their lowly status in the global currency pecking order.

The South African bond market bears the distinction of being one of the most liquid among EMs. Therefore, this resulted in heavy selling of our bonds by global investors during quarter one's great flight to safety. The sell-off was further exacerbated by Moody's finally downgrading the country to sub-investment grade. Severe market dislocation resulted in the yield on the 10-year government bond peaking at 12.3% in March. The South African Reserve Bank (SARB) ultimately stepped in and started to purchase government bonds in small amounts to restore the proper functioning of the bond market.

South Africa is expected to post a fiscal deficit of 15.7% for 2020/21, the largest in generations. Government debt to GDP is expected to reach 81.8% by the close of the 2020/21 fiscal year, raising fiscal sustainability concerns. Foreign investors continued to sell South African bonds throughout the first half of the year, despite massive amounts of liquidity being pumped into financial markets by DM central banks. Foreign investor inflows only returned in the second half of the year, apparently off the back of Joe Biden winning the US presidential election (which is viewed as positive for EMs) and COVID-19 vaccine optimism. This reversal in sentiment means that actual outflows were only marginally negative for the year.

Inflation remained subdued throughout 2020 due to a collapse in the oil price and constrained demand when the country was under lockdown. Inflation has remained well below the SARB's 4.5% midpoint target, which has been positive for nominal bonds. Low inflation also allowed the SARB to cut the repo rate by a cumulative 300 basis points to support the economy. The yield curve is now steeper than a year ago, with the front end having been supported by the rate cuts, while elevated yields on the back end reflect long-term fiscal concerns. The combination of high nominal yields and low inflation makes real yields on nominal bonds extremely attractive at current levels.

The local credit market was not spared the tumult of 2020. Land Bank defaulted on R50 billion of debt. Credit spreads initially widened across all sectors as risk aversion started to infuse some semblance of reality into the rather lethargic corporate bond market. Banks and blue-chip corporates have been well bid in the latter half of the year, however, with credit spreads tightening due to strong investor demand. Parastatal credit spreads remain wider, with the development finance institutions being under particular pressure.

The duration of the Fund is currently one year less than that of the benchmark, with just over half of the Fund invested in long-dated bonds due to their attractive real yields. Around half of the Fund is invested in credit, consisting largely of government-guaranteed parastatals and senior bank bonds. The Fund seeks to strike a balance between being conservatively positioned, while taking advantage of high long-term yields.

Commentary contributed by Londa Nxumalo

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 October 2004) | 308.8 | 286.0 | 137.0 |
| **Annualised:** | | | |
| Since inception (1 October 2004) | 9.1 | 8.7 | 5.5 |
| Latest 10 years | 8.6 | 8.2 | 5.1 |
| Latest 5 years | 10.7 | 10.4 | 4.6 |
| Latest 3 years | 9.0 | 8.9 | 4.0 |
| Latest 2 years | 8.9 | 9.5 | 3.4 |
| Latest 1 year | 6.9 | 8.7 | 3.2 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -18.9 | -19.3 | n/a |
| Percentage positive months[4] | 72.3 | 68.2 | n/a |
| Annualised monthly volatility[5] | 5.9 | 7.5 | n/a |
| Highest annual return[6] | 18.0 | 21.2 | n/a |
| Lowest annual return[6] | -2.6 | -5.6 | n/a |

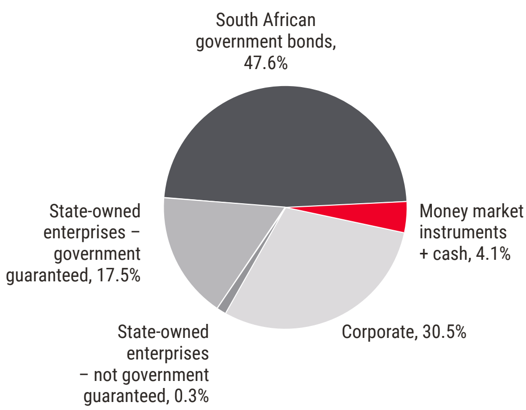
1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 December 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 27 February 2020 to 24 March 2020 and maximum benchmark drawdown occurred from 26 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of 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.

