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Quarterly Commentary
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ALLAN GRAY

Do you enjoy pain? How about the platinum industry?

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COMMENTS FROM THE CHIEF OPERATING OFFICER

Rob Formby

...focus on your long-term goals and remember that volatility tends to smooth out over time.

This is my first issue of Quarterly Commentary in my new role as chief operating officer. I am excited and privileged to help lead Allan Gray forward, continuing to develop a healthy business that produces positive client outcomes and remains true to our core values.

Allan Gray has a long-term mindset. Much of what is valuable and effective is already firmly in place and the direction has been clearly considered. I believe in continuity and consistency, so I plan to build on the foundation of what we have been doing, as opposed to switching direction, and I will certainly resist change for the sake of change. I also believe that Allan Gray has been successful by focusing on doing a few things really well, and I will continue with this focus and drive for excellence.

In the business world, progress is almost always expected, and you constantly need to challenge yourself and look at how you can improve. Good client service today is expected service tomorrow, and good technology today is obsolete technology tomorrow. So while I am not planning on large directional shifts, I will focus on how we improve and evolve. This takes introspection, flexibility and the willingness to adapt. I look forward to this and the positive impact I hope this will have on both client and business outcomes.

The investment environment

I take over during interesting times, locally and internationally. So far, 2018 has reminded us all that when investing, we need to fasten our seatbelts and endure a bumpy ride.

Global investors have been spooked by a combination of developments, including a slowdown in global economic activity, the threat of trade wars and uncertainty about the consequences of further rate hikes in the United States. The risk that these could tip the world into recession is a big concern. In his piece this quarter, Sandy McGregor takes the economic temperature of the world, so to speak, as he looks back to see how we got to where we are. Meanwhile, bearing this macroeconomic context in mind, Alec Cutler from our offshore partner, Orbis, discusses how Orbis is investing in the current climate and where they are finding opportunities.

Back on home shores, the reality of the challenges facing the country is dampening "Ramaphoria", with local bonds and South Africa-focused equities (such as banks, insurers, retailers and industrial companies) falling. This again shows us how susceptible markets are to changes in sentiment. We remind you not to react to these short-term movements by disinvesting; rather focus on your long-term goals and remember that volatility tends to smooth out over time. On the investment side, we see these dips as a buying opportunity as we focus relentlessly on the long-term prospects of each company in which we invest.

It takes discipline not to react to the euphoria and despair of the market and to rather focus on company fundamentals when making investment decisions. But this approach requires conviction and temerity, as Andrew Lapping illustrates in his piece on the platinum sector.

Are you saving tax-free?

Changing gears from the investment environment to your personal investments takes me back to a conversation I was having with a friend the other day. She was asking about long-term investment options, but wasn't keen on the restriction of traditional retirement savings products. While there are plenty of options, I think the best starting point is a tax-free investment account. For anyone with a long time horizon, this is an ideal product as you pay no tax on the interest or capital gains – a considerable saving over time.

Tax-free products (available in various formats through your bank or investment manager) have been lapped up by the market: According to a survey conducted about a year ago by Intellidex, a financial research and media firm, there was a substantial increase in the number of accounts opened in the 2016/17 tax year compared to the previous year, with the number going up from just over 260 000 during the 2015/16 period to 460 609 accounts.

To learn more about the benefits and restrictions of this product, read Mthobisi Mthimkhulu's Investing Tutorial.

Time and your investments

Time is an essential ingredient in successful investing – it gives your money time to grow thanks to the benefits of compound interest. Most of you will be keenly aware of the emphasis we place on time, and how this reflects in our advertising. Zwelethu Nkosi's article explains the rationale behind our style of storytelling, how we approach advertising, and how this ties back to your investments.

There are also many real-life success stories to share from the Allan Gray Orbis Foundation, which over the past 13 years has nurtured and supported 43 high-impact entrepreneurs who have, in turn, created 679 jobs and added a combined R1.5bn to the economy. I encourage you to read Yogavelli Nambiar's Foundation update to learn more about these successes.

Paying tribute

Rob Dower's last day of service as chief operating officer was in early June, but he will remain involved in Allan Gray both as a board member and within the business. On his watch, the business has grown and strengthened and, most importantly, we have been able to deliver strong returns and client service to you. Rob's unique brand of leadership, clear thinking and humility have left a strong impression on our culture and business. I would like to thank him for his immense contribution and the fantastic example that he has set for me to emulate.

I'd also like to pay tribute to Simon Raubenheimer, who joined Allan Gray in February 2002 and has been managing a portion of client equity and balanced portfolios since July 2008, when he was appointed as a portfolio manager. Simon has decided to leave Allan Gray to pursue personal interests. I would like to thank him sincerely for his outstanding contribution to the success of our clients and our company and wish him all the best for his new chapter.

An important strength of our investment process is that it provides for multiple portfolio managers to each manage a slice of our clients' portfolios for which they are individually accountable. Not only does this allow for a diversity of views to be expressed, it also facilitates succession. When a portfolio manager moves on, their 'slice' is re-allocated among the remaining portfolio managers. Re-allocations have occurred at regular intervals throughout our history and our portfolio manager system is well-suited to adapt to these changes.

Kind regards

Rob Formby

APPROACHING A TIPPING POINT?

Sandy McGregor

President Cyril Ramaphosa has correctly identified foreign investment as a key component of any programme to getting the economy going again.

After a strong start to the year, global investors have been spooked by a diverse combination of developments, including a slowdown in global economic activity, the threat of trade wars and uncertainty about the consequences of further rate hikes in the United States. The risk that these could tip the world into recession is of serious concern to emerging markets such as South Africa. Sandy McGregor makes sense of it all.

The first quarter of this year was characterised by a loss of momentum in economic growth almost everywhere. It is uncanny the extent to which regionally distinct economies acted seemingly in concert. The trend was more pronounced in some countries than in others, and there were few exceptions, notably India. However, comparing growth in the first quarter with the previous 12 months, the United States slowed from 2.8% to 2.2%, the euro area from 2.5% to 1.5%, Japan from 1.1% to -0.6% and China from 6.8% to 5.7%. After surging in the last quarter of 2017, South Africa's economy contracted at an annualised 2.2%.

Subsequently growth in South Africa has accelerated again and predictions for the full year are more optimistic than the gloomy outcome of the first quarter. The US expansion also seems to be back on track. Such slowdowns are typical of any growth cycle and should not in themselves be a major reason for concern. However, this latest episode has served to remind investors that sooner or later all expansionary phases come to an end. Such concerns have been reinforced by other developments, which may disrupt the international economic order, seriously damaging business conditions.

The global trade framework

The century-long global expansion, which ended with the outbreak of World War I in 1914, was in part a triumph of free trade. Efforts to recreate the old order in the 1920s failed, and rising tariff barriers were among the most important causes of the Great Depression that followed. World trade contracted massively, and with the outbreak of World War II, almost ground to a halt. Serious efforts to re-establish a more rational and orderly trade system resumed in the 1960s. The outcome has been a triumph of international cooperation, especially after China joined the World Trade Organization in the early years of the last decade.

Increasing integration of the global economy has created general prosperity and an environment in which billions of people in emerging markets have escaped from poverty. While the process followed in constructing the framework of agreements which control global trade is cumbersome, and some countries have benefited more than others, a highly integrated global supply chain has been created. Multinational companies have dispersed manufacturing all over the world to optimally manage costs. As economic growth is largely a matter of making things cheaper, the outcome has been a widespread improvement in the standard of living conditions.

The advent of President Trump

US President Donald Trump now threatens this system. Whereas changes previously happened at a pace that allowed businesses to evolve without massive disruption, Trump wants big changes to take place immediately. To this end, he has bypassed established multilateral institutions in favour of bilateral negotiations, which seek to promote American interests alone. His negotiating tactic is premised on the proposition that it is unacceptable that some nations have significant trade surpluses with the US. These countries have been confronted with demands that they remedy the situation, and failing immediate compliance, their exports to the US are to be selectively subjected to additional tariffs of between 15% and 25%. Among the specific targets of his anger are Mexico and Canada, the US's biggest trading partners and fellow members of the North American Free Trade Agreement (NAFTA). Trump wishes to rewrite NAFTA agreements, which he claims disadvantage the US.

Other targets are Europe and China. In the most recent 12-month period, Chinese exports to the US were worth US$446bn, while US sales to China were only US$133bn. The US current account deficit is US$466bn – equivalent to 2.6% of GDP, of which the Chinese trade deficit accounts for US$313bn. However, China's aggregate current account surplus with all nations for the same period was US$121bn, or 1.1% of its GDP. With the rest of the world, it is in deficit. Of the major economic blocs, China's trade with the rest of the world is closest to being in balance.

The euro area is running a current account surplus of US$486bn, but much of this is due to exports to Asia and other developing countries. There is a circular flow: The Chinese pay for imports from Europe through exports to the US. Global trade is truly integrated, which means disruptions at one point will have repercussions elsewhere.

The response of America's trading partners

The initial response of the Chinese and Europeans to Trump's demands has been to try to negotiate. However, they are finding that his unwillingness to compromise and talk rationally makes it hard to resolve issues. It is difficult to dismantle a global trade structure assembled over decades. Non-American manufacturing capacity established to supply the US market would be forced to close. The disruption will be compounded by the fact that the US lacks the capacity to rapidly redirect its domestic manufacturers to replace current imports.

Accordingly, America's trading partners are left with only one response: Match US punitive tariffs with equivalent measures of their own in the hope that this will promote a more favourable negotiated settlement. General indignation has created an environment in which tit-for-tat retaliation could easily get out of control, with far-reaching adverse consequences. In surveys of US chief executives, 95% say that their biggest concern is the potential damage arising from trade wars. The equity markets are also reflecting these worries.

