Fund managers: Duncan Artus, Jacques Plaut, Rory Kutisker-Jacobson, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 1 October 1998

Allan Gray Equity Fund

30 June 2021

Fund description and summary of investment policy

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the average return of South African General Equity Funds over the long term, without taking on greater risk of loss. To pursue its objective the Fund's portfolio may differ materially from those of its peers. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares from sellers who over-react to short-term difficulties or undervalue long-term potential. We invest in a selection of shares across all sectors of the stock market, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

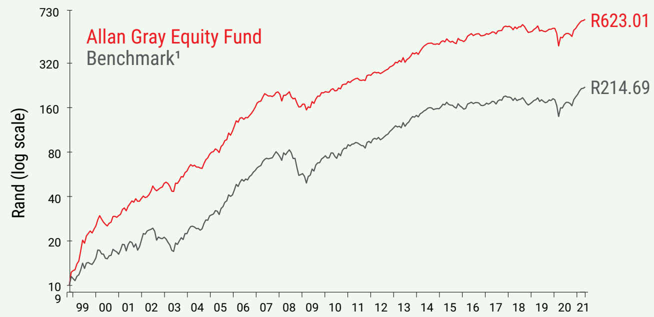
*Only available to investors with a South African bank account.

Fund information on 30 June 2021

Fund size	R36.3bn
Number of units	48 056 748
Price (net asset value per unit)	R423.94
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 1998)	6130.1	2046.9	222.3
Annualised:			
Since inception (1 October 1998)	19.9	14.4	5.3
Latest 10 years	9.8	9.1	5.0
Latest 5 years	4.9	4.8	4.3
Latest 3 years	3.5	5.9	3.9
Latest 2 years	8.0	9.1	3.6
Latest 1 year	25.4	27.8	5.2
Year-to-date (not annualised)	13.5	14.0	2.6
Risk measures (since inception)			
Maximum drawdown[3]	-37.0	-45.4	n/a
Percentage positive months[4]	65.2	59.0	n/a
Annualised monthly volatility[5]	15.7	16.9	n/a
Highest annual return[6]	125.8	73.0	n/a
Lowest annual return[6]	-24.3	-37.6	n/a

1. The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 30 June 2021. From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 3 September 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 September 1999 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average equity fund. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2020	30 Jun 2021
Cents per unit	**291.3975**	**330.8930**

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

Top 10 share holdings on 30 June 2021 (SA and Foreign)
(updated quarterly)[7]

Company	% of portfolio
Naspers[8]	9.3
British American Tobacco	6.9
Glencore	4.5
Woolworths	3.4
Standard Bank	2.8
Remgro	2.6
Sibanye Stillwater	2.3
FirstRand	2.3
Nedbank	2.2
Old Mutual	2.1
Total (%)	**38.3**

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Includes holding in Prosus NV if applicable.
9. FTSE/JSE All Share Index.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**0.24**	**0.79**
Fee for benchmark performance	1.12	1.13
Performance fees	-0.92	-0.44
Other costs excluding transaction costs	0.04	0.04
VAT	0.00	0.06
Transaction costs (including VAT)	**0.10**	**0.10**
Total investment charge	**0.34**	**0.89**

Sector allocation on 30 June 2021
(updated quarterly)[7]

Sector	% of Fund	% of ALSI[9]
Energy	1.7	0.7
Basic materials	17.8	33.1
Industrials	5.5	4.2
Consumer staples	14.1	7.0
Healthcare	3.9	1.7
Consumer discretionary	12.0	14.2
Telecommunications	2.5	4.1
Utilities	0.5	0.0
Financials	26.4	15.6
Technology	11.2	16.4
Commodity-linked	0.6	0.0
Real estate	1.0	3.1
Other	0.1	0.0
Money market and bank deposits	2.8	0.0
Total (%)	**100.0**	**100.0**

Asset allocation on 30 June 2021[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	95.6	65.4	3.8	26.4
Hedged Equity	0.0	0.0	0.0	0.0
Property	1.0	0.8	0.0	0.1
Commodity-linked	0.6	0.6	0.0	0.0
Bonds	0.1	0.0	0.0	0.1
Money market and bank deposits	2.7	1.8	-0.2	1.0
Total (%)	**100.0**	**68.6**	**3.7**	**27.7[10]**

10. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

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Fund manager quarterly commentary as at 30 June 2021

The Fund returned 1.1% for the quarter, slightly better than the benchmark, which was up 0.2% over the period.