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

## Income distributions for the last 12 months

| Actual payout, the Fund distributes quarterly | 31 Mar 2020 | 30 Jun 2020 | 30 Sep 2020 | 31 Dec 2020 |
|---|---|---|---|---|
| **Cents per unit** | **26.1980** | **23.3855** | **24.3176** | **23.6527** |

## Asset allocation on 31 December 2020



# ALLAN GRAY MONEY MARKET FUND

Inception date: 1 July 2001

## Portfolio manager

Thalia Petousis.

## 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

A phenomenon that continues to play out in the South African debt markets can be described as "a tale of two borrowings". On the one side of the coin, the annual growth in corporate and household debt has deteriorated to just 3% – the lowest level in the last decade. With bleak post-COVID-19 business prospects, the private sector is reticent to borrow. On the flip side of the "borrowings coin", South Africa's public sector debt, or government stockpile, has been increasing at an alarming annual rate of 20%.

All debt is not a sin. Our faster-growing emerging market peer countries, for example, continue to enjoy double-digit increases in lending to the private sector. Ideally, where such funding goes towards business innovation, an economy can flourish. Through 2020, central banks and state stimulus packages played a dominant role in remedying COVID-19 economic devastation. In South Africa, when public funding is put to work on bailouts for insolvent state-owned entities like South African Airways, critics will say that the allocation of capital is wasteful. In the United States, the Federal Reserve is similarly criticised for borrowing beyond its means and inefficiently allocating capital to so-called "zombie businesses". Bond-buying programmes are blamed for partly directing cash to companies whose scant earnings do not even cover their own interest payments on debt.

2020 saw the South African government devour the borrowing opportunities in the primary market debt arena. Short-term government treasury bill rates have subsequently risen above those of traditional bank deposits due to oversupply. At a 4.6% interest rate, a 9-month South African Government Treasury bill now yields +0.7% higher than the equivalent-maturity local bank deposit. This presents an opportunity for money market funds to earn a modest pick-up in yield, but absolute and inflation-adjusted returns remain meagre versus history. Importantly, the repo rate has been slashed from 6.5% to 3.5% over the course of the year.

Annual money market benchmark returns fell from 7% in 2019 to 5% in 2020 – underperforming the South African equity and bond market by 2% to 4%. We continue to echo the epithet that higher risk usually translates into higher returns. Investors in the Fund must continually re-evaluate their asset allocation decisions and ability to take on more risk if it is appropriate to their situation. This is most pertinent now when rates are at historical lows. The South African Reserve Bank's Quarterly Projection model pencils in a potential move in the repo rate from the current 3.5% to only 4.9% by the end of 2022.

Commentary contributed by Thalia Petousis

## Performance net of all fees and expenses

| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 July 2001) | 339.7 | 327.2 | 177.5 |
| **Annualised:** | | | |
| Since inception (1 July 2001) | 7.9 | 7.7 | 5.4 |
| Latest 10 years | 6.6 | 6.3 | 5.1 |
| Latest 5 years | 7.4 | 7.0 | 4.6 |
| Latest 3 years | 7.1 | 6.6 | 4.0 |
| Latest 2 years | 6.8 | 6.3 | 3.4 |
| Latest 1 year | 5.9 | 5.4 | 3.2 |
| **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 2020.
2. This is based on the latest available numbers published by IRESS as at 30 November 2020.
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 distributions for the last 12 months

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

| Jan 2020 | Feb 2020 | Mar 2020 | Apr 2020 |
|---|---|---|---|
| 0.62 | 0.57 | 0.60 | 0.56 |
| May 2020 | Jun 2020 | Jul 2020 | Aug 2020 |
| 0.54 | 0.47 | 0.45 | 0.42 |
| Sep 2020 | Oct 2020 | Nov 2020 | Dec 2020 |
| 0.39 | 0.38 | 0.35 | 0.36 |

