QC

Quarterly Commentary
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ALLAN GRAY

Is it time to invest in listed property?

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COMMENTS FROM THE CHIEF OPERATING OFFICER

Rob Formby

... it is important to remember that periods of poor performance have historically been followed by good performance over the long term.

2018 was a difficult year for local investors, with the FTSE/JSE All Share Index (ALSI) delivering -8.5%. This result caught many investors off guard as 2017 had delivered good returns, with the ALSI returning 21%. Few asset classes were spared: Only South African bonds and cash offered positive returns, at 7.7% and 7.2% respectively.

South Africa was not alone in poor performance; global markets were also under pressure. As a result, our offshore partner, Orbis, had a difficult year too, with their funds returning -16.9%. However, as Orbis President William Gray reminds us in his article, while the current market conditions may make our approach difficult to stomach, it will be more rewarding for those left standing. The Orbis Global Equity Strategy has underperformed by more than 10% on nine occasions over the past 28 years; on each occasion, it recovered and went on to outperform.

Finding opportunity in volatility

While it was no doubt stressful as the value of your investment went down, the poor market conditions of the past year present the opportunity for value investors like ourselves and Orbis to generate good long-term returns. Our investment approach is to buy quality shares when we think they are undervalued by the market and sell them when they have reached our estimate of fair value. Therefore, when market sentiment turns negative, and shares fall below what we believe they are worth, we can snap them up at bargain prices.

A quote from Warren Buffett, who is considered by many as the godfather of value investing, sums up our approach perfectly: "Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down." While many investors would have preferred that we run for safety to asset classes that have done better, our portfolio managers have in fact been selling our funds' cash holdings to take advantage of the current discounts the market is offering.

Our portfolio managers are also beginning to find opportunities in the property sector. For the past 13 years, our funds have had low exposure to listed property, however, recent performance suggests that it's time to change gears.

Mark Dunley-Owen explains our investment approach and discusses the companies we are enthusiastic about in the property sector.

While research has found the link between economic growth and stock market returns to be tenuous at best, it is still a good idea to understand the macroeconomic conditions that the local companies you are invested in operate within. Sandy McGregor discusses the challenges facing our economy and what needs to be done if we are to get back on the right fiscal path. His article makes for a sober read, but there is a sense that 2019 may be a turning point with the right leadership in place determined to kick-start economic growth.

Regardless of how South Africa Inc. is performing, offshore diversification is an important part of your investment strategy. South Africa makes up less than 1% of the global investing universe, and without offshore diversification you could miss out on some great long-term opportunities. You get some offshore exposure through your local unit trusts that are mandated to invest offshore – the Allan Gray Equity, Balanced and Stable Funds are currently making use of the full 30% offshore limit – however, if you feel you need additional exposure, you can use your personal allowance of up to R11 million per calendar year to invest offshore. You can do this by going to offshore investment managers directly, or you can make use of the convenience of an offshore platform. Julie Campbell explains the changes we have implemented on the Allan Gray Offshore Platform to make this option more accessible for you.

... when market sentiment turns negative, and shares fall below what we believe they are worth, we can snap them up at bargain prices.

Your role in your investment success

It can be very difficult to remain invested while your gut instinct tells you to run, but the trick to making money from value investing is to give us enough time for our investment style to show results. It is important to control your emotions and avoid unnecessary changes at exactly the wrong time. In the Investing Tutorial, Mthobisi Mthimkhulu explains why it is important to resist the temptation to switch funds during poor performance in search of better short-term returns: While doing so may seem like a good idea, switching can destroy the value of your investment over the long term.

The good news

Never without a good story to tell, Yogavelli Nambiar from the Allan Gray Orbis Foundation reflects on the progress they have made over the past year in their efforts to develop an entrepreneurial mindset among our brightest young minds.

2018 was certainly bumpy, but it is important to remember that periods of poor performance have historically been followed by good performance over the long term. Thank you for continuing to trust us with your savings, and I wish you the best for 2019.

Kind regards

Rob Formby

SOUTH AFRICA'S FISCAL DILEMMA

Sandy McGregor

At the heart of South Africa's problems is the fact that the economy is not growing.

Faced with sky-high debt, a stagnant economy and disappointing tax collections, South Africa is on an unsustainable fiscal path. Difficult choices have to be made that can no longer be postponed. Sandy McGregor explains.

One of the most astute insights on bankruptcy was provided by American writer Ernest Hemingway in his 1926 novel, *The Sun Also Rises*. A character named Mike Campbell was asked how he went bankrupt. "Two ways," Mike responded. "Gradually, then suddenly."

What is true for individuals also holds for nations: A long period of economic mismanagement, in which unpayable debts and unaffordable obligations accumulate, can be followed by a sudden financial crisis in which the state finds it cannot fund itself. Two examples of the possible consequences of such financial mismanagement are Zimbabwe, in the first decade of this century, and more recently Venezuela, both of which imploded into hyperinflation. South Africa's financial metrics have also significantly deteriorated in the past decade, and while we are hopefully still in a position to reverse these trends, they are very concerning. The risk of entering the second, "sudden" stage of bankruptcy is increasing.

In presenting to parliament the government's Medium-Term Budget Policy Statement (MTBPS) on 24 October 2018, Finance Minister Tito Mboweni delivered a very good speech titled "South Africa at a crossroads". While the response of the market was negative, with the rand immediately weakening from R14.18/US$ to R14.50/US$, Mboweni's maiden address was an honest appraisal of the difficult circumstances in which South Africa finds itself. It is clear from the MTBPS that we face difficult choices that can no longer be postponed if financial disaster is to be avoided.

The rise in the public sector wage bill

During the Zuma presidency, there was a massive increase in the state's remuneration bill. Between the fiscal years 2006/7 and 2017/18, the compensation of government employees grew at an annual rate of 11.2%. In the same period, the current value of the gross domestic product (GDP) expanded by an average of 8.6% annually. Over 11 years, wages have grown 3.2 times while the value of economic activity, from which taxes are levied, grew only 2.5 times.

This inexorable rise in the wage bill was a consequence of above-inflation annual wage settlements with the public sector trade unions, a system of automatic additional increases linked to length of service, and an increase in the number of employees. Clearly former President Jacob Zuma, and others in the ANC leadership, regarded inflating the public sector wage bill as a politically rewarding exercise in patronage. However, as a consequence, other expenditures have been crowded out and the ambitious social plans of the ANC rendered unaffordable.

Bringing the spiralling public sector wage bill under control is essential if fiscal sustainability is to be restored. This will require difficult negotiations with a key ANC support base, public servants and their trade unions.

Tax collections disappoint

In recent years, tax collections have disappointed. In part, this is a consequence of a political climate that has promoted a culture of non-compliance. When large numbers of politically connected persons are blatantly looting public institutions, it is difficult to promote the message that all citizens are obliged to pay their taxes. Also, as the Nugent Commission has detailed in a cogent and well-documented report, the mismanagement of the South African Revenue Service (SARS) by Tom Moyane, whom Zuma appointed commissioner in September 2014, has proven disastrous. Tax collections have underperformed relative to what would normally have been expected from the actual level of economic activity, and have been artificially boosted by a failure to make timeous VAT refunds.

President Cyril Ramaphosa has acted to fix this mess. He has dismissed Moyane and appointed Mark Kingon, an experienced long-serving SARS executive, as acting commissioner until a new, hopefully competent, permanent appointment is made. Equally important is Ramaphosa's strong message that looting state institutions is unacceptable and that the perpetrators of such crimes will be actively prosecuted.

Fixing the tax collection system can be done, but it will take a number of years. However, even if the tax system is fixed, the problem of insufficient state revenues will persist as long as South Africa remains trapped in economic stagnation. National Treasury's forecast of economic growth in 2019, included in the MTBPS, is 1.7%, up from 0.7% in 2018.

Historically, growth in South Africa has been highly correlated with global growth rates. One of the great disappointments of 2017 and 2018 has been the economy's failure to escape from its current stagnation despite strong synchronised global growth. Given that there are increasing signs that the world economy is now slowing, it is difficult to be more optimistic than the Treasury about economic growth in 2019, or to expect better than its cautious revenue projections.

A key question is, what level of debt will push South Africa over the tipping point and precipitate a financial crisis?

A deteriorating debt outlook

Projections in the recent MTBPS are that the ratio of South African government debt to GDP will rise from 52.7% in March 2018 to 55.8% in March 2019, to 56.1% in March 2020, and peak at 59.6% in March 2024. However, the Treasury has a credibility problem because for many years it has predicted that things will get better a few years out, but since 2009 they never have. For example, in February 2017, it projected gross debt to GDP in March 2020 will be 52.4%. Now the estimate is 56.1%.