> … globalisation is probably too powerful a phenomenon to be derailed permanently by any one nation, even the United States …

The inflation risk

The US has chosen a bad time to embark on a trade war. Its economy is operating at full capacity and wages are increasing significantly. It will find it difficult to rapidly replace imports with domestically produced goods. The likely outcome is that import volumes will remain largely unchanged, but will be priced upwards to compensate for higher tariffs.

The cost of the trade war will be borne by the US consumer. This is already being seen in aluminium and steel, which were the first targets of the Trump administration's new tariffs. The US produces only 14% of its aluminium requirements domestically. Smelters in the Pacific Northwest have closed because it is more profitable to sell hydroelectricity, on which they were based, into the national grid. Almost half of the US's aluminium requirements are supplied by Canada, which has abundant hydropower. There is no way that existing domestic smelters can close this gap. The premium at which aluminium trades in the US relative to the rest of the world has increased by about US$100. This cost flows through to the final buyers of a large number of products. The situation for steel is identical. As more and more tariffs are imposed, there will be a widespread rise in prices.

The monetary policy response

The US Federal Reserve's Monetary Policy Committee is already concerned about the inflationary impact of an economy operating at full capacity. It is widely accepted that short-term interest rates of 2% are too low and will have to rise to about 3% over the next year. However, this projection is predicated on the assumption that inflation will be fairly well behaved. Anything such as a trade war, which sets off a major inflationary spiral, could put the Fed in an unenviable position. It will either have to put up rates much more than it plans, which could have seriously adverse consequences for housing and the bond market, or leave them too low, which will stoke the inflationary fires. This disruption could trigger a US recession that would spill over to the rest of the world.

Anxiety about these risks inevitably has an impact on the market prices of equities and bonds. The Trump administration dismisses such worries, but it is worth considering that the last time the unemployment rate was at its current level of 3.8% was in 1969, when the failure of the Fed to increase interest rates appropriately in an economy operating at or beyond full capacity set off an inflationary spiral, which lasted for a decade and was only brought to an end by the severe recession between 1980 and 1982. The forces of globalisation played a critical role in bringing inflation under control. The retreat of globalisation sought by President Trump could have the opposite effect.

South Africa in an uncertain world

South Africa is a bystander which cannot influence these events, but for whom their outcome is profoundly important. Our major industrial export success, motor vehicles, is dependent on the continuation of the existing framework of global trade agreements. More immediately, concerns about trade and interest rates have caused significant selling by global investors of emerging market bonds and equities. This largely accounts for the current weakness of the rand. A further rise in US interest rates will reinforce these pressures. However, globalisation is probably too powerful a phenomenon to be derailed permanently by any one nation, even the United States, which, after all, only constitutes 22% of the global economy.

President Cyril Ramaphosa has correctly identified foreign investment as a key component of any programme to getting the economy going again. An internationally focused business sector, promoting activities such as trade with Africa, agriculture and tourism, offers the most hopeful immediate opportunities.

The failure of our economy to gain any traction from the considerable improvement in business confidence following the outcome of the December 2017 ANC conference is concerning and speaks to the severity of the challenges the country faces. In particular, the outcome of the current debate within the ANC on land reform will be a critically important determinant of whether, in an increasingly uncertain world, there will be sufficient confidence to make the investments required to put South Africa on a sustainable growth path.

Sandy joined Allan Gray as an investment analyst and economist in October 1991. Previously he was employed by Gold Fields of South Africa Limited in a variety of management positions for 22 years, where he focused on investment-related activities. He has extensive experience in analysing the political and economic environment and managing fixed interest investments. He was a director of Allan Gray Limited from 1997 to 2006.

DO YOU ENJOY PAIN? HOW ABOUT THE PLATINUM INDUSTRY?

Andrew Lapping

Just five companies control, directly or indirectly, about 95% of the world's primary platinum production.

Over the past two years we have invested in certain platinum mining companies. These investments have performed extremely poorly. Andrew Lapping looks back at the investment case in an attempt to understand where we went wrong and considers how market sentiment towards the sector has changed over the past 20 years.

Finding an economically viable platinum deposit is quite difficult. There are two in Russia, two in North America, the Great Dyke in Zimbabwe and the three limbs of the Bushveld Igneous Complex. Just five companies control, directly or indirectly, about 95% of the world's primary platinum production. One would think owning a large portion of any of these deposits would allow for unusually high returns on capital.

Chickens, on the other hand, are not particularly rare and can be farmed almost anywhere. That said, temperate countries with low-cost maize supply are better suited to low-cost chicken production. South Africa is a decent place to grow chickens – but not the best.

On 11 May 2018, the market capitalisations of Impala Platinum, the second largest platinum producer in the world with revenues of R36bn, and Astral Foods, a chicken farmer with revenues of R13bn, were both R13.5bn. Ten years prior, on 24 May 2008, Impala's market capitalisation was R225bn, while Astral's was a more modest R3.8bn.

Since May 2008, Impala has invested capital of R48bn compared to Astral's capital expenditure of R2.1bn. It would seem investing in chicken production is a better bet than platinum mining.

Impala is not the only platinum mining share to disappoint investors – the sector has suffered. Northam Platinum outperformed by only halving from its 2008 peak, followed by Anglo Platinum with a 75% fall.

Conventional wisdom contends that an industry, or at least the dominant players in an industry, should make a certain minimum return on capital. If returns fall below this minimum, investment will cease, supply will fall and prices rise. This scenario has not played out in South Africa despite the sector generating extremely low or negative returns for a decade.

What went wrong?

One could rush to blame unsustainably low metal prices for the sector's underperformance, yet the platinum group metal prices are not particularly low. Prices were unsustainably high in 2008, but after collapsing during the financial crisis, prices have trended steadily upwards, particularly when measured in rand.

Adjusting for US inflation, platinum is a little below its 25-year average (US$906 compared to US$1 125), while palladium is well above (US$970 compared to US$485 average). Rand metal prices, when adjusted for inflation, are in line with the 20-year average and well above the long-term average. So the industry's problem is definitely not exceptionally low metal prices.

If the metal price is not the problem, maybe the cost of production is the issue. Consider **Graph 1**: In the year to June 2008, the Impala lease area[1] produced 1.6 million 4E[2] ounces at an on mine cost of R3 629 per ounce for a total cash expenditure of R6bn. In the year to June 2017, the lease area produced 1.08 million 4E ounces at a unit cost of R13 558 for a total on mine expenditure of R14.6bn. The 16% annual unit cost increase at the Impala lease area compares to the annual consumer price increase of 6% over the same period. Any business where production costs increase at a compound annual growth rate (CAGR) of inflation plus 10% per year will find itself in a very difficult situation. What went so wrong?

The root cause is a collapse in productivity (see **Table 1** for the analysis). The lease area mined 36% fewer tonnes, but the people required to mine these tonnes only fell 6%. Despite the production per person falling 4% per year, their real wages increased by 5% per year. Total utility costs increased 21% per year – a shocking number, which is made worse by the fact that the mine produced 35% less metal nine years later.

To be sure, I did not cherry-pick 2008 because it was a low base; in 2008 we thought costs were very high after the 2005-2008 boom: Unit costs increased by 14% per year (8% real) from 2000 to 2008.

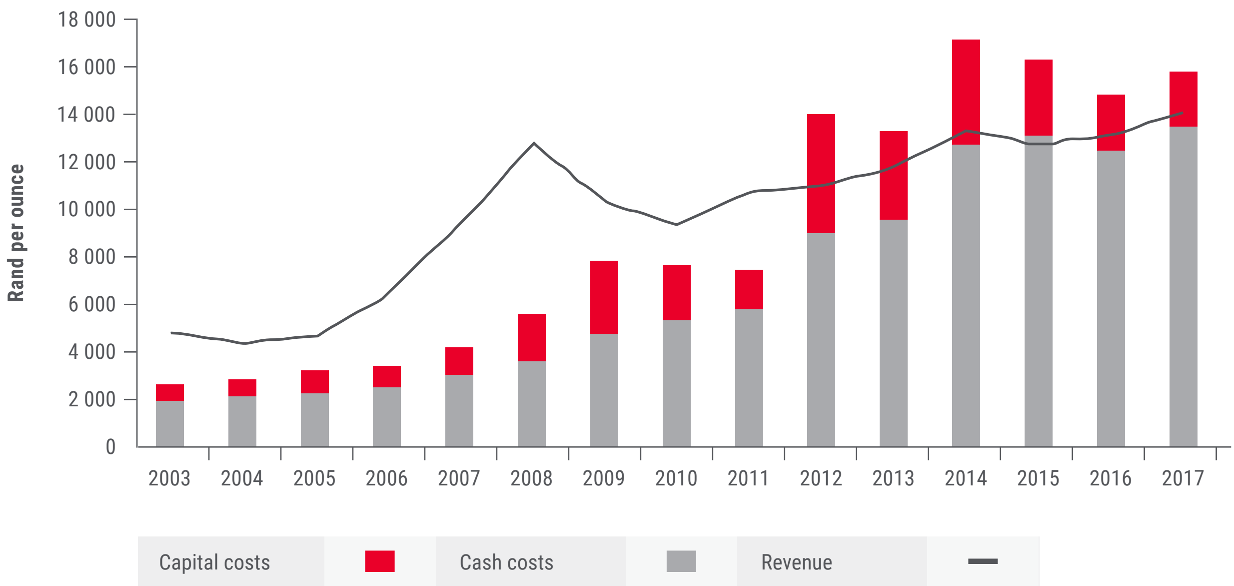
Underground industry falling apart

The Impala lease area is indicative of South African underground platinum mining. The few platinum mines that have controlled costs have gone from mediocre to exceptional as the industry has fallen apart around them.