## Exposure by issuer on 31 December 2020

| | % of portfolio |
|---|---|
| **Corporates** | **14.3** |
| Pick 'n Pay | 2.6 |
| Sanlam | 2.5 |
| Shoprite | 2.5 |
| MTN | 2.5 |
| Mercedes-Benz | 2.1 |
| Life Healthcare | 1.0 |
| Toyota Financial Services | 1.0 |
| **Banks[4]** | **61.0** |
| Nedbank | 14.6 |
| Investec Bank | 12.2 |
| Standard Bank | 12.0 |
| Absa Bank | 12.0 |
| FirstRand Bank | 9.5 |
| Capitec Bank | 0.6 |
| **Government and parastatals** | **24.7** |
| Republic of South Africa | 24.7 |
| **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 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. 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.orbis.com. |
| 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.<br>Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT<br>For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:<br>Maximum fee: 1.50% p.a. excl. VAT<br>Minimum fee: 0.50% p.a. excl. VAT<br>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 trust 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.orbis.com. |
| 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.<br>Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT<br>For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:<br>Maximum fee: 1.50% p.a. excl. VAT<br>Minimum fee: 0.50% p.a. excl. VAT<br>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.<br>Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT<br>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.orbis.com. |
| Allan Gray Bond Fund (JSE code: AGBD) | A fixed fee of 0.5% p.a. excl. VAT<br>From 1 December 2020 to 30 November 2021, we will calculate both the above fixed fee and the previous performance-based fee each day and charge whichever is lower on the day. From 1 December 2021, only the above fixed fee will apply.<br>The previous performance-based fee rate is calculated by comparing the Fund's total performance over the previous year to that of the benchmark, adjusted for Fund expenses and cash flows. The minimum fee is 0.25% p.a. excl. VAT and, for each percentage of performance above the benchmark, the fee is increased by 0.25%, up to a maximum fee of 0.75% p.a. excl. VAT. |
| 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 (TERs) AND TRANSACTION COSTS

For the 1-year period ending 31 December 2020

| 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 (TIC) % |
|---|---|---|---|---|---|---|---|
| Allan Gray Equity Fund[2,4] (JSE code: AGEF) | 1.13% | -0.41% | 0.04% | 0.08% | **0.84%** | 0.11% | **0.95%** |
| Allan Gray SA Equity Fund[4] (JSE code: AGDA) | 1.00% | -1.00% | 0.02% | 0.00% | **0.02%** | 0.14% | **0.16%** |
| Allan Gray-Orbis Global Equity Feeder Fund[1] (JSE code: AGOE) | 1.49% | -0.66% | 0.06% | 0.00% | **0.89%** | 0.13% | **1.02%** |
| Allan Gray Balanced Fund[2,4] (JSE code: AGBF) | 1.03% | -0.43% | 0.04% | 0.07% | **0.71%** | 0.09% | **0.80%** |
| Allan Gray Tax-Free Balanced Fund[2,4,6] (JSE code: AGTBA) | 1.31% | 0.00% | 0.04% | 0.14% | **1.49%** | 0.11% | **1.60%** |
| Allan Gray-Orbis Global Fund of Funds[1] (JSE code: AGGF) | 1.45% | -0.72% | 0.07% | 0.00% | **0.80%** | 0.09% | **0.89%** |
| Allan Gray Stable Fund[2,4] (JSE code: AGSF) | 1.03% | -0.48% | 0.04% | 0.06% | **0.65%** | 0.07% | **0.72%** |
| Allan Gray Optimal Fund[4] (JSE code: AGOF) | 1.00% | 0.00% | 0.02% | 0.15% | **1.17%** | 0.08% | **1.25%** |
| Allan Gray-Orbis Global Optimal Fund of Funds[1] (JSE code: AGOO) | 1.00% | 0.00% | 0.09% | 0.00% | **1.09%** | 0.15% | **1.24%** |
| Allan Gray Bond Fund[6] (JSE code: AGBD) | 0.25% | 0.16% | 0.01% | 0.06% | **0.48%** | 0.00% | **0.48%** |
| Allan Gray Money Market Fund[6] (JSE code: AGMF) | 0.25% | 0.00% | 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. Unitholders 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 one year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], STRATE and Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).
4. The fees, TERs and Transaction costs provided are for Class A funds only. The fees, TERs and Transaction costs for other classes of the funds are available from our Client Service Centre.
5. TERs and Transaction costs are unaudited.
6. The Allan Gray Tax-Free Balanced Fund and Allan Gray Money Market Fund charge a fixed fee. From 1 December 2021, the Allan Gray Bond Fund will also 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 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. 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).