While the Treasury has done a very credible job in difficult circumstances, since Jacob Zuma became president in 2009, it has had to manage the nation's finances within a political system that has continually undermined its efforts to be fiscally prudent. This is one of the serious concerns international ratings agencies have about South Africa's longer-term financial stability.

In addition to its own gross debt, the government has also guaranteed parastatal debt, principally borrowings by Eskom, equal to about 10% of GDP. Were it not for government guarantees, Eskom, SAA and the SABC would all be trading in insolvency. Accordingly, these guarantees add about 10% to the national debt, increasing the 2024 debt projection to about 70% of GDP.

A market-imposed debt ceiling

A key question is, what level of debt will push South Africa over the tipping point and precipitate a financial crisis?

Will a debt level of 70% in 2024 prove to be unfundable? In many other countries, the ratio of national debt to GDP is much higher. At the extremes in Japan and Italy it is about 250% and 130% respectively. South Africa struggles to service a proportionally much smaller debt burden because it has a very low savings rate and runs a large balance of payments current account deficit.

Whereas in many other countries interest rates are low and often close to zero, the annual cost of debt in South Africa is between 8% and 10%, which puts a lower ceiling on how much we can afford to borrow. We are dependent on continuing inflows of foreign capital to balance the books. Already about 40% of South African government domestically issued rand debt is owned by foreigners. Domestic political acrimony, and in particular issues such as confiscation of land without compensation, make such investors nervous. It will be very difficult to persuade them to finance a massive unaffordable increase in our national debt. In practice, the stagnation of the domestic economy puts a limit on how much we can borrow, and we may be closer to this limit than we realise.

The Eskom risk

One of the immediate challenges facing President Ramaphosa is what to do about Eskom. In the 12 months to 30 September 2018, Eskom's borrowings increased by R52 billion to R419 billion. It required R45 billion to service this debt but only generated a cash flow from operations of R27 billion. Eskom is effectively bankrupt and can only remain in business by raising government guaranteed debt. Its new management faces formidable challenges and has proposed to government a rescue plan involving a substantial increase in tariffs and the transfer of R100 billion of debt to the Treasury. Naturally such proposals are extremely unwelcome in the Treasury. Mboweni has openly stated that he does not favour the state assuming this burden, which would cost about R9 billion annually.

Probably the flaw in Eskom's proposal is that it does not go far enough. The reality is that its debt has become an obligation of government. Trying to repay it by increasing tariffs will merely exacerbate the downward spiral whereby higher tariffs reduce consumption, further eroding Eskom's competitive position and reducing its operating profit. The economic damage of higher tariffs will erode economic growth and impose unintended collateral damage on tax collections.

If increased tariffs are not the answer, then the only effective solution is to take a much larger proportion of Eskom's debt, perhaps R300 billion, onto the books of the national fiscus. Apart from recognising an existing reality, this solution will allow Eskom to keep its tariff increases in line with inflation and thus promote economic growth. However, such a dramatic step will require vigilant control of government spending to keep the level of its debt under control.

Without greater prosperity it will be impossible to resolve the problem of poverty.

Economic growth is the only panacea

At the heart of South Africa's problems is the fact that the economy is not growing. President Ramaphosa clearly recognises this and is trying to kick-start the economy by promoting new business investment. However, what is needed is an honest debate about why the economy is stagnating. Economic growth is largely a matter of making things cheaper. Business in South Africa is subjected to the widespread and growing cost of the ANC's social agendas. While everyone recognises the pressing needs that these agendas are trying to address, the collateral damage caused by the negative impact rising business costs are having on economic growth is largely ignored. Without greater prosperity it will be impossible to resolve the problem of poverty.

There are many issues that need to be tackled urgently to prevent South Africa's debt problem from spiralling out of control. To expand on the message that South Africa is at a crossroads, we should remember the wisdom of Yogi Berra, who said: "When you come to a fork in the road, take it."

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

IS IT TIME TO INVEST IN LISTED PROPERTY?

Mark Dunley-Owen

Many investors assume that property offers reliably growing income distributions and limited risk of capital loss. … We disagree with both of these assumptions.

There is a perception that we do not regard listed property as an attractive investment for our clients. This is not the case. It is, however, true that our clients have had below-average exposure to listed property. Mark Dunley-Owen explains the rationale behind this long-held view and why the time may be right to shift gears.

The mandates of the Allan Gray Balanced Fund and Stable Fund allow us to invest our clients' money across asset classes such as equities, bonds and property. The asset allocation changes depending on where the portfolio managers are finding value at any given point in time. **Graph 1** on page 8 shows the percentages of the funds' holdings that have been invested in South African property since 2005. The percentages are low, in both absolute terms and relative to peers. This is not because we are biased against investing in property, but rather this reflects our investment philosophy and focus on long-term intrinsic value.

Graph 2 on page 9 shows the dividend yield from listed property, represented by the JSE South African Listed Property Index (SAPY), and the yield from bonds, represented by the JSE All Bond Index (ALBI). Following the global financial crisis in 2009, South African property and bonds offered a similar yield, suggesting that listed property was attractive. It subsequently returned more than 100% and was the best-performing asset class between 2009 and 2016.

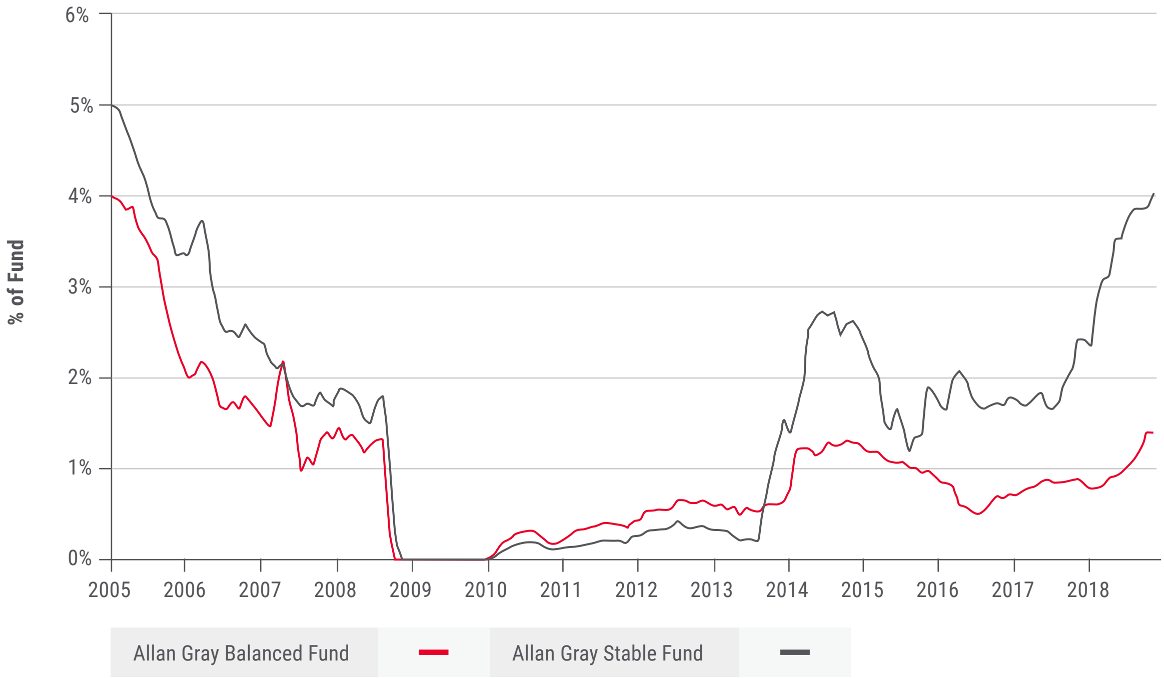
In hindsight, our funds' low allocation to property over this period was a mistake. However, our decisions were based on concerns which we believed reduced the intrinsic value of listed property, including:

- The risk inherent in the distributions
- Misalignment of management and long-term shareholders
- Misallocation of capital

The risk inherent in the distributions

Many investors assume that property offers reliably growing income distributions and limited risk of capital loss. The former makes it attractive compared to the static distributions

Graph 1: South African listed property exposure



Source: Allan Gray

from bonds; the latter makes it attractive relative to more volatile equities. We disagree with both of these assumptions.

It is a mistake to equate property with bond distributions. A bond is a senior ranking debt investment that pays predetermined coupons, while listed property is an equity investment that pays distributions out of company profits. Property distributions are less certain and more volatile than bond distributions, and may fall if company profits do similar.

It is also a mistake to assume that any equity investment, including listed property, has a low risk of capital loss. This may be true in some instances, particularly in the case of a relatively simple business backed by physical assets such as property. However, capital loss is influenced by other factors, such as starting price and financial engineering. In an environment of rising property prices and acquisitive growth, listed property is essentially a subordinated claim on highly priced assets funded by a lot of debt; capital loss is probable for such investments.