In 2003, the open-pit Mogalakwena mine was an average asset: The unit costs were similar to those of the industry and the mine accounted for 13% of Anglo Platinum's cash flow. Fifteen years later, only one Anglo Platinum asset matters: Mogalakwena. It accounts for 90% of the group's on mine free cash flow and value. How did it happen?

[1] The Implats operations in the Rustenburg area.
[2] The four elements that account for the majority of the revenue: platinum, palladium, rhodium and gold.

Graph 1: Impala on mine costs and revenue



Mogalakwena's unit cash costs rose from R2 070/oz in 2003 to R4 500/oz in 2017, an annual growth rate of 5.7%. In 2003, Impala's costs of R2 030/oz were below Mogalakwena's, but after compounding at 15% for 14 years, Impala's production costs are now R13 530, somewhat higher than those of Mogalakwena, as shown in **Graph 2** on page 10.

Given the track record, why would anyone invest in underground platinum mining? There are four possible reasons:

1. The rand could weaken a lot (which would boost margins temporarily).
2. Dollar metal prices could go up a lot.
3. The companies could somehow get productivity under control.
4. Valuations are so low that it only takes a little of one of the above.

I won't discuss the rand, but I will briefly consider points 2 to 4.

Forecasting metal prices is a mug's game but there are some guidelines

When the industry is making high returns on capital and investing in new capacity, prices are usually above normal. Conversely, when the industry is in dire straits and losing money, prices are often unsustainably low. Whether the price is a long way above or below the long-term real US dollar price is also a good guide.

People are very poor at making discreet predictions based on a set of assumptions as the interrelated factors are too complex. That said, it would be unwise to close your eyes to potential risks. Risks to the upside and downside include a growing middle class in developing nations who want to own cars, the growth of electric vehicles that don't need catalysts, diesel cars which are very heavily loaded with platinum becoming pariahs, tightening emission standards in emerging nations, and the very high recycling rate of autocatalysts in developed nations.

Table 1: Impala: Collapse in productivity

		2008	2017	Cumulative change	Per annum
Lease area costs[1]					
Wages	Rbn	3 146	8 400	167%	12%
Materials	Rbn	2 462	4 149	69%	6%
Utilities	Rbn	373	2 050	450%	21%
Total cost of sales	**Rbn**	**5 981**	**14 599**	**144%**	**10%**
Lease area employees		44 921	42 253	-6%	-1%
Lease area tonnes milled	K tonnes	15 855	10 121	-36%	-5%
Tonnes milled per employee	Tonnes	353	240	-32%	-4%
Wage per employee	Rand	70 037	198 802	184%	12%
4E production	Oz '000	1 648	1 079	-35%	-5%
Unit cost of production	Rand/oz	3 629	13 530	273%	16%
Consumer price index		60	100	67%	6%
Real unit cost change					**10%**

Contributors to annual real unit cost change	Percentage
Fewer ounces produced per employee	4%
Effect of wage increases	3%
Effect of utility cost changes	2%
Effect of material cost changes	2%
Total[2]	**10%**

[1] Assumptions were made; cost breakdown and the constituents are only disclosed at group level. The lease area accounts for 68% of group costs.
[2] There is a slight discrepancy in the total due to rounding.

An often-cited argument is that if the South African industry makes no money, supply will leave the industry and prices will rise. Unfortunately, the barriers to exit are high and people are unwilling to abandon hope, so supply leaves the industry very slowly despite years of subpar returns. South African production has undershot historic forecasts, but the level to which high prices can save you is limited. High prices destroy demand as consumers search ever harder for alternatives and use less of your product.

On productivity: There have been occasions where mining operations have improved, and there is a point where productivity is so low that it should stop deteriorating. However, given the 15-year track record you are betting against the odds.

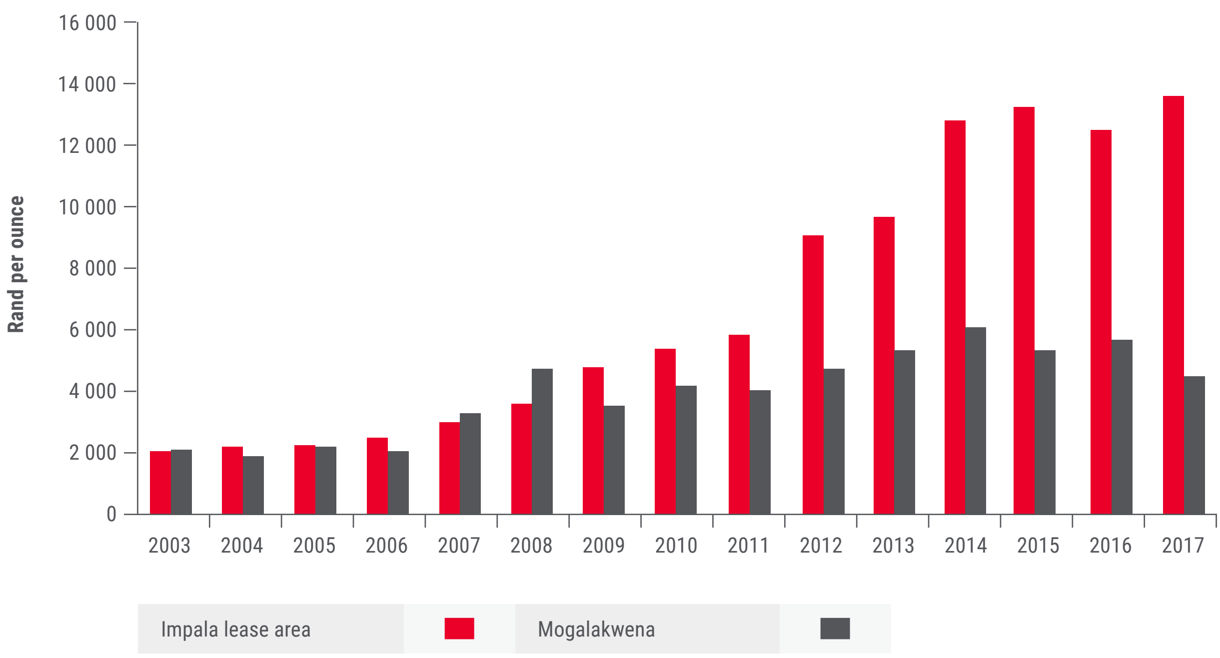
So why do we have a position in Impala Platinum given the track record?

When we originally invested we expected the enormous capital investment to bear fruit and the productivity deterioration of the lease area to slow. This was too optimistic. In addition, given the deterioration in the competitiveness of industrial South Africa (witness electricity prices up 22% per year, ever-greater regulatory burdens and substantial real-wage increases), we placed a greater probability on rand weakness. We also thought supply would be quicker to exit the industry.

Over the past two years, the share has halved. At R19.50 the market is now ascribing a negative value to the Impala lease area (despite R35bn of investment over 10 years). Fortunately the lease area is not the only asset. The company owns shares in three low-cost, mechanised mines that are comfortably profitable, and it also has a refining business.

Given the depressed valuation, strong rand, poor operational performance and negative sentiment towards the platinum sector, things only have to become "less bad" for the share to be a substantial outperformer. But there are clearly risks, not least of which is that the lease area is worth a large negative number, thus the modest position of 0.5% of Fund.

Graph 2: Cash on mine costs and unit costs



Andrew joined Allan Gray in February 2001 as a fixed interest trader and moved to the research team as an equity analyst in February 2003. He was appointed fixed interest portfolio manager in June 2006, began managing a portion of client equity and balanced portfolios in February 2008, was appointed deputy chief investment officer in May 2015 and chief investment officer in March 2016. Andrew completed his BSc (Eng) and BCom at UCT and is a chartered financial analyst.

ORBIS: HOW TO BALANCE RISK AND RETURN IN THE CURRENT ENVIRONMENT

Alec Cutler

...we are managing risk by doing what we always do: hunting for attractively priced individual securities.

As we look at opportunities around the world, one thing seems clear – it is no time to be a hero. According to Alec Cutler, from our offshore partner, Orbis, overall markets appear plenty risky but insufficiently fearful.

Fear and risk in the market tend to move in cycles. As exciting as investing is, things aren't as exciting when fear and risk are aligned. These environments tend to offer decent opportunity sets to active investors, but not extraordinary ones. The best opportunities arise when investors are afraid, but there's far less than usual to be afraid of – times like November 1987, or years 2003 and 2009. Such periods offer target-rich environments for analysts, but require investors to swallow a lot of fear and recent bad experience in order to pull the trigger.

Now is not one of those times. As we look around the world, we see plenty of risks. Stock and bond markets remain expensive by absolute and historical standards. The US government has pulled every available lever to prod the economy and keep asset prices high, and central banks are (or are thinking about) pulling back from their unprecedented money printing experiment. They are trying to keep the global economy in a "Goldilocks" balance of good growth and low inflation – but that balance seems to be on a razor's edge. Too much accommodation risks runaway inflation, and removing accommodation too quickly risks causing a recession. And there is also a fourth possibility that many investors are too young to remember: stagflation, or poor growth and high inflation.