ALLAN GRAY UNIT TRUSTS

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | Note | Equity Fund | | Global Equity Feeder Fund | | Balanced Fund | | Global Fund of Funds | | Stable Fund | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R |
| **INVESTMENT INCOME** | | 1 340 001 243 | 1 059 417 666 | 3 607 976 | 4 541 478 | 5 642 669 835 | 5 137 615 163 | 1 248 950 | 2 851 480 | 2 342 192 976 | 2 407 321 552 |
| Dividends - Local | | 1 289 035 380 | 975 109 293 | - | - | 3 886 673 548 | 2 761 865 218 | - | - | 749 895 799 | 442 090 321 |
| Dividends - Real estate investment trust income | | 17 977 765 | 30 517 399 | - | - | 61 172 183 | 128 958 865 | - | - | 84 807 877 | 167 646 409 |
| Interest - Local | | 32 499 176 | 40 802 047 | 3 607 976 | 4 541 478 | 1 623 385 996 | 2 158 717 270 | 1 248 950 | 2 851 480 | 1 377 622 373 | 1 673 351 370 |
| Interest - Foreign | | - | - | - | - | 63 571 402 | 68 304 564 | - | - | 110 241 357 | 123 804 913 |
| Sundry income | | 488 922 | 12 988 927 | - | - | 7 866 706 | 19 769 246 | - | - | 19 625 570 | 428 539 |
| **OPERATING EXPENSES** | | 178 279 513 | 25 415 267 | 1 929 782 | 1 551 688 | 540 578 098 | 966 254 750 | 1 301 210 | 1 130 873 | 160 546 759 | 232 903 211 |
| Audit fee | | 153 406 | 209 511 | 61 399 | 78 434 | 176 801 | 256 753 | 59 147 | 81 273 | 156 968 | 214 359 |
| Bank charges | | 162 537 | 99 541 | 11 505 | 9 498 | 682 506 | 537 329 | 12 781 | 11 218 | 433 728 | 451 379 |
| Commitment fee | | 1 830 215 | 1 780 114 | 1 119 567 | 816 912 | - | 436 669 | 746 306 | 582 181 | - | - |
| Trustee fee | | 1 149 226 | 1 375 038 | 737 311 | 646 844 | 4 860 180 | 5 365 208 | 482 976 | 456 201 | 1 627 493 | 1 808 780 |
| Management fee | | 174 984 129 | 21 951 063 | - | - | 534 858 611 | 959 658 791 | - | - | 158 328 570 | 230 428 693 |
| **PROFIT/(LOSS) BEFORE UNDISTRIBUTABLE INCOME ITEMS** | 1 | 1 161 721 730 | 1 034 002 399 | 1 678 194 | 2 989 790 | 5 102 091 737 | 4 171 360 413 | (52 260) | 1 720 607 | 2 181 646 217 | 2 174 418 341 |

ALLAN GRAY UNIT TRUSTS

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

| | Equity Fund | | Global Equity Feeder Fund | | Balanced Fund | | Global Fund of Funds | | Stable Fund | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R |
| **ASSETS** | | | | | | | | | | |
| Investments | 33 273 502 984 | 37 050 829 628 | 21 867 740 288 | 18 919 316 217 | 136 284 843 864 | 147 414 416 187 | 13 977 991 534 | 12 735 513 855 | 43 843 041 659 | 48 986 463 598 |
| Current assets | 77 413 119 | 103 925 454 | 334 663 125 | 101 840 375 | 205 886 561 | 318 643 084 | 63 628 680 | 49 105 588 | 67 879 363 | 85 501 905 |
| **TOTAL ASSETS** | 33 350 916 103 | 37 154 755 082 | 22 202 403 413 | 19 021 156 592 | 136 490 730 425 | 147 733 059 271 | 14 041 620 214 | 12 784 619 443 | 43 910 921 022 | 49 071 965 503 |
| **LIABILITIES** | | | | | | | | | | |
| Current liabilities | 299 276 299 | 413 286 991 | 1 819 063 | 3 017 620 | 1 557 389 451 | 1 946 902 794 | 100 087 | 1 745 286 | 390 912 292 | 524 731 967 |
| **NET ASSETS ATTRIBUTABLE TO UNITHOLDERS** | 33 051 639 804 | 36 741 468 091 | 22 200 584 350 | 19 018 138 972 | 134 933 340 974 | 145 786 156 477 | 14 041 520 127 | 12 782 874 157 | 43 520 008 730 | 48 547 233 536 |