Misalignment of management and long-term shareholders

Aligning management incentives towards the creation of long-term value encourages decisions to be made in the best interests of shareholders. There are characteristics of listed property that suggest this is not always the case.

Due to the flawed assumptions discussed earlier, many investors invest in listed property to earn income. This encourages management to make decisions that target short-term distribution expectations at the expense of long-term value, for example, refusing to sell low-quality assets because they are high-yielding. This goes against our investment philosophy, and the long-term time horizon of our clients.

The focus on distributions may also encourage management to pay out more cash than the business generates. We view free cash flow as the cash generated by a business, less capital investment that is needed to maintain the ability to generate comparable future cash flow. In the quest to grow distributions, some listed property companies pay out more in dividends than their free cash flow, funding the deficit by issuing shares, taking on more debt or underinvesting in their assets. This strategy works when share prices are high and debt is readily available, but is unlikely to generate value through the cycle.

Misallocation of capital

The majority of recent investments made by South African property companies have been outside of South Africa.

Taking educated bets on an unknown future is part of management's job. However, experience suggests that most countries are more competitive and less profitable than South Africa, and few people are as skilled at creating value in other markets as they are in their backyard.

While some recent offshore property investments have paid off handsomely, others appear to be justified by currency diversification, size and artificially low funding rates, rather than a rational process that allocates capital to the highest return opportunities. Such deals may benefit management's compensation and prestige, but are unlikely to generate long-term shareholder value.

Our investment philosophy focuses on fundamentals

Few investors shared our concerns while the property market was performing well. Nonetheless, our belief that intrinsic value was lower than that implied by market prices made it appropriate to limit our clients' exposure. Our conviction deepened as property fundamentals deteriorated, in particular the increasing supply of property and worsening public service delivery.

A landlord sells space, the price of which is determined by demand and supply. South Africa has experienced a property construction boom for much of the last two decades, most notably in retail shopping centres and office nodes such as Sandton. At the same time, South Africa's economic growth has declined due to structural deficiencies, and demand for space has been less than expected. We expected this combination of rising supply and weak demand to result in lower rentals to keep space occupied.

Property companies invest large amounts of money in immovable assets with long lives. This makes them particularly susceptible to the poor public service delivery that has become prevalent in South Africa. Inept municipalities limit the approvals and services needed for further investment, thereby restricting growth. Rising non-discretionary rates and utility costs crowd out the ability of tenants to afford higher rentals.

These and similar factors suggested it was unlikely that property companies would grow their distributions in line with history or market expectations. In contrast, the yield on property had declined to 4% lower than the yield on bonds by early 2016 (as shown in **Graph 2**). This was a notable divergence from history, indicating that property was unusually expensive (low yields mean high prices) despite the worsening environment. We reduced our clients' property holdings further.

Graph 2: South African bonds and listed property yield

Source: IRESS

Patience can pay off

Recent performance suggests our patience was warranted. Listed property, represented by the SAPY, has fallen 28% since peaking in April 2016, generated negative returns over the last three years and was the worst performing asset class in 2018 (see **Table 1**).

Following the recent correction, the SAPY dividend yield is again on a par with bond yields, suggesting that property offers similar relative value as it did in 2009. Some of our concerns about the asset class are also being addressed. Thus, we have begun selectively investing in listed property companies that are priced below our assessment of intrinsic value, in particular those run by management that is aligned with shareholders, uses appropriate financial gearing, focuses on cash flow rather than accounting earnings, and prioritises long-term value over short-term metrics.

It is difficult to find property companies that tick all these boxes, but some come close:

- Attacq is best known for developing Waterfall City in Midrand. Building a new city requires the long-term value-creation mindset that is aligned with our philosophy. The share is priced at a substantial 40% discount to net asset value (NAV), and NAV should grow as Waterfall City matures into the prime node between Sandton and Tshwane. Our concerns include high debt and questionable free cash flow, but we believe these are being addressed.
- Octodec mainly owns residential and retail buildings in the Johannesburg and Tshwane CBDs. Their buildings are functional and affordable rather than pretty, in line with what their tenants need. Most of their properties are on short-term leases with rentals that reset to market levels regularly, unlike many other property companies. Their properties are valued sufficiently cheaply to make redevelopments attractive as and when demand grows. Management owns a substantial share of the business. The share is priced at a 35% discount to NAV with higher than 10% dividend yield.
- Equites Property Fund specialises in high-quality logistics buildings that are used to store and distribute goods. Gearing is low, accounting is transparent, and management has substantial shareholdings. Unfortunately, Equites's quality is well-known and the share trades at a premium to NAV and relatively low dividend yield. This, plus questions we have over their recent expansion into the competitive UK logistics market, have limited our clients' holdings.

We will continue to invest our clients' money into these and similar companies when they are priced below our assessment of intrinsic value. We apply this philosophy across all asset classes, including property, in order to maximise our clients' long-term wealth.

Table 1: Performance of listed property vs other asset classes

Total return to December 2018	South African Listed Property Index	FTSE/JSE All Share Index	JSE All Bond Index
	Listed property	Shares	Bonds
1 year	-25.3%	-8.5%	7.7%
3 years	-1.2%	4.3%	11.1%
5 years	5.7%	5.8%	7.7%
10 years	12.1%	12.6%	7.7%

Source: IRESS

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

ORBIS: POSITIONING PORTFOLIOS FOR LONG-TERM PERFORMANCE

William Gray

Investing is ultimately about putting the power of compounding to work in your favour over the long term.

William Gray, from our offshore partner, Orbis, reviews Orbis's recent performance and discusses their investment approach in the current environment.

Our purpose at Orbis is to empower our clients by enhancing their savings and wealth, and yet we have done just the opposite this year. On an asset-weighted basis, blending net-of-fee returns across share classes, the Orbis funds returned -16.9% in 2018 versus -8.4% for their benchmarks. During the good times we try hard to remind clients that periods of underperformance are inevitable, but they are always painful when they arrive.

In a sense, underperformance is the market's way of saying that it doesn't agree with our assessments of the long-term intrinsic value of the businesses whose shares we've selected for your funds. In some instances the market will be right. In others, it may simply be excessively pessimistic or overreacting to recent events. Our focus is to separate the signal from the noise as best we can, and to ensure that your capital is positioned appropriately. It is a process of constant questioning, learning and decision-making under uncertainty.

At times like this, our investment team's efforts are focused intensely on the investments we hold on your behalf. The individuals directing your capital, working closely with their colleagues, have shown the ability to take advantage of challenging times over the past 15 years they have been with Orbis on average. But our conviction is based more on the opportunities currently held in the funds than anyone's track record. While not as extreme as the technology, media and telecom (TMT) bubble in the late 1990s, current market dislocations seem highly unusual and we are more enthusiastic about the prospects for your portfolios relative to their benchmarks than we have been for some time.

The rush towards "safety"

A notable pattern in recent months has been the rush towards apparent "safety". Companies with highly predictable future earnings have seen their share prices rise sharply while anything with increased uncertainty has dropped precipitously. Dislocations of that nature are often a reliable sign of opportunity for investors with an approach focused on the long-term fundamentals of the underlying businesses.

One wonders how much of the recent market environment is the result of how prevalent passive, "smart beta" and other similarly algorithmically based investing philosophies have become. Share prices globally have also been affected in ways that none of us can fully appreciate by low interest rates driven by aggressive monetary easing since the global financial crisis.

In the past, many fundamentally oriented investors like us would make individual assessments of value, causing share prices to adjust incrementally as perceptions changed. Today, prices move sharply as broadly adopted approaches buy or sell for reasons either independent from fundamental value or that few really understand. Investors who are transacting for reasons other than a fundamental view of a company's prospects now account for around 85% of trading volume, according to a recent report from J.P. Morgan. That produces short-term variability but long-term opportunity for skilled investors who focus on the fundamentals.