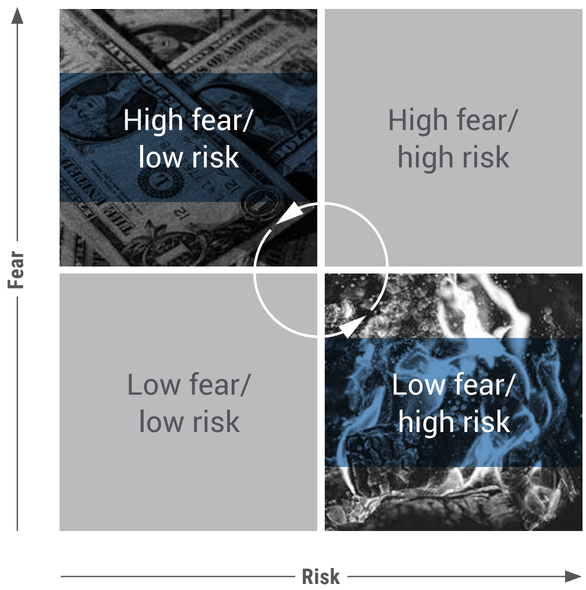
In addition to these economic risks, conflict continues to simmer in the Middle East, a trade war looms between the US and most everyone else, inequality is spurring inflationary, globalisation-killing populism and nationalism, and technology is changing society in ways we don't fully understand. Risks appear high.

Yet by most measures, investors are optimistic. As one indicator, consider the Volatility Index (VIX) – the "fear gauge" of implied volatility in the US stock market. Amid the unusual stability of 2017, the index was often below 10, which is unprecedented. When markets dived in February, it briefly spiked above 40. To us, that looked like a healthy shift!

But it fell back to 12 in early June, against a long-term average of 20. Meanwhile, retail investors' margin levels are high, and the cash levels of institutional investors are low. Investors remain sanguine, and high risk and low fear make a dangerous cocktail.

Graph 1: The fear and risk cycle

Illustrative only



Scenario analysis

While we do not make big macro forecasts, we cannot stick our heads in the sand either, so we look at multiple scenarios and assess how the portfolio might behave in each of them. Rather than betting heavily on any one scenario, in assessing risk in the portfolio we aim to ensure that our positioning isn't disastrous in any of the scenarios that appear most plausible. We are not economists – nor do we want to be or think that would be beneficial.

To minimise bias, our risk team models the portfolio's performance under a range of assumptions so that we can understand how the portfolio might behave in the scenarios we are most concerned about. Most of our market risk scenarios come from a couple of pretty simple observations: 1) What are valuations telling us, and 2) what is everyone else worried about? We'll tend to worry more about things that others are not worried about.

This approach tends to work over time because fear and valuations are linked. If everyone is worried about the same risk, that fear is likely priced into markets, making the feared outcome both less likely and less rewarding to guard against. In February 2016, for example, investors' top fears were deflation and full-blown global recession, so we weren't surprised to find plenty of undervalued securities among inflation and economic growth beneficiaries. In the February just past, the top fears were inflation and a bond crash. What a difference a couple of years makes. Investors now seem to expect continued growth. That makes us nervous, and inclined to worry more that recession may be closer than believed.

The old playbook

There is a classic playbook for environments like this: Shift out of cyclical shares like industrials and banks, and into defensives such as consumer staples. This time, however, defensives aren't attractively valued.

While many investors view consumer staples as extra safe stocks, we think they are more like extra risky bonds at their current valuations. Earnings and revenue growth for the likes of Nestlé, Coca-Cola or Procter & Gamble have been next to nothing over the past 10 years, and today, these shares offer dividend yields of a few percent. No growth (despite a decent economic backdrop) and a few percent yield sounds a lot like a low-yielding bond.

...high risk and low fear make a dangerous cocktail.

Short-term US Treasury notes provide an attractive alternative. They offer 2.3% yields, with essentially no interest rate or stock-related risk. In our view, these beat out the most attractive consumer staples in the equity market. As some of our favourite cyclical shares have performed well and returned to fair value, we have rotated some of the capital in the Orbis Global Balanced Fund out of those stocks and into short-term US Treasuries.

While attractive equity opportunities are harder to find when fear is low and risk is high, there are about 8 000 investable stocks globally, and our research team continues to find attractive opportunities. Two types of shares provide particularly good illustrations of what we're finding in the current environment: beta-arbitrage opportunities, and our wide footprint of idiosyncratic holdings.

Beta arbitrage

Benjamin Graham and David Dodd are the godfathers of value investing. Their basic advice: Buy shares in great businesses when they are temporarily thought not to be so.

...our research team continues to find attractive opportunities.

In the Orbis Global Balanced Fund, we have found a moderate risk corollary: Buy shares in safe businesses when they are temporarily thought not to be so. At the Fund's inception, we bought telecommunications shares when the market seemed to forget about their stability. Over time, they were once again seen as defensive, and the shares appreciated. We have also bought selected consumer staples with much the same thesis. As those rerated, helped by central banks suppressing bond yields, we rotated capital into integrated oil companies and then added selected pharmaceuticals.

A stock's beta measures its market sensitivity. Simplistically, a stock with a beta of 1.2 is expected to move 1.2% for every 1% move up or down in the market. But the calculation period matters. When a sector is out of favour, its beta may increase, making it look more risky. When that happens, we find it valuable to consider how the near-term number stacks up against the company's long-term average.

For our selected beta-arbitrage shares, as shown in **Table 1**, we believe temporarily high betas have tricked investors into thinking the companies have permanently lost their high-quality, stable fundamentals. If we are correct, the market will rediscover the stability of these companies and reward them by returning them to higher valuation levels. That doesn't happen in a predictable way, as we've seen during periods of underperformance of our integrated energy names over the past few years. But as we wait for the market's reappraisal, the low valuations and high dividend yields of our beta-arbitrage names should make them resilient in the face of a market decline.

Table 1: A sample of beta-arbitrage shares

Integrated energy	Short-term beta (1-yr)	Long-term beta (20-yr)	Pharma	Short-term beta (3-yr)	Long-term beta (20-yr)
BP	1.5	0.8	AbbVie*	1.0	0.6*
Royal Dutch Shell	1.6	0.8	Bristol-Myers Squibb	0.9	0.7
Woodside Petroleum	1.9	0.7	Celgene	1.0	0.9

Source: Datastream, Bloomberg, Orbis. Beta vs MSCI World Index, calculated using weekly returns.
*AbbVie was spun off from Abbott Laboratories in 2013. Returns for Abbott are used prior to that date.

Idiosyncratic opportunities

Investing in attractive opportunities that have very little to do with the economic cycle is another way to deal with the risk of the economic cycle rolling over. **Table 2** gives a sample of these names.

Drax is a UK biomass and coal-fired power producer. The UK is trying to cut out coal in favour of wind and solar, but the resulting stretched capacity has led to winter outages in some regions. The country needs reliable power, and Drax can provide it efficiently. It has transitioned most of its units from coal to wood pellets, a renewable source of energy, and is seeking to switch other units from coal to a highly efficient type of gas generator. Both are excellent sources of baseload electricity, but get little positive attention from politicians and regulators, currently enamoured by less reliable solar and wind power schemes.

Drax has highly visible cash flows through 2027 that more than cover the company's entire stock market value and net debt, and we think Drax will continue to have a valuable role to play after that date. And importantly, the company's success or failure has almost nothing to do with overall market valuations, or the economic cycle. It is idiosyncratic.

The same is true of other shares such as Nexon, which is due to launch a mobile version of its blockbuster game Dungeon & Fighter, and Navient, which is being sued for how it went about administering student loan payments on the US government's behalf. Each of these companies has risks, but uncorrelated risks that we believe are more than accounted for in their valuation levels, and by combining them, we can hopefully accrue the long-term gains that come from buying on the cheap while diversifying down the overall risk.

Staying the course

In short, we are managing risk by doing what we always do: Hunting for attractively priced individual securities. It's not an easy environment, but by focusing on bottom-up opportunities, we believe we can provide an attractive balance of risk and return – without being a hero.

Table 2: A sample of idiosyncratic shares

Stock	Description	Fundamental driver
Drax	Power producer	Regulatory reform
Navient	Student loan collector	Lawsuits
Nexon	Online game developer	Game release
Nokian Tyres	Winter tyre maker	New plant
PG&E	Gas and power utility	Legislative action
Start Today	Fashion e-commerce	Product development

Source: Orbis. Shares held in Orbis SICAV Global Balanced at 30 June 2018.

Orbis
Invest Differently

Alec joined Orbis in 2004 and is a director of Orbis Holdings Limited. Based in Bermuda, he is responsible for the Orbis Global Balanced Strategy. He has 10 years' previous experience in asset management. Alec has a BSc (Hons) in Naval Architecture (US Naval Academy) and an MBA (Wharton), and is a CFA charterholder.

TRUE REWARDS TAKE TIME

Zwelethu Nkosi

… we are taught how a single considered act repeated consistently over a long period of time can reap rewards.

Allan Gray's advertising strategy has always been built around the characteristics of the firm and continues to tap into human truths that connect with our audience at an emotional level. Zwelethu Nkosi explains the message of our latest campaign and the relevance to you when it comes to your investments.

When we embarked on our advertising journey 16 years ago, it was our desire to make our investment management services available to a wider and more diversified client base. Our approach was to illustrate who we are, what we believe, and our investment philosophy. Fast-forward to 2018, and our rationale and approach to advertising remain the same.

Our challenge is to keep telling stories and delivering messages about our approach to investing in a novel way that captures the imagination of our audience. We believe that stories influence behaviour and can encourage our clients and potential clients to embrace the values that are important for the brand. The extent to which these values are embraced reflects the success of our advertising efforts.

The campaign insight

Any good advertising campaign is founded on a deep, meaningful and timely insight. The insight for our new corporate campaign is that we live in a world of instant gratification. As a long-term investment manager, it is important to remind our audience of the benefits of delayed gratification by subtly tying them in with the benefits of long-term investing.