ALLAN GRAY UNIT TRUSTS

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | Note | Optimal Fund | | Global Optimal Fund of Funds | | Bond Fund | | Money Market Fund | | SA Equity Fund | | Tax-Free Balanced Fund | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R |
| **INVESTMENT INCOME** | | 53 262 295 | 51 012 003 | 315 874 | 275 684 | 402 177 966 | 186 579 200 | 1 507 421 843 | 1 569 171 105 | 146 818 068 | 116 485 520 | 48 931 905 | 33 486 174 |
| Dividends - Local | | 45 623 135 | 35 653 041 | - | - | - | - | - | - | 141 033 048 | 104 210 210 | 31 995 937 | 16 798 971 |
| Dividends - Real estate investment trust income | | - | - | - | - | - | - | - | - | 1 676 820 | 4 042 609 | 505 602 | 819 656 |
| Interest - Local | | 7 639 160 | 12 641 755 | 315 874 | 275 684 | 401 207 351 | 186 579 200 | 1 507 421 843 | 1 569 171 105 | 4 018 604 | 7 319 212 | 15 815 335 | 15 510 184 |
| Interest - Foreign | | - | - | - | - | - | - | - | - | - | - | 550 468 | 294 936 |
| Sundry income | | - | 2 717 207 | - | - | 970 615 | - | - | - | 89 596 | 913 489 | 64 563 | 62 427 |
| **OPERATING EXPENSES** | | 10 991 830 | 13 563 016 | 148 526 | 171 576 | 18 189 754 | 13 002 260 | 73 992 413 | 58 880 094 | 422 946 | 421 115 | 12 413 319 | 10 192 473 |
| Audit fee | | 154 899 | 210 114 | 59 318 | 81 033 | 105 508 | 144 090 | 123 290 | 168 844 | 103 970 | 138 752 | 96 687 | 143 075 |
| Bank charges | | 72 831 | 52 888 | 11 442 | 10 035 | 92 975 | 56 542 | 157 871 | 110 049 | 95 580 | 42 888 | 96 193 | 64 049 |
| Commitment fee | | 2 469 | 3 419 | 45 473 | 44 988 | - | - | - | - | 136 777 | 134 704 | - | - |
| Trustee fee | | 35 358 | 43 337 | 32 293 | 35 520 | 158 632 | 74 520 | 926 730 | 725 938 | 86 619 | 104 771 | 41 469 | 34 997 |
| Management fee | | 10 726 273 | 13 253 258 | - | - | 17 832 639 | 12 727 108 | 72 784 522 | 57 875 263 | - | - | 12 178 970 | 9 950 352 |
| **PROFIT/(LOSS) BEFORE UNDISTRIBUTABLE INCOME ITEMS** | 1 | 42 270 465 | 37 448 987 | 167 348 | 104 108 | 383 988 212 | 173 576 940 | 1 433 429 430 | 1 510 291 011 | 146 395 122 | 116 064 405 | 36 518 586 | 23 293 701 |

ALLAN GRAY UNIT TRUSTS

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

| | Optimal Fund | | Global Optimal Fund of Funds | | Bond Fund | | Money Market Fund | | SA Equity Fund | | Tax-Free Balanced Fund | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R | 2020 R | 2019 R |
| **ASSETS** | | | | | | | | | | | | |
| Investments | 869 659 912 | 1 110 544 522 | 811 178 947 | 958 334 264 | 5 213 052 916 | 2 803 292 763 | 26 295 373 862 | 22 549 720 386 | 2 813 946 654 | 2 901 973 852 | 1 267 639 025 | 1 068 071 641 |
| Current assets | 9 952 861 | 5 279 045 | 15 518 290 | 13 802 826 | 10 336 708 | 6 899 184 | 9 696 702 | 10 393 334 | 14 464 786 | 11 223 215 | 3 038 380 | 4 636 617 |
| **TOTAL ASSETS** | 879 612 773 | 1 115 823 567 | 826 697 237 | 972 137 090 | 5 223 389 624 | 2 810 191 947 | 26 305 070 564 | 22 560 113 720 | 2 828 411 440 | 2 913 197 067 | 1 270 677 405 | 1 072 708 258 |
| **LIABILITIES** | | | | | | | | | | | | |
| Current liabilities | 9 285 758 | 15 513 207 | 259 198 | 162 450 | 111 165 477 | 61 769 258 | 100 371 407 | 446 470 607 | 58 970 028 | 51 998 550 | 15 632 262 | 13 053 944 |
| **NET ASSETS ATTRIBUTABLE TO UNITHOLDERS** | 870 327 015 | 1 100 310 360 | 826 438 039 | 971 974 640 | 5 112 224 147 | 2 748 422 689 | 26 204 699 157 | 22 113 643 113 | 2 769 441 412 | 2 861 198 517 | 1 255 045 143 | 1 059 654 314 |