Rewards for those left standing

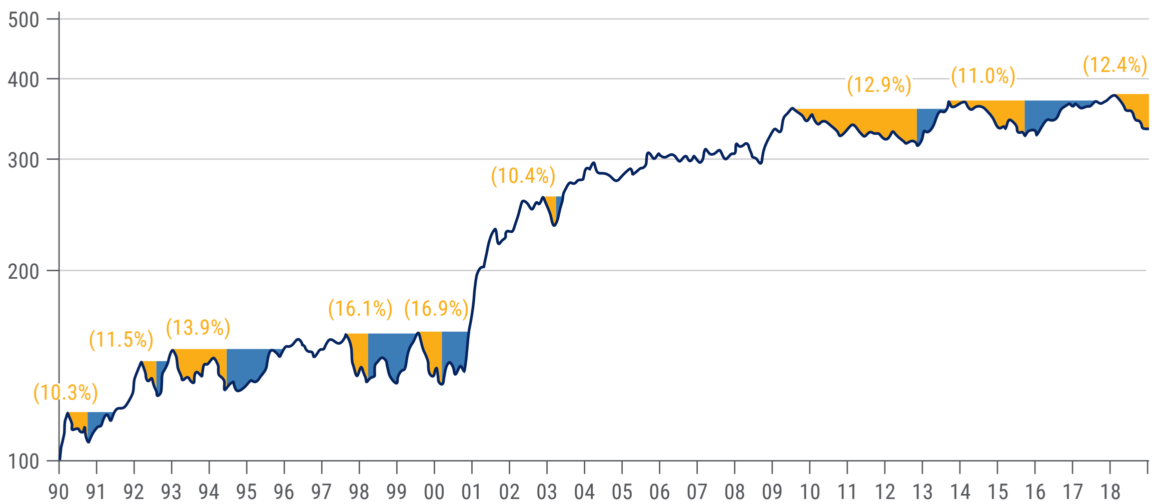
While the current market environment makes our approach difficult to stomach, it bodes well for what we do. As it becomes harder to sustain a focus on fundamental value through the shifting tides, managers who seek to do so might either get themselves fired, capitulate or change their stripes – perhaps at the worst possible moment. As share prices ultimately reflect long-term business results, it will be all the more rewarding for those left standing.

While the current market environment makes our approach difficult to stomach, it bodes well for what we do.

History is no predictor of the future, but lessons can be learnt. **Graph 1** shows some of the worst periods of underperformance for the Orbis Global Equity Strategy in the past, and **Table 1** shows the subsequent relative performance of the Orbis Global Equity Strategy after those periods. These often corresponded with extremes in broad market trends such as the TMT bubble and the accompanying exodus of value-oriented investors at that time.

Graph 1: Orbis Global has experienced nine relative drawdowns of 10% or more

Relative return of the Orbis Global Equity Strategy, weighted net*, vs the FTSE World Index, US$



Source: Orbis, calculated using monthly returns. *The asset-weighted net-of-fees return of all share classes in the Strategy. This return may differ from the return of any individual share class. Past performance is not a reliable indicator of future results.

Focus on the long term

Investing is ultimately about putting the power of compounding to work in your favour over the long term. The benefit of focusing on intrinsic value is that the pain of an acute share price decline is more often than not accompanied by greater conviction in future returns.

We have not delivered on our purpose recently, yet it is gratifying to see the resilience you have shown in your investments with Orbis. We are determined to prove once again that your trust and confidence in us is well-placed.

Table 1: Learning lessons from the past

>10% relative return drawdown and subsequent relative performance of the Orbis Global Equity Strategy, weighted net*, vs the FTSE World Index

Relative drawdown				Subsequent relative performance (%)		
Peak	Trough	Months (Peak-to-trough)	Peak-to-trough decline (%)	1 year	2 years	3 years
Mar 90	Oct 90	7	(10.3)	14.7	28.0	27.9
Mar 92	Aug 92	5	(11.5)	7.6	5.8	17.4
Jan 93	Jun 94	17	(13.9)	8.0	18.0	18.8
Aug 97	Mar 98	7	(16.1)	5.0	(0.3)	52.6
Jul 99	Mar 00	8	(16.9)	53.0	81.2	76.6
Nov 02	Mar 03	4	(10.4)	26.7	23.7	29.5
Jun 09	Nov 12	41	(12.9)	15.4	9.8	5.8
Sep 13	Sep 15	24	(11.0)	10.5	12.4	6.1
Average of first eight		**14**	**(12.9)**	**17.6**	**22.3**	**29.3**
Jan 18	Nov 18	10	(12.4)			

Source: Orbis. Returns are not annualised and are calculated monthly. *The asset-weighted net-of-fees return of all share classes in the Strategy. This return may differ from the return of any individual share class. Past performance is not a reliable indicator of future results.

Orbis
Invest Differently

William is the president and a director of the Orbis funds and Orbis Investments. He leads Orbis's investment team. Prior to joining Orbis Investments in 1993, he had been an analyst with Orbis Investment Advisory Limited and with the Orbis predecessor company in Hong Kong.

SIMPLIFYING OFFSHORE INVESTING

Julie Campbell

Using our offshore platform allows investors to conveniently invest in a selection of managers and unit trusts according to their investment goals.

Over the years, South African exchange control regulations, which limit the amount that you can transfer or invest abroad, have been relaxed considerably. The Allan Gray Offshore Investment Platform removes many of the barriers to investing offshore, making it easier for you to take advantage of the opportunity to diversify your investment risk and to get exposure to unit trusts and offshore managers not locally available. Julie Campbell explains.

If you are a South African resident individual who is 18 years or older, the South African Reserve Bank (SARB) grants you an allowance of R1 million per calendar year, namely the single discretionary allowance (SDA), to use for any legal purpose offshore. This allowance includes all foreign expenditure, such as monetary gifts, loans, foreign travel expenses, maintenance and offshore credit. You can also use it for investing offshore. Residents are able to use this annual allowance without obtaining prior approval from the South African Revenue Service (SARS) or the SARB.

If you have more than R1 million to invest, and are a taxpayer in good standing, you can apply for a tax clearance certificate from SARS to allow you to invest up to an additional R10 million offshore annually. This is called the foreign investment allowance. For amounts higher than R11 million, you will need special clearance from the SARB.

If you are invested in a local unit trust that invests a portion of its investments offshore, for example a balanced fund, or in a rand-denominated offshore unit trust, this is not counted as part of your offshore allowance. These unit trusts use your investment manager's foreign allowance rather than your own.

However, locally registered unit trust companies are also limited by exchange control regulation: The SARB currently allows 40% of a fund manager's retail assets to be invested offshore (plus an additional 10% in Africa outside of South Africa). This is termed a manager's foreign capacity. Your ability to invest offshore through rand-denominated offshore unit trusts will therefore depend on how much foreign capacity the manager has available.

Given how volatile the rand can be, this route may not always be available. For example, the Allan Gray-Orbis rand-denominated offshore unit trusts are currently closed for discretionary investments as Allan Gray has reached the prescribed limits. We cannot predict when we may have sufficient capacity to reopen, as this depends on offshore compared to local asset performance, movements in the exchange rate, and demand for offshore investments.

What are your options to invest offshore using your own allowance?

There are two routes available to you:

1. Invest directly with offshore fund managers of your choice.
2. Invest with your preferred offshore fund managers via an investment platform which offers offshore unit trusts[1], such as that offered by Allan Gray.

Many investors find the large selection of unit trusts available globally intimidating. It is hard enough to know how to pick from around 1 500 unit trusts locally; investing offshore may require you to select from thousands more, depending on which markets you are trying to access. In addition, the process to invest directly with a selection of offshore managers can be administratively intensive as different jurisdictions may have different requirements governing how individual investors access funds regulated in their market. Furthermore, offshore fund managers often have higher minimum investment requirements than offshore investment platforms, as platforms can take advantage of the fact that they aggregate multiple underlying clients' assets to allow for lower minimums.

If instead of investing directly you would like convenient access to a range of unit trusts with one point of contact for the administration and ongoing management of your investments, using an offshore investment platform may work for you.

Understanding the Allan Gray Offshore Investment Platform

The Allan Gray Offshore Investment Platform offers a smaller, preselected list of approximately 50 foreign currency unit trusts[2] managed by offshore investment managers, including those managed by our offshore partner, Orbis. We believe that a limited selection of unit trusts designed to meet most long-term investment needs makes it easier for investors to do their research and make well-considered decisions. Using our offshore platform allows investors to conveniently invest in a selection of managers and unit trusts according to their investment goals. You can transact online and access consolidated reporting on your investments through our secure website.

We believe that a limited selection of unit trusts designed to meet most long-term investment needs makes it easier for investors to … make well-considered decisions.

We only offer unit trusts that are registered with the local regulator, and meet our minimum size requirements (for liquidity reasons). Each unit trust is rated by independent financial services group Fundhouse. Fundhouse is an international company that conducts detailed independent research and due diligences of these offshore managers. The rating provides investors with some measure of the quality of the unit trust, its investment team and the management company.

Our platform is domiciled and regulated in South Africa, giving you a local point of contact. As part of South African regulation, your assets are held in the name of a nominee company (Allan Gray Nominees), meaning your money is separate and protected if Allan Gray ever runs into financial trouble.

Being locally domiciled simplifies estate planning for South African tax residents: If you die while invested, your assets will be part of your South African estate and dealt with by a local executor. However, the downside of the platform being locally domiciled is that it may be impacted by changes in South African exchange control regulation.