Borrowing from the old cliché "anything worth doing takes time" to counter a short-term outlook and the quest for instant gratification, the campaign endeavours to make our audience realise the value and the rewards of waiting. The campaign slogan, "True rewards take time", remains true to our brand positioning, "Long-term investing", by delivering messages that tell a great story about Time.

Our advertising mix

To ensure a rich platform from which to communicate our new advertising message, we have launched an integrated campaign that runs across television, newspapers, magazines, airport billboards, radio and cinema.

Each medium plays a different role in delivering the same message using stories, visuals and thought-provoking statements that illustrate the commitment and perseverance required in the investing process. We continue to use television to convey the emotional component of the brand, while airport billboards, newspapers and magazines (mostly financial press) play a supportive role and communicate more rational messages. The radio ads allow us to add an element of wit, charm and humour in how we convey our brand message.

The television commercial

Our new television advert, "Father's share", is a gently humorous and heart-warming story about a father who teaches his children the discipline of long-term investing. Set in South Africa and spanning five decades, the story gives us a glimpse of South African life rarely seen on our television screens. Rich and heartfelt performances by the cast, language, carefully considered period pieces in wardrobe, furniture, props and classic black-and-white footage bring the story to life and transport us to a part of our history whose indelible footprints linger to this day.

The story explores the relationship between parents and their children, one that we can all relate to. Told from the son's perspective, it is a tale of a seemingly punitive father who takes a portion of his children's earnings from the time they are young to adulthood. From a young age, the father teaches them the concept of putting aside a portion of one's earnings. Much to his children's dismay, the father is undeterred by their silent protest and continues to solicit a portion of their earnings long after they have left home.

As the father takes his share, we are introduced to the harsh reality of having to do with less than what you have earned for a hard day's work. In so doing, the story does not romanticise or shy away from the hardship of long-term investing and the discipline required. As the story unravels, the viewer is provided a clue in the form of a ledger, as we see the father diligently making notes every time money exchanges hands.

In a dramatic twist in the final scene, the purpose of the ledger is made evident and we come to understand its meaning when the children's uncle reveals that their father had saved every cent for them.

The advert is the illustration of the discipline, patience and commitment required for long-term investing. It tells a universal tale that subtly echoes the essence of Allan Gray's philosophy, our focus on the long term, and how patience pays off. Through the father's actions we are taught how a single considered act repeated consistently over a long period of time can reap rewards.

We believe that "Father's share" delivers a powerful, meaningful and inspirational message portrayed in a touching manner.

To watch the full version of "Father's share" and to listen to the radio adverts, please visit allangray.co.za/advertising

> [It] is a gently humorous and heart-warming story about a father who teaches his children the discipline of long-term investing.

Stories are touching, but what does this mean for my investment?

The shortcomings of instant gratification

Satisfying immediate desires can leave one completely under-resourced (or unprepared) for the future. While the fulfilment of an immediate desire requires one to act on impulse, the ability to put things off requires self-control and planning, attributes that can be particularly difficult to muster. The ability to wait is one of the building blocks toward long-term wealth creation.

The impact of investor behaviour

A simple guideline that forms a basis of a good investment partnership is as follows:

Above-average investment performance – Fees + Good investor behaviour = Investment success

The above equation puts into sharp focus how your behaviour can influences outcomes. Given the cyclical nature of investment markets, behaviours such as timing the market and switching in and out of funds following a period of underperformance can destroy wealth by permanently locking in the losses.

On the other hand, continuously chasing unit trusts that have recently enjoyed a period of outperformance can also result in buying high and selling low – thereby eroding value.

Making rational and not emotional decisions is the key to investment success, and an independent financial adviser can assist with the discipline of investing or help you make informed decisions that are not influenced by temporary market conditions.

The power of compounding

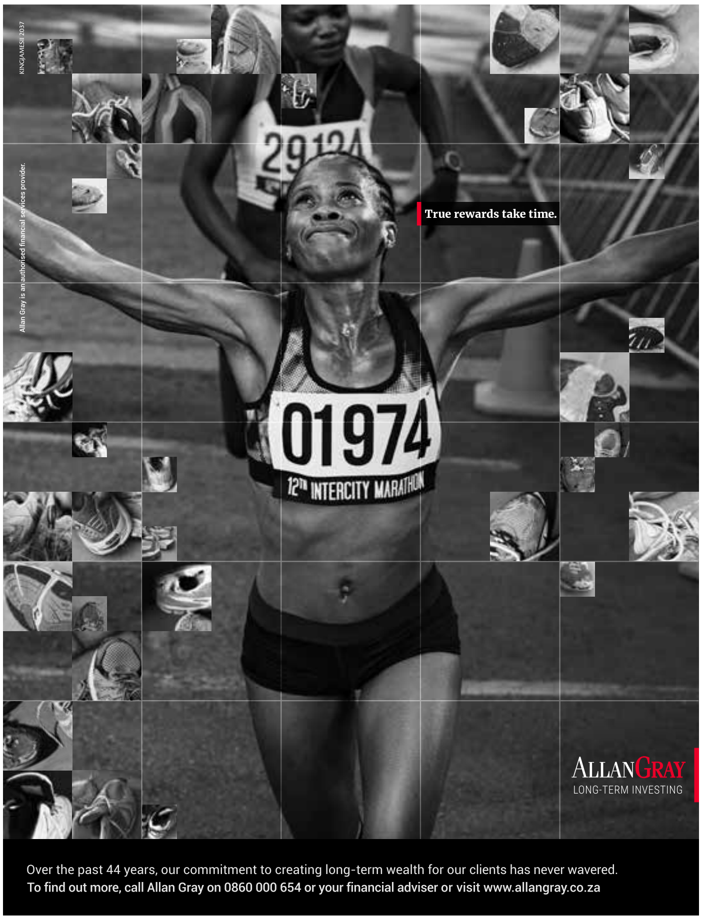
Time is an essential ingredient for successful investing. The longer you leave your money to grow, the more you can benefit from the power of compounding – earning returns today on the returns you earned yesterday. Given a long enough period to work, compounding can dramatically multiply the value of your investment so that less of your total investment will be from your contributions and more from growth.

Time in the investment process

Time is also an essential ingredient for our investment team as they make investments on your behalf. They hunt for shares that are unloved or unfashionable and it takes time for the market to see their value and for the shares to reach their true worth. This can take years, but if the portfolio manager has high conviction in his or her ideas they will be prepared to wait for the thesis to play out. Patience can be handsomely rewarded.

Investors often ask how long is long enough. When it comes to your investments, your time frames are often influenced by your goals: You have longer to save for your retirement than for a holiday or a car, for example. When it comes to investments we make on your behalf, it depends how long it takes for a share to reach our estimate of fair value and what opportunities present themselves along the way, but generally when investing in equities, we believe you need at least five years. But we have been known to hold on to a share for much longer.

True rewards take time.



Brand Campaign Marathon Print Ad

Brand Campaign Outdoor

Brand Campaign TVC

Zwelethu joined Allan Gray in 2010 and was appointed Head of Brand and Advertising in early 2018 after fulfilling the roles of Marketing and Brand Manager. Zwelethu has experience across multiple marketing disciplines, including business development, trade, consumer and relationship marketing. She holds a BCom degree and a postgraduate diploma in Management: Marketing, both from the University of Cape Town.

BUMP UP YOUR SAVINGS WITH A TAX-FREE INVESTMENT

Mthobisi Mthimkhulu

If you are disciplined and remain invested for the long term, a tax-free investment can supplement your retirement savings...

Have you taken the plunge and started your own business, but sacrificed some (if not all) of your savings to do it? Mthobisi Mthimkhulu suggests using a tax-free investment to boost your savings and preserve your tax benefits.

There is a growing trend among millennials (aged 18 to 40) to shrug off the security of a nine-to-five job in favour of the perceived freedom and profitability of being self-employed. A 2017 survey by Old Mutual found that *hustlers* and *slashers* – colloquial terms for people who make an income outside regular employment – make up 8% of millennials. But that percentage could quickly rise: Another survey by Deloitte found that 43% of millennials were ready to embrace the so-called gig economy, earning an income through freelancing and short-term contracts, but were held back from taking the plunge by a variety of reasons, including a lack of funds, courage and innovative ideas.

While addressing our high unemployment rate (which reached a 15-year high of 26.7% in May this year, with youth unemployment at a staggering 52.4%), this unencumbered work status brings its own set of financial risks.

Unlike permanent employees, who are often obliged to save for retirement in a company scheme, *hustlers* and *slashers* have no such obligation, or do not want the limitation of a retirement annuity, and retirement saving very often falls off the radar. Worryingly, the Old Mutual survey found that 68% of this group withdrew from their retirement savings and investments in order to fund their *hustle*.

Boost your savings

Withdrawing your full retirement savings to fund your small business dreams could set you back more than you think. Not only do you have to start saving again – you also miss out on the power of compounding, where the interest on your investment earns further interest, dramatically increasing your returns.

Another drawback is the tax implications. The South African Revenue Service has incentivised preserving your retirement savings with a tax-free allowance of R500 000 at retirement. If you withdraw prior to retirement, you will no longer receive this allowance or a portion of it.

In addition, you may not want to be tied down by the restrictions of retirement products as your business starts to grow. However, this does not mean you should forego planning for retirement.

You could use a tax-free investment (TFI) to boost your savings. With a TFI, you pay no tax on the interest, capital gains or dividends you earn, or on withdrawals. In addition, it is not as restrictive as a retirement product and you can access your money if you really need to.

But as with everything in life, there are advantages and disadvantages.