## 1. Distribution schedules

| | Note | 2020 | 2019 |
|---|---|---|---|
| **ALLAN GRAY EQUITY FUND** | | | |
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 969.5960 | 600.9645 |
| Distribution paid - R | | 498 081 074 | 338 046 521 |
| Class C | | | |
| Cents per unit | | 997.3232 | 601.8291 |
| Distribution paid - R | | 386 737 814 | 254 077 112 |
| Class X | | | |
| Cents per unit | | 1 173.9725 | 603.4112 |
| Distribution paid - R | | 4 895 902 | 9 206 105 |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 291.3975 | 416.4739 |
| Distribution paid - R | | 143 367 661 | 221 849 810 |
| Class C | | | |
| Cents per unit | | 291.8169 | 457.4206 |
| Distribution paid - R | | 109 685 324 | 184 476 599 |
| Class X | | | |
| Cents per unit | | 292.5847 | 458.6244 |
| Distribution paid - R | | 4 866 631 | 4 774 426 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 1 147 634 406 | 1 012 430 573 |
| Expense/(income) on creation and cancellation of units | | 14 087 324 | 21 571 826 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 1 161 721 730 | 1 034 002 399 |
| **ALLAN GRAY-ORBIS GLOBAL EQUITY FEEDER FUND** | | | |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 0.6366 | 1.0550 |
| Distribution paid - R | | 1 692 499 | 2 904 827 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 1 692 499 | 2 904 827 |
| Expense/(income) on creation and cancellation of units | | (14 305) | 84 963 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 1 678 194 | 2 989 790 |

| | Note | 2020 | 2019 |
|---|---|---|---|
| **ALLAN GRAY BALANCED FUND** | | | |
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 266.4257 | 150.7560 |
| Distribution paid - R | | 1 525 289 175 | 922 256 081 |
| Class C | | | |
| Cents per unit | | 274.8600 | 159.4332 |
| Distribution paid - R | | 1 907 082 285 | 1 231 488 586 |
| Class X | | | |
| Cents per unit | | 294.4703 | 194.1625 |
| Distribution paid - R | | 161 338 849 | 94 163 882 |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 105.3969 | 129.8537 |
| Distribution paid - R | | 585 948 059 | 765 432 811 |
| Class C | | | |
| Cents per unit | | 114.3382 | 138.6848 |
| Distribution paid - R | | 757 800 989 | 1 017 205 314 |
| Class X | | | |
| Cents per unit | | 128.5324 | 165.2862 |
| Distribution paid - R | | 68 950 249 | 84 518 612 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 5 006 409 606 | 4 115 065 286 |
| Expense/(income) on creation and cancellation of units | | 95 682 131 | 56 295 127 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 5 102 091 737 | 4 171 360 413 |
| | | | |
| **ALLAN GRAY-ORBIS GLOBAL FUND OF FUNDS** | | | |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | - | 0.5148 |
| Distribution paid - R | | - | 1 650 277 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | - | 1 650 277 |
| Shortfall of income funded by net assets attributed to unitholders | 2 | (36 115) | - |
| Expense/(income) on creation and cancellation of units | | (16 145) | 70 330 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | (52 260) | 1 720 607 |