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[1] The term "offshore unit trusts" is used to refer to all similar offshore pooled investments, including those that may be structured differently, such as mutual funds.

[2] For a complete list of available funds and information about fees, trading timelines and fund ratings, please consult our latest Offshore Platform Fund List, available via our website or Client Service Centre.

Notwithstanding this, your investment is in foreign currency, in a unit trust managed by an offshore manager. If you wish to withdraw money, the proceeds can be transferred to an offshore bank account, provided the account is registered in your name. If you do not have an offshore bank account, proceeds in foreign currency can be transferred to your local bank account, and your bank will do the rand conversion.

If you are a South African resident individual using a portion of your R1 million discretionary allowance, Allan Gray can facilitate the conversion of your rands into the currency of the unit trust(s) that you want to invest in (see "How to invest offshore using rands" alongside). If you wish to invest more than your SDA, we have also negotiated with an independent foreign exchange provider who can assist you with applying for tax clearance certificates, currency conversion and transferring foreign currency into our offshore bank accounts.

There are investment minimums that apply to our offshore platform. These are shown in **Table 1**.

Tax considerations

It is important to be aware that direct offshore investments are taxed differently for capital gains tax purposes from local rand-denominated unit trusts. When you withdraw from a rand-denominated unit trust, you pay tax on all gains on your original rand investment, regardless of whether those gains are from capital growth or currency movement.

If you withdraw from a foreign currency unit trust, you don't pay tax on currency movement while you are invested. When you sell assets bought in a foreign currency, we first calculate the foreign capital gain or loss and then translate it into rands using the exchange rate at the date of sale. This means that if the rand weakens, it is more tax-efficient to be invested in a foreign currency unit trust, while if the rand strengthens, it is more tax-efficient to be invested in a rand-denominated unit trust.

How to invest offshore using rands

As part of our ongoing effort to make it easier to invest offshore via our offshore platform, we have recently introduced the option for you to use South African rands for lump sum investments in new and existing offshore accounts, and Allan Gray will facilitate the conversion to foreign currency. The following applies:

- We accept a maximum of R800 000 of your R1 million allowance for investing purposes. This is to allow for other foreign expenditure, such as travel expenses and online shopping.
- You do not need to get a tax clearance certificate.
- You will need to sign a declaration confirming that you are a South African resident, and have not exceeded your allowance for the year.
- We will facilitate currency conversions through an authorised dealer at a preferentially negotiated markup. Since the rands you deposit into our bank account will be converted daily at a predetermined time, you will not be informed of the exchange rate prior to the conversion. The foreign currency amount will reflect on the instruction confirmation we send you once your investment is finalised.
- Conversions for daily traded funds will typically take place the business day after all the requirements have been met to process your transaction. Conversions for weekly traded funds, such as Orbis's, will take place the business day prior to the fund trade date.
- The exchange rate will include the authorised dealer's markup, and you will not be charged any additional administration fee for the conversion.

Table 1: Minimum investment amounts

Scenario	Rand minimum	US$ minimum
New account lump sum investment	R20 000	US$1 500
Lump sum per unit trust[1]	R5 000	US$400
Additional contribution per unit trust[1]	R5 000	US$400

[1]The minimum investment amount for the Orbis SICAV Japan Equity (Yen) Fund is R20 000/US$1 000.

If you would like to use this option, follow these five easy steps:

1. Download the application form available at www.allangray.co.za.
2. Complete the form and choose your unit trusts.
3. Sign the SDA declaration (Section 6) and investor declaration (Section 10).
4. Deposit your money into the bank account reflected on the form.
5. Send your signed form, proof of payment and supporting documents to instructions@allangray.co.za.

If you prefer to arrange your own currency conversion, you can still do so by approaching your bank or an independent forex provider, and then submitting a foreign currency instruction to Allan Gray. It should be noted that you cannot invest in foreign currency offshore unit trusts via the Allan Gray Endowment, Living Annuity, Retirement Annuity or Preservation Fund.

Use an independent financial adviser if you need guidance

While we are progressively making investing via our offshore platform as easy for you as investing via our local platform, we don't offer financial advice. It is a good idea to consult an independent financial adviser who can help you determine the appropriate level of offshore exposure to meet your long-term investment goals, and help you select an offshore unit trust that is appropriate for your needs and circumstances.

Julie joined Allan Gray in 1992 as a performance analyst. She is a senior manager in the Product Development team and a director of Allan Gray Life. Previously she led the Fund Operations team in the Institutional business. Julie completed her BSc (Hons) in Mathematical Statistics at UCT.

THE TROUBLE WITH SWITCHING

Mthobisi Mthimkhulu

… if you can control your emotions, and hold on to that investment through the volatility, you are likely to enjoy good returns over the long term.

During periods of underperformance, even the most experienced investors get tempted to switch funds in search of better returns. However, switching funds in response to short-term market conditions can jinx your investment success over the long term. Mthobisi Mthimkhulu explains.

After a flat few years, 2018 was particularly difficult for local investors, with the FTSE/JSE All Share Index returning -8.5%. To add to the woe, price declines in other asset classes contributed to overall negative performance.

During these periods, like many other investors, you may get tempted to switch out of a fund that is doing poorly and buy into another fund that is doing relatively better. While this may appear to be a sensible way to protect your investment, or generate better returns, switching funds during poor performance inevitably destroys the value of your investment. This is because, in order to switch, you have to sell your units, which often locks in the underperformance of the fund you are switching out of. At the same time, the fund that you switch to may not be positioned to repeat its good performance of the past in the future. In effect, by switching you are often selling and buying at exactly the wrong time.

Switching could also cost you in fees and taxes. As switching involves the sale of an asset, the transaction could trigger capital gains tax. In addition, the fund you are switching to may charge initial fees.

A fool's errand

To make money when switching funds, you have to be able to accurately pick the best times to enter and leave the market – something which is nearly impossible to do because of market movements: Markets can swing wildly from day to day in response to a variety of unpredictable factors. We also often base our decision to switch on reasons that may lead us down the wrong path. These include:

1. Our emotions. The biggest culprit in making poor decisions is our emotions. When performance dips, we throw out our carefully considered investment strategies and switch funds. Alternatively, we hold back on making investment decisions until there is enough positive movement to reassure us that we won't get burnt. But basing investment decisions on emotions often leads to taking action that will permanently lock in losses, or missing the best time to invest.

Market volatility is part of investing. Your role as an investor is to pick a unit trust on the basis that it suits your needs and objectives and that you can trust the fund manager – not merely on account of recent performance. And if you can control your emotions, and hold on to that investment through the volatility, you are likely to enjoy good returns over the long term.

2. Forecasting. Investors looking for the next opportunity often turn to macroeconomic factors, hoping that these suggest whether markets will or will not deliver strong returns. However, various studies have shown there is no correlation between economic growth and share returns.

Using data from 46 countries, researchers from US-based investment management company Vanguard found that the average equity market return (4.0%) of the countries with the three highest GDP growth rates was slightly below the average return (4.2%) of the countries with the three lowest GDP rates, despite a considerable difference between those rates (8.0% per year vs 1.6%).[1] This conclusively shows that there is a weak relationship between market returns and GDP growth.

In the end, what determines the success of your investment is the price that you pay for an asset, and how much you ultimately sell it for.

3. Black swan events. In his 2007 book, *The Black Swan*, former trader and risk analyst Nassim Nicholas Taleb revived a metaphor first used by Roman poets long ago: "black swans" – incredibly rare events that are difficult to predict and can have a major effect on markets and investments.

Examples of black swans include the September 11 attacks, the sudden collapse of the rand in 2001, and most recently, Brexit – when European markets fell sharply at the end of June 2016 after the British voted to exit from the European Union (EU). Brexit is a classic example of a black swan because, firstly, no one predicted the result – it was largely expected that the British would vote to remain in the EU and markets would continue their upward growth – and secondly, it had a massive impact on global markets, wiping out nearly US$2 billion of value.

At the end of the day, the old adage is true: Time in the market is better than timing the market.

Black swan events are more common than we think, and the impact on your portfolio can be quite significant. However, they are highly unpredictable, and it is not a good idea to base your investment decisions on what could "possibly/maybe/probably" happen.

Remaining invested when faced with the poor performance of the last 12 months will take grit. But if you can steady your emotions, and remember that periods of poor performance have historically been followed by good performance, you can ride out this particularly difficult period and enjoy good returns in the future. At the end of the day, the old adage is true: Time in the market is better than timing the market.

When should you consider switching?

Of course, there are times when changing from one investment to another is a good idea. There are three main prompts:

If your objectives change. The ideal time to review your unit trust selection is when your objectives change. For example, when you are young and working and have few dependants, your portfolio may include a high proportion of growth assets, like equities that have the potential for higher returns over the long term. However, if over time you are more dependent on your investments to pay for school fees or supporting ageing parents, you may want to switch to funds that balance growth and stability.