Tax-free gains

Take Andile Dube* (33). He resigned from his job to start a media business in 2017. He took the full cash benefit of his retirement savings, accumulated over 10 years at the same company, to fund his start-up. Andile is a diligent saver and also has a retirement annuity that he is not allowed to withdraw from until he reaches the minimum retirement age of 55.

When his business was up and running, Andile started thinking about how he could start saving again. Consequently, at the beginning of this year, he began contributing to a TFI, making monthly contributions of R2 750.

Our analysis shows that if Andile keeps these contributions up, he will hit his lifetime investment limit of R500 000 (that Treasury may increase – or decrease – in the future) in 16 years. Assuming his investment grows at 5.82% (the average rate of inflation over the past 16 years), the total market value of the investment would be R789 727 by 2034 – growth of R289 727. However, if he remains invested for an additional 11 years, until he retires at age 60, his investment could be worth R1 470 623 – completely tax free.

The drawbacks

An employer's retirement fund and a retirement annuity remain ideal investment vehicles to save towards a comfortable retirement. Both offer annual tax benefits and are governed by legislation to minimise your exposure to high-risk assets that could erode your capital and compromise your income in retirement. You also have limited access to your investment to safeguard it from yourself, because you can never underestimate the temptation to dip into your savings when times are tough. Your retirement savings are also protected from creditors if you hit really hard times.

TFI products, in comparison, have several limitations. These are:

- Strict investment limits of R33 000 per year and a lifetime limit of R500 000. These limits apply to the total amount you contribute to all the tax-free accounts you may hold at different financial institutions. Any contribution above the annual limit will be taxed at a hefty 40%.

- A withdrawal you make does not increase these limits – that is, you cannot "replace" money you have withdrawn.

- Unlimited access – you can make a withdrawal at any time, which means, if you are not disciplined, you could deplete your capital and lose out on the magic of compound interest.

- Unlike a retirement annuity, a TFI is not protected from creditors. Should you default on any credit agreement, the court can make a judgement against your investment.

- The goal of retirement savings is to provide you with an income when you can no longer work, but you cannot transfer funds from your TFI directly into a living annuity or guaranteed life annuity that would provide you with a regular income (within prescribed legal limits); you can only do so from a retirement annuity, pension or provident fund or preservation fund.

Despite the limitations, if you are disciplined and remain invested for the long term, a TFI can supplement your retirement savings and give you a tax-free lump sum to enjoy.

Speak to someone

It is a good idea to consult a good independent financial adviser. They have the experience and expertise to help you determine how much you need to save towards your retirement and develop a plan that meets your needs and investment goals.

* Pseudonym

Mthobisi joined Allan Gray in 2011 and is currently responsible for managing the private clients team, having previously worked in operations, client and adviser services within the retail business. He holds a Bachelor of Commerce from Rhodes University and a postgraduate diploma in Financial Planning from the University of the Free State.

ALLAN GRAY ORBIS FOUNDATION: A GOOD STORY TO TELL

Yogavelli Nambiar

Our ethos is grounded in the understanding that entrepreneurship is a mindset.

In April, the Allan Gray Orbis Foundation was awarded the Research Champion Award at the Global Entrepreneurship Congress, held in Istanbul, for the pioneering research it has done on the entrepreneurial mindset. This recognition, along with the continued success of its beneficiaries, is testament to the Foundation's focused efforts. Yogavelli Nambiar reviews highlights from the year thus far.

Over the past 13 years, the Allan Gray Orbis Foundation has nurtured and supported 43 high-impact entrepreneurs who have, in turn, created 679 jobs and added a combined R1.5bn to the economy. Looking at the progress we have made this year, we believe we are well on track to seeing this number increase significantly.

Our Scholarship programme: Where it all begins

Our ethos is grounded in the understanding that entrepreneurship is a mindset. In addition to unique skills and acumen, to succeed as an entrepreneur one also needs intellectual imagination, personal initiative, courageous commitment, a spirit of significance and achievement excellence. This is why the Scholarship is so central to our work: It's our most powerful tool in fashioning an entrepreneurial outlook among young people.

Thirty-eight Scholars have graduated from the programme this year, 20 of whom are joining the Fellowship to continue their entrepreneurial education as Candidate Fellows. We are also proud of the other graduates who have moved on to other programmes that provide yet another platform from which to make a positive impact.

Melissa Bam, a Grade 11 learner from Clarendon High School in East London, has been invited to Ghana to participate in the Yale Young African Scholars Program in August. The Program is designed to help bright Africans between the ages of 14 and 18 to explore their chosen field through seminars and participating in projects to gain hands-on experience. Each student is then assigned a mentor to help them apply to Yale University, secure a scholarship, and prepare for the college admissions tests. They will also have access to leadership development and training to get them ready for Yale's competitive environment.

Two more Scholarship students, Thandiswa Nkosi and Musa Selela, both Grade 10 learners at St Mary's School, visited Accra, Ghana, in June as part of a student exchange programme with a sister St Mary's school in Ghana.

Fellowship: Taking shape

There were 399 Candidate Fellows (students that, if successful in achieving certain hurdle marks, will be admitted to the Fellowship) taking part in the programme this year – the largest number to date. Of course it's not quantity that matters, but quality, and here, too, we have reason to smile: The top three Fellows from our annual Jamboree – where all Candidate Fellows get together for an event that concludes with the best ideas for an enterprise being pitched to an external panel – took part in the African Leadership University's Innovate Initiative. Hosted in Mauritius in April, the initiative gave Fellows the opportunity to explore the Mauritian economy from an entrepreneur's perspective.

We were excited to launch Iintetho Zobomi at our Connect Camp, a weekend camp for second-year students with a focus on community-building, which also took place in April. This course encourages participants to explore their role as ethical agents, not only in their own lives, but also in their communities and country. Our goal is to develop a sense of humility and morality as part of the entrepreneurial mindset.

Association: The fruits of our labour

This year, 55 Fellows were admitted to the Association, which is made up of Fellows who have completed the Fellowship Programme and have entered the world of work. This brings the total number of Fellows to 382. As of the end of 2017, the number of new businesses started by these Fellows is 48. In addition, 20 new businesses (half of which are headed by Candidate Fellows) entered our Ideation, Validation and Creation (IVC) programme as they strive to validate their business ideas. This is particularly significant for us as these 20 new start-ups have the potential to become job creators and contribute to our economy.

A number of innovative business ideas have been put forward. Khula (khula.co.za) is an enterprise developed by Karidas Tshintsholo and Matthew Piper to connect producers with customers seeking locally grown fresh produce. Splush Mobile (splushmobile.com) is a convenient car wash service, while Jonga (jonga.co), founded by 2016 Jamboree winner Ntando Shezi, makes home security more accessible and affordable by offering community-based home security systems.

iSpani, established by Candidate Fellows Prince Nwadeyi and Ntandoyenkosi Shezi in partnership with Fellow Gerard Govender and UCT student Patrick Machekera, is a platform that helps companies sell their brands in township markets. Kazi Tech, founded by Candidate Fellow Mvelo Hlophe, connects start-ups seeking mobile and web development with student-led developer teams, while Santina Iya has established Rydwith, a platform for linking security companies and vulnerable students to ensure safe movement on and around campus.

Mzwenhlanhla Hlongwane, on the other hand, has created Nisa Finance, a fully automated collateralised invoice financing solution that plugs into the RainFin platform to allow crowd investors to grow their capital by lending to small and medium enterprises that have invoices to be paid out in the future.

Our goal is to develop a sense of humility and morality as part of the entrepreneurial mindset.

Moving forward: Curriculum development

We have recently established a Curriculum Development team tasked with reviewing our current learning activities and experiences in all areas of the Foundation. The team is also responsible for developing initiatives to enhance our effectiveness. Several of these initiatives have already been implemented, including a flipped classroom-style camp activity to help Grade 8 and 9 learners get to grips with entrepreneurship as a real-life concept.

Some of the ideas generated by our learners have the potential to be socially significant, such as a digital library device, while other exciting ideas could solve everyday angst, like a barcode system for boarding schools to prevent students' socks getting lost.

We have also revamped the Ignitions, helping our Fellows gain more experiential and true-to-life development.

This initiative is a practical, idea-generating activity where potential entrepreneurial concepts are submitted by our Candidate Fellows to the Foundation as part of developing their entrepreneurial mindset.

Finally, we have launched the Entrepreneurial Induction, a five-week learning programme that aims to help Talent (the Foundation staff) and Fellows put entrepreneurship in context. Whether they are thinking about starting their own business, curious about the world of entrepreneurship or looking to understand more of how to become an entrepreneurial leader, this course helps contextualise entrepreneurship for them. We are particularly excited about the application of this programme as it was developed internally and we believe will prove invaluable in helping participants in our revamped IVC programme launch their ideas to our sister organisation, E Squared, for funding opportunities.

As we conclude the first half of the year, we are pleased with the progress we have already made and will continue to review our programmes to ensure we add maximum value to our beneficiaries.

Johannesburg, 2018: Graduation of Class of 2017 Candidate Fellows who will be inducted into the Association.

Allan Gray Orbis Foundation

Yogavelli joined the Allan Gray Orbis Foundation in October 2017 as Chief Executive Officer. Previously she was the Founding Director of the Enterprise Development Academy at the Gordon Institute of Business Science (GIBS), the business school of the University of Pretoria, where she led the school's entrepreneurship efforts. Prior to that she was Country Director of the Goldman Sachs 10 000 Women initiative, leading the design and delivery of this successful international women's entrepreneurship programme in South Africa.