## 1. Distribution schedules continued

| | Note | 2020 | 2019 |
|---|---|---|---|
| **ALLAN GRAY STABLE FUND** | | | |
| **31 March** | | | |
| Class A | | | |
| Cents per unit | | 33.8100 | 34.5416 |
| Distribution paid - R | | 200 944 920 | 225 930 390 |
| Class C | | | |
| Cents per unit | | 35.1064 | 36.0806 |
| Distribution paid - R | | 244 174 329 | 268 981 190 |
| Class X | | | |
| Cents per unit | | 37.1197 | 39.9789 |
| Distribution paid - R | | 5 921 541 | 4 505 017 |
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 64.5158 | 41.2089 |
| Distribution paid - R | | 380 641 316 | 261 675 102 |
| Class C | | | |
| Cents per unit | | 66.0305 | 42.8409 |
| Distribution paid - R | | 451 547 052 | 326 947 070 |
| Class X | | | |
| Cents per unit | | 68.3040 | 47.4282 |
| Distribution paid - R | | 11 343 701 | 5 997 409 |
| **30 September** | | | |
| Class A | | | |
| Cents per unit | | 37.6982 | 38.8238 |
| Distribution paid - R | | 219 149 572 | 240 678 596 |
| Class C | | | |
| Cents per unit | | 39.2437 | 40.4746 |
| Distribution paid - R | | 259 055 966 | 300 833 838 |
| Class X | | | |
| Cents per unit | | 41.5642 | 43.0335 |
| Distribution paid - R | | 7 296 402 | 6 131 604 |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 29.1088 | 36.9971 |
| Distribution paid - R | | 164 442 791 | 225 704 001 |
| Class C | | | |
| Cents per unit | | 30.6841 | 38.6088 |
| Distribution paid - R | | 195 324 089 | 277 525 353 |

| | Note | 2020 | 2019 |
|---|---|---|---|
| Class X | | | |
| Cents per unit | | 33.7720 | 41.0286 |
| Distribution paid - R | | 6 844 777 | 6 405 771 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 2 146 686 456 | 2 151 315 341 |
| Expense/(income) on creation and cancellation of units | | 34 959 761 | 23 103 000 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 2 181 646 217 | 2 174 418 341 |

**ALLAN GRAY OPTIMAL FUND**

| | Note | 2020 | 2019 |
|---|---|---|---|
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 75.6238 | 42.2282 |
| Distribution paid - R | | 20 886 688 | 13 410 685 |
| Class C | | | |
| Cents per unit | | 77.6082 | 44.2714 |
| Distribution paid - R | | 12 052 657 | 8 381 421 |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 19.9481 | 30.2518 |
| Distribution paid - R | | 5 123 097 | 8 795 268 |
| Class C | | | |
| Cents per unit | | 21.8084 | 32.3456 |
| Distribution paid - R | | 3 186 302 | 5 499 782 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 41 248 744 | 36 087 156 |
| Expense/(income) on creation and cancellation of units | | 1 021 721 | 1 361 831 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 42 270 465 | 37 448 987 |

**ALLAN GRAY-ORBIS GLOBAL OPTIMAL FUND OF FUNDS**

| | Note | 2020 | 2019 |
|---|---|---|---|
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 0.4566 | 0.2005 |
| Distribution paid - R | | 199 698 | 105 470 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 199 698 | 105 470 |
| (Income)/expense on creation and cancellation of units | | (32 350) | (1 362) |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 167 348 | 104 108 |

## 1. Distribution schedules continued

| | Note | 2020 | 2019 |
|---|---|---|---|
| **ALLAN GRAY BOND FUND** | | | |
| **31 March** | | | |
| Class A | | | |
| Cents per unit | | 26.1980 | 22.9318 |
| Distribution paid - R | | 78 914 005 | 34 445 063 |
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 23.3855 | 23.9501 |
| Distribution paid - R | | 92 676 485 | 38 815 664 |
| Class X | | | |
| Cents per unit | | 24.8998 | - |
| Distribution paid - R | | 11 556 686 | - |
| **30 September** | | | |
| Class A | | | |
| Cents per unit | | 24.3176 | 25.3241 |
| Distribution paid - R | | 107 339 576 | 51 707 932 |
| Class X | | | |
| Cents per unit | | 25.2361 | - |
| Distribution paid - R | | 4 749 255 | - |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 23.6527 | 24.7456 |
| Distribution paid - R | | 107 324 598 | 60 198 378 |
| Class X | | | |
| Cents per unit | | 24.4798 | - |
| Distribution paid - R | | 2 490 302 | - |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 405 050 907 | 185 167 037 |
| (Income)/expense on creation and cancellation of units | | (21 062 695) | (11 590 097) |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 383 988 212 | 173 576 940 |
| **ALLAN GRAY SA EQUITY FUND** | | | |
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 1 464.1491 | 792.3301 |
| Distribution paid - R | | 13 675 808 | 5 839 687 |
| Class C | | | |
| Cents per unit | | 1 466.1172 | 793.3952 |
| Distribution paid - R | | 11 419 507 | 8 952 850 |