If you have lost faith in your fund manager's performance. At some point, every fund and fund manager will go through

[1] Davis, J., Aliaga-Díaz, R., Thomas, C. J. & Tolani, R. G. (2013, September). *The outlook for emerging market stocks in a lower-growth world*. Retrieved December 10, 2018, from https://personal.vanguard.com/pdf/s813.pdf

a period of underperformance. Your fund's factsheet will include annualised returns over 1-year, 5-year, 10-year and longer periods. It is best to look at longer-term performance because one year is not a long enough time to assess overall performance. Some analysts believe that even three years is not a sufficient time period and that 5-year and 10-year returns are a better gauge of how the fund will perform.

If after studying the factsheet you realise that your fund seems to be perpetually underperforming over the long term and that you have lost faith in your fund manager as a result, then it may be time to review your selection. The same goes if your fund consistently underperforms its benchmark.

If the fund has changed. Take a look at the factsheet to check whether the reasons you originally invested are still valid: Has the fund's objective changed? Has your fund manager changed? Are they applying the same investment philosophy that produced the fund's long-term record? If you are not comfortable with what you see, it may be time to switch.

Mthobisi joined Allan Gray in 2011 and is currently responsible for managing the private clients team, having previously worked in operations, client services and strategic markets 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: REFLECTION FOR ACCELERATION

Yogavelli Nambiar

... 2019 will be about taking the insights we have gleaned, applying innovation based on our learnings and being intentional about the choices we make to create the impact we desire.

The mission of the Allan Gray Orbis Foundation is to cultivate the entrepreneurial potential of young South Africans, which can also lead to success in many other spheres of life. Yogavelli Nambiar reflects on the Foundation's achievements over the past year towards this goal.

The Allan Gray Orbis Foundation offers scholarships to high school learners who are in financial need, have a curious, entrepreneurial mindset and are high academic achievers. The Scholarship programme focuses on nurturing their entrepreneurial mindset, personal mastery and academic excellence.

The principals of our participating placement schools have been positive throughout the year in their feedback on the Scholarship programme, with some labelling it the pre-eminent scholarship in the country. The rigorous selection process as well as the comprehensive support offered to Scholars contribute to the positive perception of the programme. While the support we provide addresses the academic, psychological and personal development needs of our Scholars, they are ultimately responsible for producing outstanding results. The academic average of our Scholars in Grades 8 to 12 stands at 72%, and across all grades an average of above 70% was achieved.

Academics is not the only area our Scholars are encouraged to excel in. In the last quarter of each year, senior Scholars in Grades 10 and 11 are invited to development camps, where their entrepreneurial mindsets are further nurtured. Additionally, they are encouraged to explore concepts and techniques to help them achieve academic excellence and personal mastery. The Foundation has observed personal mastery as a critical factor in empowering Scholars to monitor their own progress. These camps inspired both the Foundation and the Scholars with the level of innovation, tenacity and leadership demonstrated in the various activities.

Another valuable resource available to Scholars is the newly established Custodian Forum. This forum is intended as a platform where Scholars and custodians (parents or legal guardians) can engage on issues of mutual concern relating to the developmental focus and activities of the programme, grade-specific developmental themes as well as the overall well-being of the Scholars. The Custodian Forum allowed parents and legal guardians an opportunity to understand the transformative journey the Scholars have embarked on, especially in terms of the glaring difference in social and economic circumstances between their home and schooling environments and the challenges this presents. As such, the forum is an opportunity for both the Foundation and the custodians to collaborate and co-create measures to support Scholars in order to ensure that the shift from the home to the school environment is as seamless as possible.

Our 2019 cohort has already begun their high school journey at placement schools such as Bishops Diocesan College, King Edward VII School and Maritzburg College. We have already started preparing for the 2020 Scholarship programme by launching an online platform for application and placement in schools. Our awareness campaigns have been expanded to taxi ranks and township malls in a bid to ensure that as many as possible qualifying candidates are given the opportunity to apply.

Fellowship programme

Fellowship recipients, known as Allan Gray Candidate Fellows, receive funding for their university studies in addition to support and development to cultivate an entrepreneurial mindset. As with the Scholarship programme, personal leadership and academic excellence are central to the Fellowship programme.

It was heartening to see an increased number of applicants for the 2018 Fellowship programme. A total of 358 Grade 12 applicants, compared to 325 in 2017, were interviewed, and 211 of them went on to attend our Selection Camp, the largest in the history of the Foundation.

The annual National Jamboree for Candidate Fellows, held from 19 to 22 July 2018, also delivered impressive and inspiring results. This flagship event culminates in a competition where business ideas are pitched to a panel of judges made up of seasoned entrepreneurs. Two of the three finalists in the competition were Dual-Track Candidate Fellows, who are simultaneously operating a business and pursuing their tertiary studies. They have unwittingly inspired us to adapt the 2019 event so that all Scholars, Candidate Fellows and Fellows are exposed to entrepreneurship in action.

In business, four of our Candidate Fellows have experienced great success. Two were awarded R2 million each in grant funding and business support in the AlphaCode Incubate initiative for African fintech entrepreneurs for their respective businesses: Nisa Finance, an invoice financing platform in aid of SMEs, and iSpani, an online vehicle for businesses to reach the informal market. They were both named among the initiative's top eight overall business start-ups. The other two Candidate Fellows are business partners who won the MTN Business App of the Year Award for Khula, an app that allows farmers to list and manage their produce.

We are constantly exploring better ways to understand how impact occurs in our programmes.

While the majority of our Candidate Fellows have made great progress this last quarter, some of our cohort faced either academic or psychosocial challenges. We have adopted a two-pronged approach to this at-risk group: We host tutoring workshops, and will be launching a Beneficiary Wellness Programme in 2019. Furthermore, we are recruiting more mentors to assist Candidate Fellows. This is important due to the high pressure during this time in their academic career. Our support needs to be comprehensive to assist them to overcome any potential hurdles.

Association of Allan Gray Fellows

The Association is made up of Fellows who have completed the Fellowship programme and have either pursued further studies, entered the world of work or started a business. The purpose of the Association is to provide support for each Fellow's lifelong entrepreneurial journey.

The Association celebrated several wins in 2018:

- Lethabo Motsoaledi, founder and co-CEO of Motsoaledi & West, a design thinking consultancy that helps companies fast-track innovation, was featured as one of *Forbes Africa*'s New Wave of Disruptors.
- Yoco, a payment processor for SMEs co-founded by Fellow Bradley Wattrus, raised R245 million from local and international investors.
- Businesses run by Fellows have a combined estimated value of R1.5 billion and have created 679 jobs thus far.

A key focus of the last quarter has been the completion of the validation process by Fellows and Dual-Track Candidate Fellows. This process constitutes the second phase of the Ideation, Validation and Creation (IVC) programme, which requires that the participants go out into the market and test whether there is appetite for their ideas. We also hosted two ideation sessions and Table 15 events, where Fellows engage in conversation with some of South Africa's most successful entrepreneurs in an intimate gathering over dinner. This allows for close-up engagement with the realities faced by these entrepreneurs on their journeys to success. The ideation sessions, which enable fresh thinking, gave rise to 20 new business ideas, which will be pitched for inclusion in the next IVC programme.

Our partner, E Squared, gives end-to-end business and financial support to Allan Gray Fellows. Last year, four new Fellows were accepted into the 2018 E Squared Elevator Accelerator, an intensive full-time programme to help Fellows grow their existing businesses, while 65 Fellows attended E Squared's annual seminar and participated in the inaugural Business Opportunity Circle aimed at encouraging entrepreneurial collaboration between Fellows.

Impact assurance

More than simply helping to launch our own entrepreneurs, the Allan Gray Orbis Foundation is committed to forging an entrepreneurial culture throughout Africa. With this in mind, we commissioned the Global Entrepreneurship Research Network, in partnership with entrepreneurial consultancy MindCette, to research the characteristics of the entrepreneurial mindset.

After surveying 3 661 South Africans, a report titled "Dimension Comparisons in the South African Entrepreneurial Mindset" was launched during our inaugural Entrepreneurship Forum hosted in August in Cape Town. Participants were asked questions about the commonly recurring characteristics of successful entrepreneurs, which included a resistance to conformity, persistence, personal goals, passion, resourcefulness, the ability to accept risk, leadership ability, innovativeness, curiosity, emotional intelligence, financial goals, self-reliance, and self-confidence. The survey's results take the Foundation a step closer to identifying the traits shared by entrepreneurs. In future it may help us create a single instrument to identify and measure the presence of these traits across groups, regions or countries.