Allan Gray Balanced and Stable Fund asset allocation as at 30 June 2018

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign*	Total	SA	Foreign*
Net equities	61.8	44.5	17.3	37.5	25.2	12.3
Hedged equities	10.5	0.7	9.8	12.5	0.2	12.2
Property	1.5	1.0	0.6	4.1	3.5	0.6
Commodity-linked	3.6	3.1	0.5	1.9	1.2	0.7
Bonds	12.5	9.5	3.0	22.7	17.6	5.1
Money market and bank deposits	10.1	7.9	2.2	21.3	17.8	3.5
Total	**100.0**	**66.6**	**33.4**	**100.0**	**65.6**	**34.4**

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

Allan Gray Equity Fund net assets as at 30 June 2018

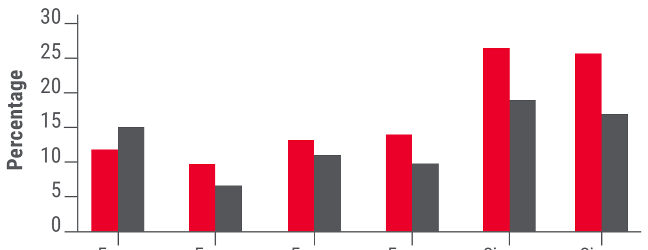
Security (Ranked by sector)	Market value (R million)	% of Fund	FTSE/JSE ALSI weight (%)
South Africa	**29 418**	**68.9**	
South African equities	**28 306**	**66.3**	
Resources	**6 796**	**15.9**	**23.8**
Sasol	3 828	9.0	
Glencore	650	1.5	
BHP Billiton	530	1.2	
Goldfields	341	0.8	
Sappi	295	0.7	
Positions less than 1%[1]	1 152	2.7	
Financials	**8 520**	**19.9**	**24.1**
Standard Bank	1 840	4.3	
Old Mutual	1 552	3.6	
Investec	1 286	3.0	
Reinet Investment SCA	867	2.0	
Quilter	458	1.1	
Rand Merchant Investment[2]	430	1.0	
Positions less than 1%[1]	2 088	4.9	
Industrials	**12 782**	**29.9**	**52.1**
Naspers[2]	3 093	7.2	
British American Tobacco	2 477	5.8	
Remgro	1 519	3.6	
Netcare	852	2.0	
Life Healthcare	739	1.7	
Woolworths	664	1.6	
KAP Industrial	581	1.4	
Super Group	433	1.0	
Nampak	348	0.8	
Positions less than 1%[1]	2 076	4.9	
Other securities	**208**	**0.5**	
Positions less than 1%[1]	208	0.5	
Commodity-linked securities	**463**	**1.1**	
Positions less than 1%[1]	463	1.1	
Money market and bank deposits	**649**	**1.5**	
Foreign ex-Africa	**12 365**	**28.9**	
Equity Funds	**12 020**	**28.1**	
Orbis Global Equity Fund	8 368	19.6	
Orbis SICAV International Equity Fund[3]	3 077	7.2	
Orbis SICAV Emerging Markets Equity Fund	495	1.2	
Allan Gray Frontier Markets Equity Fund[3]	78	0.2	
Money market and bank deposits	**345**	**0.8**	
Africa ex-SA	**934**	**2.2**	
Equity funds	**934**	**2.2**	
Allan Gray Africa ex-SA Equity Fund	934	2.2	
Totals	**42 717**	**100.0**	

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

Investment track record – share returns

Allan Gray Proprietary Limited global mandate share returns vs FTSE/JSE All Share Index			
Period	Allan Gray*	FTSE/JSE All Share Index	Out-/Under-performance
1974 (from 15.06)	−0.8	−0.8	0.0
1975	23.7	−18.9	42.6
1976	2.7	−10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	−0.3
1979	86.9	94.4	−7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	−4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	−4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	−5.1	9.6
1991	30.0	31.1	−1.1
1992	−13.0	−2.0	−11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	−17.4	−4.5	−12.9
1998	1.5	−10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	−8.1	33.7
2003	29.4	16.1	13.3
2004	31.8	25.4	6.4
2005	56.5	47.3	9.2
2006	49.7	41.2	8.5
2007	17.6	19.2	−1.6
2008	−13.7	−23.2	9.5
2009	27.0	32.1	−5.1
2010	20.3	19.0	1.3
2011	9.9	2.6	7.3
2012	20.6	26.7	−6.1
2013	24.3	21.4	2.9
2014	16.2	10.9	5.3
2015	7.8	5.1	2.7
2016	12.2	2.6	9.6
2017	15.6	21.0	−5.4
2018 (to 30.06)	**−1.8**	**−1.7**	**−0.1**

Returns annualised to 30.06.2018

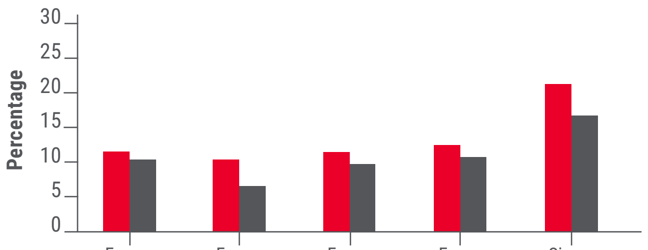


An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R226 793 305 by 30 June 2018. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R9 536 015. Returns are before fees.

Investment track record – balanced returns

Allan Gray Proprietary Limited global mandate total returns vs Alexander Forbes Global Manager Watch			
Period	Allan Gray*	AFLMW**	Out-/Under-performance
1974	–	–	–
1975	–	–	–
1976	–	–	–
1977	–	–	–
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	−0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	−5.5
1992	1.2	7.6	−6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	−1.8	9.5	−11.3
1998	6.9	−1.0	7.9
1999	80.0	46.8	33.1
2000	21.7	7.6	14.1
2001	44.0	23.5	20.5
2002	13.4	−3.6	17.1
2003	21.5	17.8	3.7
2004	21.8	28.1	−6.3
2005	40.0	31.9	8.1
2006	35.6	31.7	3.9
2007	14.5	15.1	−0.6
2008	−1.1	−12.3	11.2
2009	15.6	20.3	−4.7
2010	11.7	14.5	−2.8
2011	12.6	8.8	3.8
2012	15.1	20.0	−4.9
2013	25.0	23.3	1.7
2014	10.3	10.3	0.0
2015	12.8	6.9	5.9
2016	7.5	3.7	3.8
2017	11.9	11.5	0.4
2018 (to 30.06)	**2.8**	**2.2**	**0.6**

Returns annualised to 30.06.2018



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R24 428 568 by 30 June 2018. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R5 251 349. Returns are before fees.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees. **Consulting Actuaries Survey returns used up to December 1997. The return for June 2018 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexander Forbes Large Manager Watch. **Note:** Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Allan Gray South African unit trusts annualised performance (rand) in percentage per annum to 30 June 2018 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure (100%)									
Allan Gray Equity Fund (AGEF) Average of South African - Equity - General category (excl. Allan Gray funds)[1]	**42.7**	**01.10.1998**	**22.6** 15.8	**11.5** 8.6	**11.7** 8.7	**8.3** 2.9	**11.5** 7.1	**125.8** 73.0	**−20.7** −37.6
Allan Gray-Orbis Global Equity Feeder Fund (AGOE) FTSE World Index	**20.4**	**01.04.2005**	**15.5** 14.1	**14.2** 12.8	**16.6** 17.5	**15.1** 13.7	**13.3** 17.1	**78.2** 54.2	**−29.7** −32.7
Medium net equity exposure (40% - 75%)									
Allan Gray Balanced Fund (AGBF) Average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[2]	**152.6**	**01.10.1999**	**17.1** 12.4	**11.3** 9.1	**10.5** 8.4	**9.3** 5.3	**10.1** 7.5	**46.1** 41.9	**−8.3** −16.7
Allan Gray-Orbis Global Fund of Funds (AGGF) 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index	**14.2**	**03.02.2004**	**11.5** 11.3	**11.7** 11.4	**13.0** 13.8	**12.9** 11.2	**10.1** 13.2	**55.6** 38.8	**−13.7** −17.0
Low net equity exposure (0% - 40%)									
Allan Gray Stable Fund (AGSF) Daily interest rate of FirstRand Bank Limited plus 2%	**49.3**	**01.07.2000**	**12.4** 9.0	**9.6** 7.8	**9.2** 7.5	**10.4** 8.0	**11.3** 8.0	**23.3** 14.6	**2.8** 6.2
Very low net equity exposure (0% - 20%)									
Allan Gray Optimal Fund (AGOF) Daily interest rate of FirstRand Bank Limited	**1.2**	**01.10.2002**	**7.9** 6.5	**7.0** 5.7	**7.6** 5.4	**6.4** 5.9	**2.4** 5.9	**18.1** 11.9	**−1.5** 4.1
Allan Gray-Orbis Global Optimal Fund of Funds (AGOO) Average of US$ bank deposits and euro bank deposits	**1.2**	**02.03.2010**	**9.2** 6.8	**–** –	**8.0** 5.8	**8.3** 5.4	**6.0** 7.0	**39.6** 35.6	**−12.4** −19.1
No equity exposure									
Allan Gray Bond Fund (AGBD) JSE All Bond Index (Total return)	**1.2**	**01.10.2004**	**9.1** 8.6	**9.9** 9.8	**8.3** 7.4	**9.3** 7.8	**11.9** 10.2	**18.0** 21.2	**−2.6** −5.6
Allan Gray Money Market Fund (AGMF) Alexander Forbes Short-Term Fixed Interest (STeFI) Composite Index[3]	**16.0**	**03.07.2001**	**8.0** 7.9	**7.1** 6.9	**7.0** 6.7	**7.6** 7.3	**7.8** 7.3	**12.8** 13.3	**5.2** 5.2