| | Note | 2020 | 2019 |
|---|---|---|---|
| Class X | | | |
| Cents per unit | | 1 466.5396 | 793.6239 |
| Distribution paid - R | | 83 776 403 | 50 074 281 |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 401.8824 | 640.5266 |
| Distribution paid - R | | 11 647 610 | 5 641 029 |
| Class C | | | |
| Cents per unit | | 402.4230 | 641.3882 |
| Distribution paid - R | | 3 109 256 | 6 803 529 |
| Class X | | | |
| Cents per unit | | 402.5387 | 641.5731 |
| Distribution paid - R | | 21 618 948 | 38 752 930 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 145 247 532 | 116 064 306 |
| (Income)/expense on creation and cancellation of units | | 1 147 590 | 99 |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 146 395 122 | 116 064 405 |

**ALLAN GRAY TAX-FREE BALANCED FUND**

| | | | |
|---|---|---|---|
| **30 June** | | | |
| Class A | | | |
| Cents per unit | | 26.2256 | 14.3843 |
| Distribution paid - R | | 23 629 629 | 10 826 608 |
| Class C | | | |
| Cents per unit | | 27.1417 | 15.3053 |
| Distribution paid - R | | 4 111 870 | 1 949 140 |
| **31 December** | | | |
| Class A | | | |
| Cents per unit | | 8.2124 | 12.0513 |
| Distribution paid - R | | 7 742 675 | 9 634 383 |
| Class C | | | |
| Cents per unit | | 9.1835 | 13.0078 |
| Distribution paid - R | | 1 442 180 | 1 786 260 |
| **TOTAL DISTRIBUTION FOR THE YEAR** | | 36 926 354 | 24 196 391 |
| (Income)/expense on creation and cancellation of units | | (407 768) | (902 690) |
| **OPERATING PROFIT/(LOSS) BEFORE INCOME ADJUSTMENTS** | | 36 518 586 | 23 293 701 |

### 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. This information can be found on the Allan Gray website.

## 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.

| | 2020<br>R | 2019<br>R |
|---|---|---|
| Allan Gray-Orbis Global Fund of Funds | 36 115 | - |

## 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 2020 to 31 December 2020 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 Portfolio in the year.

Yours faithfully

Nelia de Beer
Head Trustee Services
Rand Merchant Bank
A division of FirstRand Bank Limited

Ruan van Dyk
Quality Assurance Manager Trustee Services
Rand Merchant Bank
A division of FirstRand Bank Limited

Johannesburg
9 February 2021

# IMPORTANT NOTES FOR INVESTORS

## Information and content

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

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

## Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)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 Funds. 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.

# IMPORTANT NOTES FOR INVESTORS

## Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

## Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

## Total expense 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 one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Trading Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the fund and impact fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager, and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

## The Allan Gray Money Market Fund (the 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 applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens withdrawals may be ring-fenced and managed over a period of time.

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.

## IMPORTANT NOTES FOR INVESTORS

### FTSE/JSE All Bond Index

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

### FTSE Russell Indices

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2021. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

### J.P. Morgan Indices

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2021, J.P. Morgan Chase & Co. All rights reserved.

### MSCI Index

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

### 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.

# IMPORTANT NOTES FOR INVESTORS

## Yield

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

## 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

## Contact details

1 Silo Square V&A Waterfront Cape Town 8001
P O Box 51605 V&A Waterfront Cape Town 8002 South Africa

**Client Service Centre**

Tel 0860 000 654 / +27 (0)21 415 2301
Fax 0860 000 655 / +27 (0)21 415 2492
Email info@allangray.co.za
www.allangray.co.za

**Adviser Service Centre**

Tel 0860 000 653 / +27 (0)21 415 2690
Fax 0860 000 655 / +27 (0)21 415 2492
Email ifa@allangray.co.za
www.allangray.co.za

## Directors

**Executive directors**

| | |
|---|---|
| T G Lamb | BBusSc (Hons) CA (SA) CFA |
| E C van Zyl | BSc (Eng) MBA MFin |

**Non-executive directors**

| | |
|---|---|
| V A Christian | BCom CA (SA) (Independent) |
| R J Formby | BSc (Eng) MBA |
| E D Loxton | BCom (Hons) MBA (Chairman) |
| B T Madikizela | MCom (Int Acc) CA (SA) (Independent) |
| J W T Mort | BA LLB (Independent) |

## Company Secretary

C E Solomon BBusSc (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)