The most interesting finding from the survey is the gender differences in the characteristics we tested for: There were 11 characteristics that commonly describe female entrepreneurs, while there were 10 for male entrepreneurs. Only two of these characteristics – entrepreneurial desire and focus – were present in both male and female participants. These gender differences could inform modifications to the structure of entrepreneurship programmes to make them more closely suited to individual strengths.

… we have tweaked our interview process to fit the Foundation's pillars of achievement excellence, intellectual imagination, personal initiative, courageous commitment and the spirit of significance.

Revising our selection process

When our selection criteria were first brainstormed at the Foundation's inception, there was little research available on the subject of entrepreneurialism. Since then, many studies on this have been conducted and we are now in the position to adjust our selection process to better fit the entrepreneurial profile. We launched a second study in November aimed at ensuring that the tools used as selection criteria for our programmes are both reliable and valid.

With assistance from a specialist consultancy, we have revised our entrepreneur success profile, our applications, our interview process and our Selection Camp activities. Our application forms were revised to ensure that no individual is disadvantaged because of language or culture, and we have tweaked our interview process to fit the Foundation's pillars of achievement excellence, intellectual imagination, personal initiative, courageous commitment and the spirit of significance. Both these changes addressed biases that inadvertently favoured articulate and confident applicants over their less well-spoken peers.

The Selection Camp, too, has been reimagined to afford all applicants an equal opportunity to shine, with the most notable revision being the inclusion of activities that allow each candidate to share their entrepreneurial ideas, instead of only relying on outcomes of group presentations. This allows for each candidate to be assessed on the quality of their entrepreneurial ideas and not necessarily on how well articulated they are.

We are constantly exploring better ways to understand how impact occurs in our programmes. This allows us to be more dynamic and responsive to a changing environment.

In line with our vision of creating an entrepreneurial, equitable South Africa flourishing with meaningful employment, 2019 will be about taking the insights we have gleaned, applying innovation based on our learnings and being intentional about the choices we make to create the impact we desire.

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.

NOTES

Allan Gray Balanced and Stable Fund asset allocation as at 31 December 2018

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign*	Total	SA	Foreign*
Net equities	65.0	47.9	17.1	39.6	26.7	12.9
Hedged equities	7.8	0.7	7.1	6.0	0.0	6.0
Property	1.8	1.3	0.5	4.4	3.9	0.4
Commodity-linked	3.4	2.8	0.6	2.1	1.2	0.9
Bonds	14.8	10.1	4.7	28.7	19.2	9.5
Money market and bank deposits	7.2	5.4	1.8	19.3	16.3	2.9
Total	**100.0**	**68.2**	**31.8**	**100.0**	**67.4**	**32.6**

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

Allan Gray Equity Fund net assets as at 31 December 2018

Security (Ranked by sector)	Market value (R million)	% of Fund	FTSE/JSE ALSI weight (%)
South Africa	**27 208**	**69.7**	
South African equities	**26 268**	**67.3**	
Resources	**5 907**	**15.1**	**25.5**
Sasol	2 453	6.3	
Glencore	1 149	2.9	
BHP Billiton	483	1.2	
Impala Platinum	455	1.2	
Sappi	326	0.8	
Goldfields	268	0.7	
Positions less than 1%[1]	773	2.0	
Financials	**8 230**	**21.1**	**26.0**
Standard Bank	1 863	4.8	
Investec	1 189	3.0	
Old Mutual	922	2.4	
Reinet	728	1.9	
Nedbank	718	1.8	
Rand Merchant Investment[2]	417	1.1	
Quilter PLC	381	1.0	
MMI	298	0.8	
Capitec	272	0.7	
Positions less than 1%[1]	1 442	3.7	
Industrials	**11 903**	**30.5**	**48.5**
Naspers[2]	2 699	6.9	
British American Tobacco	1 650	4.2	
Remgro	1 485	3.8	
Life Healthcare	853	2.2	
Woolworths	766	2.0	
Netcare	690	1.8	
KAP Industrial	633	1.6	
Super Group	423	1.1	
Nampak	311	0.8	
Tsogo Sun	280	0.7	
Positions less than 1%[1]	2 111	5.4	
Other securities	**228**	**0.6**	
Positions less than 1%[1]	228	0.6	
Commodity-linked securities	**156**	**0.4**	
Positions less than 1%[1]	156	0.4	
Money market and bank deposits	**784**	**2.0**	
Foreign ex-Africa	**10 972**	**28.1**	
Equity Funds	**10 784**	**27.6**	
Orbis Global Equity Fund	7 217	18.5	
Orbis SICAV International Equity Fund[3]	2 738	7.0	
Orbis SICAV Emerging Markets Equity Fund	659	1.7	
Allan Gray Frontier Markets Equity Fund[3]	171	0.4	
Money market and bank deposits	**188**	**0.5**	
Africa ex-SA	**841**	**2.2**	
Equity funds	**841**	**2.2**	
Allan Gray Africa ex-SA Equity Fund	841	2.2	
Totals	**39 021**	**100.0**	

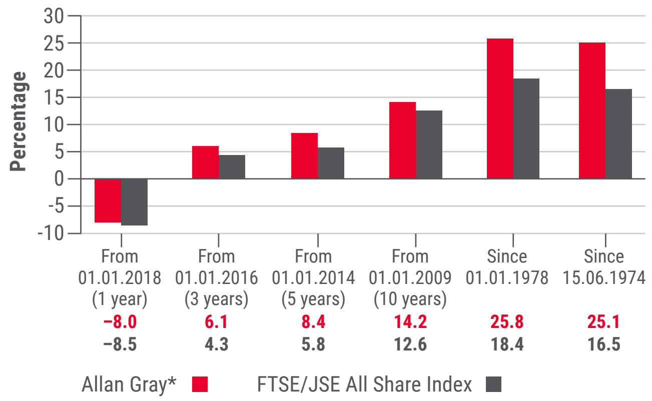
[1] JSE-listed securities include equities, property and commodity-linked instruments.
[2] Including stub certificates.
[3] This fund is not approved for marketing in South Africa. Reference to this fund is solely for disclosure purposes and is not intended for, nor does it constitute, solicitation for 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	**−8.0**	**−8.5**	**0.5**

Returns annualised to 31.12.2018



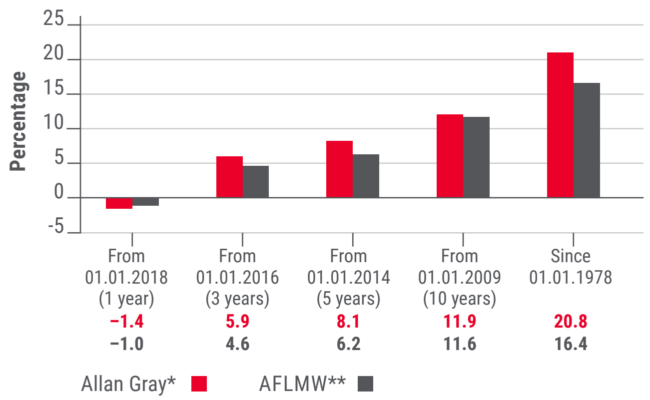
An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R212 505 234 by 31 December 2018. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R8 874 584. Returns are before fees.