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

Allan Gray total expense ratios and transaction costs for the 3-year period ending 30 June 2018

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.09%	0.94%	0.02%	0.24%	2.29%	0.07%	2.36%
Allan Gray-Orbis Global Equity Feeder Fund	1.50%	0.41%	0.05%	0.01%	1.97%	0.14%	2.11%
Allan Gray Balanced Fund	1.09%	0.44%	0.02%	0.15%	1.70%	0.08%	1.78%
Allan Gray-Orbis Global Fund of Funds	1.41%	0.56%	0.07%	0.00%	2.04%	0.13%	2.17%
Allan Gray Stable Fund	1.07%	0.40%	0.02%	0.14%	1.63%	0.08%	1.71%
Allan Gray Optimal Fund	1.00%	0.45%	0.01%	0.21%	1.67%	0.13%	1.80%
Allan Gray-Orbis Global Optimal Fund of Funds	1.00%	0.75%	0.07%	0.00%	1.82%	0.13%	1.95%
Allan Gray Bond Fund	0.25%	0.35%	0.02%	0.09%	0.71%	0.00%	0.71%
Allan Gray Money Market Fund	0.25%	N/A	0.00%	0.04%	0.29%	0.00%	0.29%

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

Foreign domiciled funds annualised performance (rand) in percentage per annum to 30 June 2018 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure								
Orbis Global Equity Fund[5] FTSE World Index	**01.01.1990**	**18.6** 13.6	**14.3** 12.8	**16.7** 17.5	**14.9** 13.4	**13.0** 16.3	**87.6** 54.2	**-47.5** -46.2
Orbis SICAV Japan Equity (Yen) Fund Tokyo Stock Price Index	**01.01.1998**	**15.3** 9.7	**14.3** 10.5	**16.1** 16.0	**14.2** 12.2	**20.3** 16.5	**94.9** 91.0	**-40.1** -46.4
Orbis SICAV Emerging Markets Equity Fund (US$)[6] MSCI Emerging Markets Index (Net) (US$)[6]	**01.01.2006**	**15.1** 14.4	**12.0** 11.4	**12.9** 14.4	**8.0** 9.7	**4.1** 13.3	**58.6** 60.1	**-34.2** -39.7
Allan Gray Africa ex-SA Equity Fund Standard Bank Africa Total Return Index	**01.01.2012**	**16.6** 5.8	**–** –	**9.0** 2.9	**9.9** 2.0	**33.3** 18.1	**69.1** 26.6	**-38.6** -43.4
Allan Gray Australia Equity Fund S&P/ASX 300 Accumulation Index	**04.05.2006**	**15.9** 13.0	**13.0** 9.5	**17.1** 12.5	**20.0** 12.2	**16.9** 14.0	**99.5** 55.6	**-55.4** -45.1
Medium net equity exposure								
Orbis SICAV Global Balanced Fund 60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index	**01.01.2013**	**18.5** 16.1	**–** –	**14.3** 13.7	**12.5** 10.7	**10.2** 12.3	**54.4** 40.2	**-0.7** -8.4
Low net equity exposure								
Allan Gray Australia Stable Fund Reserve Bank of Australia cash rate	**01.07.2011**	**12.6** 7.5	**–** –	**9.7** 4.3	**11.1** 4.5	**6.9** 2.2	**32.7** 28.8	**-7.4** -12.6
Very low net equity exposure								
Orbis Optimal SA Fund-US$ Class US$ Bank deposits	**01.01.2005**	**10.5** 8.5	**8.6** 6.4	**8.9** 7.3	**8.3** 5.0	**5.3** 6.3	**48.6** 57.9	**-15.7** -25.5
Orbis Optimal SA Fund-Euro Class Euro Bank deposits	**01.01.2005**	**8.9** 6.9	**5.6** 3.0	**6.1** 4.2	**8.2** 5.5	**5.6** 6.7	**44.1** 40.2	**-19.3** -20.9

South African institutional portfolios[7] annualised performance (rand) in percentage per annum to 30 June 2018

	Assets under management (R billion)[8]	Inception date	Since inception	10 years	5 years	3 years	1 year
Local portfolios[9] (before local fees)							
Domestic Equity Composite (Minimum net equity 75% - 95%) **Domestic Equity Pooled Portfolio (Minimum net equity 95%)** FTSE/JSE All Share Index	**59.3** **4.9**	**01.01.1990** **01.02.2001**	**20.0** **20.3** 14.2/14.5	**12.9** **13.3** 9.8	**12.1** **12.5** 11.1	**8.7** **8.9** 6.7	**11.2** **10.9** 15.0
Domestic Balanced Composite **Domestic Balanced Pooled Portfolio** Mean of Alexander Forbes SA Large Manager Watch (Non-investable)[11]	**33.4** **3.0**	**01.01.1978** **01.09.2001**	**21.5** **17.4** 17.0/14.4	**12.2** **12.3** 10.6	**11.2** **11.1** 9.0	**9.7** **9.7** 6.2	**10.4** **10.5** 10.2
Domestic Stable Composite **Domestic Stable Pooled Portfolio** Alexander Forbes Three-Month Deposit Index plus 2%	**4.6** **1.2**	**01.12.2001** **01.12.2001**	**12.9** **13.2** 9.9	**10.1** **10.2** 8.8	**10.0** **10.1** 8.5	**10.8** **10.9** 9.1	**12.3** **12.2** 9.3
Global portfolios[9], limited to 25% foreign exposure (before local, but after foreign fees)							
Global Balanced Composite **Global Balanced Pooled Portfolio** **Global Balanced (RRF) Portfolio[10]** Mean of Alexander Forbes Global Large Manager Watch (Non-investable)[11,12]	**61.4** **4.2** **31.3**	**01.01.1978** **01.09.2000** **01.09.2000**	**21.2** **17.7** **17.7** 16.7/13.7	**12.5** **12.6** **12.6** 10.7	**11.5** **11.6** **11.5** 9.7	**10.3** **10.4** **10.4** 6.6	**11.6** **11.3** **11.9** 10.4
Global Stable Composite **Global Stable Pooled Portfolio** Alexander Forbes Three-Month Deposit Index plus 2%	**8.3** **7.0**	**15.07.2004** **15.07.2004**	**12.7** **12.7** 9.3	**10.5** **10.5** 8.8	**10.3** **10.3** 8.5	**11.4** **11.3** 9.1	**12.5** **12.4** 9.3
Global Absolute Composite **Global Absolute Pooled Portfolio** Mean of Alexander Forbes Global Large Manager Watch (Non-investable)[11]	**12.4** **4.0**	**01.03.2004** **01.03.2004**	**14.7** **15.0** 14.2	**10.7** **11.1** 10.7	**9.3** **9.6** 9.7	**9.0** **9.3** 6.6	**8.3** **9.0** 10.4
Foreign only portfolios[9] (after fees)							
Orbis Global Equity Pooled Portfolio FTSE World Index	**0.6**	**18.05.2004**	**15.2** 13.8	**14.3** 12.7	**16.6** 17.5	**15.0** 13.5	**12.9** 16.3
Foreign Balanced (Rands) Composite[13] **Foreign Balanced Pooled Portfolio** 60% of the MSCI World Index[14] and 40% of the JP Morgan Global Government Bond Index	**4.7** **0.1**	**23.05.1996** **23.01.2002**	**14.3** **9.1** 11.9/7.8	**11.2** **11.1** 11.2	**12.2** **12.2** 13.7	**12.3** **12.6** 10.9	**11.0** **10.2** 12.5

Performance as calculated by Allan Gray

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

5 The total assets under management for the Fund are shown, which include institutional and retail clients that invest directly with Orbis.

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

7 The composites not listed here include: Domestic Balanced Absolute, Domestic Balanced Low Equity, Domestic Balanced Stable Namibia, Domestic Equity MSCI SA, Domestic Equity Namibia, Domestic Money Market, Domestic Optimal, Domestic Tax Paying, Global Balanced High Foreign, Global Balanced Namibia 35% High Foreign, Global Tax Paying and Non-Discretionary Foreign.

8 The assets under management for institutional portfolios not listed here amount to R91.5bn.

9 The composite assets under management figures shown include the assets invested in the pooled portfolios where appropriate.

10 The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio.

11 The return for the period ending June 2018 is an estimate as the relevant survey results have not yet been released.

12 From inception to 31 December 1997, the Consulting Actuaries Survey returns were used.

13 From inception to 31 August 2001, the foreign carve-out returns of the Global Balanced Composite were used.

14 Morgan Stanley Capital International All Country World Index.

IMPORTANT INFORMATION FOR INVESTORS

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Performance figures are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, it refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax. Movements in exchange rates may also be the cause of the value of underlying international investments going up or down. The Equity, Balanced, Stable and Optimal funds each have more than one class of units and these are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za. Permissible deductions include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from the Management Company.

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Understanding the funds

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

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

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

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

The Allan Gray Retirement Annuity Fund, the Allan Gray Pension Preservation Fund and the Allan Gray Provident Preservation Fund are all administered by Allan Gray Investment Services Proprietary Limited, an authorised administrative financial services provider and approved under section 13B of the Pension Funds Act as a benefits administrator. The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and Allan Gray Endowment are underwritten by Allan Gray Life Limited, also an authorised financial services provider and licensed under the Long-Term Insurance Act 52 of 1998. The underlying investment options of the Allan Gray individual life and retirement products are portfolios of collective investment schemes in securities (unit trusts or funds).

Tax note

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

About the paper

The Allan Gray Quarterly Commentary is printed on LumiSilk, a paper made from trees grown specifically for paper manufacturing.
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NOTES

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