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	**−1.4**	**−1.0**	**−0.4**

Returns annualised to 31.12.2018



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R23 437 040 by 31 December 2018. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R5 090 199. 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 December 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 31 December 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)	**39.0**	**01.10.1998**	**21.5**	**11.9**	**6.6**	**4.5**	**−8.0**	**125.8**	**−20.7**
Average of South African - Equity - General category (excl. Allan Gray funds)[1]			15.0	11.5	3.7	1.9	−9.8	73.0	−37.6
Allan Gray-Orbis Global Equity Feeder Fund (AGOE)	**16.8**	**01.04.2005**	**13.7**	**14.4**	**8.7**	**3.6**	**−8.2**	**78.2**	**−29.7**
FTSE World Index			13.1	15.0	11.7	4.2	6.6	54.2	−32.7
Medium net equity exposure (40% - 75%)									
Allan Gray Balanced Fund (AGBF)	**146.1**	**01.10.1999**	**16.3**	**10.7**	**7.0**	**4.6**	**−3.1**	**46.1**	**−8.3**
Average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[2]			11.8	9.6	4.9	2.3	−4.2	41.9	−16.7
Allan Gray-Orbis Global Fund of Funds (AGGF)	**12.6**	**03.02.2004**	**10.4**	**10.1**	**7.8**	**2.2**	**−1.9**	**55.6**	**−13.7**
60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index			10.8	11.6	10.3	2.6	10.6	38.8	−17.0
Low net equity exposure (0% - 40%)									
Allan Gray Stable Fund (AGSF)	**50.3**	**01.07.2000**	**11.9**	**8.4**	**7.8**	**6.2**	**2.9**	**23.3**	**0.2**
Daily interest rate of FirstRand Bank Limited plus 2%			9.0	7.5	7.7	8.1	7.9	14.6	6.2
Very low net equity exposure (0% - 20%)									
Allan Gray Optimal Fund (AGOF)	**1.2**	**01.10.2002**	**7.9**	**6.5**	**8.1**	**7.1**	**6.2**	**18.1**	**−1.5**
Daily interest rate of FirstRand Bank Limited			6.4	5.4	5.5	6.0	5.8	11.9	4.1
Allan Gray-Orbis Global Optimal Fund of Funds (AGOO)	**1.1**	**02.03.2010**	**8.1**	**–**	**5.0**	**−1.5**	**2.1**	**39.6**	**−12.4**
Average of US$ bank deposits and euro bank deposits			6.8	–	4.9	−1.5	15.2	35.6	−19.1
No equity exposure									
Allan Gray Bond Fund (AGBD)	**1.6**	**01.10.2004**	**9.1**	**8.8**	**8.7**	**11.9**	**9.4**	**18.0**	**−2.6**
JSE All Bond Index (Total return)			8.6	7.7	7.7	11.1	7.7	21.2	−5.6
Allan Gray Money Market Fund (AGMF)	**17.9**	**03.07.2001**	**8.0**	**6.9**	**7.2**	**7.8**	**7.8**	**12.8**	**5.2**
Alexander Forbes Short-Term Fixed Interest (STeFI) Composite Index[3]			7.9	6.7	6.9	7.4	7.2	13.3	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 31 December 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	1.10%	0.63%	0.02%	0.19%	1.94%	0.08%	2.02%
Allan Gray-Orbis Global Equity Feeder Fund	1.50%	0.41%	0.06%	0.00%	1.97%	0.13%	2.10%
Allan Gray Balanced Fund	1.09%	0.45%	0.02%	0.15%	1.71%	0.09%	1.80%
Allan Gray-Orbis Global Fund of Funds	1.42%	0.56%	0.07%	0.00%	2.05%	0.12%	2.17%
Allan Gray Stable Fund	1.08%	0.34%	0.02%	0.13%	1.57%	0.08%	1.65%
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%	0.80%	0.07%	0.00%	1.87%	0.13%	2.00%
Allan Gray Bond Fund	0.25%	0.38%	0.02%	0.09%	0.74%	0.00%	0.74%
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 Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge.

Foreign domiciled funds annualised performance (rand) in percentage per annum to 31 December 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**	**17.7** 13.2	**14.4** 15.0	**8.6** 11.7	**3.8** 4.2	**-7.5** 6.7	**87.6** 54.2	**-47.5** -46.2
Orbis SICAV Japan Equity (Yen) Fund Tokyo Stock Price Index	**01.01.1998**	**14.6** 9.1	**12.3** 10.4	**11.0** 10.7	**4.0** 1.2	**-1.7** 0.4	**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**	**13.8** 13.4	**15.2** 14.6	**6.2** 10.1	**0.0** 4.6	**-6.1** -0.2	**58.6** 60.1	**-34.2** -39.7
Allan Gray Africa ex-SA Equity Fund Standard Bank Africa Total Return Index	**01.01.2012**	**13.6** 4.2	**–** –	**3.0** -3.0	**7.7** 0.4	**10.8** 4.6	**65.6** 33.6	**-24.3** -29.4
Allan Gray Australia Equity Fund S&P/ASX 300 Accumulation Index	**04.05.2006**	**14.4** 11.8	**17.9** 13.7	**11.3** 7.6	**9.7** 2.4	**-2.2** 2.2	**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**	**15.2** 14.6	**–** –	**8.7** 10.0	**2.7** 2.2	**-0.9** 10.7	**54.4** 40.2	**-9.8** -8.4
Low net equity exposure								
Allan Gray Australia Stable Fund Reserve Bank of Australia cash rate	**01.07.2011**	**11.4** 7.1	**–** –	**7.8** 3.8	**2.7** -2.4	**5.0** 7.1	**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**	**10.0** 8.6	**6.6** 5.0	**6.4** 7.4	**-1.2** -1.5	**4.6** 19.2	**48.6** 57.9	**-15.7** -25.5
Orbis Optimal SA Fund-Euro Class Euro Bank deposits	**01.01.2005**	**8.0** 6.8	**3.9** 2.4	**1.9** 2.4	**-1.9** -1.6	**-2.4** 11.3	**44.1** 40.2	**-19.3** -20.9

South African institutional portfolios annualised performance (rand) in percentage per annum to 31 December 2018

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year
Local portfolios[7] (before local fees)							
Domestic Equity Composite (Minimum net equity 75% - 95%) **Domestic Equity Pooled Portfolio (Minimum net equity 95%)** FTSE/JSE All Share Index	**49.8** **4.7**	**01.01.1990** **01.02.2001**	**19.3** **19.3** 13.7/13.6	**13.3** **13.6** 12.6	**7.7** **7.9** 5.8	**6.1** **6.3** 4.3	**-7.5** **-7.6** -8.5
Domestic Balanced Composite **Domestic Balanced Pooled Portfolio** Mean of Alexander Forbes SA Large Manager Watch (Non-investable)[9]	**33.3** **3.2**	**01.01.1978** **01.09.2001**	**21.1** **16.6** 16.6/13.7	**11.9** **12.0** 11.1	**8.4** **8.3** 5.6	**7.4** **7.4** 5.3	**-3.1** **-3.2** -4.6
Domestic Stable Composite **Domestic Stable Pooled Portfolio** Alexander Forbes Three-Month Deposit Index plus 2%	**2.2** **1.5**	**01.12.2001** **01.12.2001**	**12.6** **12.8** 9.9	**9.3** **9.4** 8.5	**9.2** **9.3** 8.7	**8.9** **9.0** 9.2	**3.7** **3.8** 9.0
Global portfolios[7], limited to 30% foreign exposure (before local, but after foreign fees)							
Global Balanced Composite **Global Balanced Pooled Portfolio** **Global Balanced (RRF) Portfolio[8]** Mean of Alexander Forbes Global Large Manager Watch (Non-investable)[9,10]	**62.0** **4.0** **30.7**	**01.01.1978** **01.09.2000** **01.09.2000**	**20.8** **16.9** **16.9** 16.4/13.1	**11.9** **12.1** **12.1** 11.6	**8.1** **8.1** **8.1** 6.2	**5.9** **5.8** **5.9** 4.6	**-1.4** **-1.8** **-1.0** -1.0
Global Stable Composite **Global Stable Pooled Portfolio** Alexander Forbes Three-Month Deposit Index plus 2%	**8.1** **6.8**	**15.07.2004** **15.07.2004**	**12.1** **12.1** 9.2	**9.4** **9.4** 8.5	**8.8** **8.8** 8.7	**7.3** **7.3** 9.2	**4.2** **4.2** 9.0
Global Absolute Composite **Global Absolute Pooled Portfolio** Mean of Alexander Forbes Global Large Manager Watch (Non-investable)[9]	**10.9** **3.5**	**01.03.2004** **01.03.2004**	**13.9** **14.1** 13.5	**9.3** **9.5** 11.6	**7.1** **7.4** 6.2	**4.2** **4.7** 4.6	**-2.4** **-1.7** -1.0
Foreign only portfolios[7] (after fees)							
Orbis Global Equity Pooled Portfolio FTSE World Index	**0.5**	**18.05.2004**	**13.6** 13.0	**14.3** 15.0	**8.6** 11.7	**3.8** 4.2	**-7.5** 6.7
Foreign Balanced (Rands) Composite[11] **Foreign Balanced Pooled Portfolio** 60% of the MSCI World Index[12] and 40% of the JP Morgan Global Government Bond Index	**3.3** **0.0**	**23.05.1996** **23.01.2002**	**13.6** **8.2** 11.6/7.6	**9.6** **9.5** 11.6	**7.3** **7.1** 10.2	**2.4** **2.2** 2.6	**0.9** **-0.8** 10.5

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

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

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

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

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

12 Morgan Stanley Capital International All Country World Index.

IMPORTANT INFORMATION FOR INVESTORS

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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, Allan Gray Pension Preservation Fund and 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

Directors

Executive
R J Formby BSc (Eng) MBA
A R Lapping BSc (Eng) BCom CFA

Non-Executive
W B Gray BCom MBA CFA (Irish)
I S Liddle BBusSc (Hons) CFA
T J Mahuma BA (Hons) MPhil
K C Morolo BSc (Eng) MEng
T Mhlambiso AB MBA JD

Company Secretary

C E Solomon BBusSc (Hons) CA (SA)

Registration number

2005/002576/07

Business address

1 Silo Square
V&A Waterfront
Cape Town
8001

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

Client Service Centre

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


ALLAN GRAY