As often happens, the performance of shares within the benchmark has not been uniform. Many "SA Inc" stocks have done well, with shares like Nedbank, Investec, Foschini, and Pep up more than 20%. Naspers and the gold stocks had a poor quarter. The same thing has happened over the past year: SA Inc stocks have done well; Naspers and gold have done poorly.

There was some good news during the quarter for Life Healthcare (Life), one of the holdings in the Fund. The US Food and Drug Administration (FDA) approved a new drug for treating Alzheimer's disease. The new drug is not owned by Life, so how does the FDA approval help? Life has an important role to play in the diagnosis of Alzheimer's. It owns a tracer called Neuraceq, which is used during PET-CT scanning to identify the amyloid plaques in the brain that are associated with Alzheimer's. There are only three such tracers currently approved by the FDA. The expectation is that the availability of a treatment, and a very large need (there are tens of millions of people suffering from Alzheimer's), will lead to a big increase in the demand for diagnostic scans.

A lot still has to happen before it would be prudent to assign a big value to Neuraceq. For example, you don't necessarily need a PET-CT scan in order to diagnose Alzheimer's. Fortunately, Life is probably a cheap share even without Neuraceq. Earnings are depressed because of COVID-19. Believe it or not, the pandemic has been bad for private healthcare, because elective surgeries are delayed. If earnings recover – something which we expect to happen – Life will be on a low-teens earnings multiple (without counting any benefit from Neuraceq). This is attractive for a company that converts most of its earnings to free cash flow, has about one-third of its value in the UK, and for which demand is not usually cyclical.

Despite the market staging a strong recovery since the lows of 2020, there are more shares like Life which have been weak and which are trading below our assessment of intrinsic value.

During the quarter the Fund bought Naspers and Northam Platinum, and sold Anglo American and Investec Plc.

Commentary contributed by Jacques Plaut.

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Allan Gray is an authorised financial services provider.

Management Company

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

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za.

Performance

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

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE/JSE All Share Index

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

Important information for investors

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**

Allan Gray Balanced Fund

30 June 2021

Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

ASISA unit trust category: South African – Multi Asset – High Equity

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

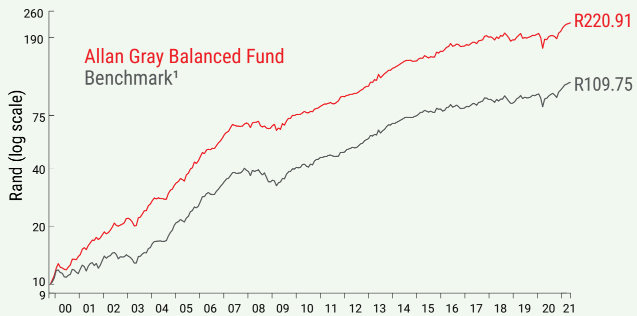
Fund information on 30 June 2021

Fund size	R145.5bn
Number of units	551 692 096
Price (net asset value per unit)	R116.54
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 30 June 2021. From inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Micropal.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 1999)	2109.1	997.5	218.0
Annualised:			
Since inception (1 October 1999)	15.3	11.6	5.5
Latest 10 years	10.0	9.1	5.0
Latest 5 years	5.6	6.0	4.3
Latest 3 years	4.9	6.8	3.9
Latest 2 years	8.7	9.2	3.6
Latest 1 year	17.1	17.6	5.2
Year-to-date (not annualised)	9.9	9.5	2.6
Risk measures (since inception)			
Maximum drawdown[3]	-25.4	-23.3	n/a
Percentage positive months[4]	69.0	68.2	n/a
Annualised monthly volatility[5]	9.6	9.4	n/a
Highest annual return[6]	46.1	41.9	n/a
Lowest annual return[6]	-14.2	-16.7	n/a

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Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10 years, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average balanced fund.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2020	30 Jun 2021
Cents per unit	**105.3969**	**93.3008**

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.50% p.a. excl. VAT
Minimum fee: 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

Top 10 share holdings on 30 June 2021 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
Naspers[8]	6.9
British American Tobacco	6.4
Glencore	4.2
Woolworths	2.6
Sibanye Stillwater	2.0
Remgro	1.9
Standard Bank	1.9
Old Mutual	1.8
Sasol	1.8
FirstRand	1.8
Total (%)	**31.2**

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**0.74**	**1.01**
Fee for benchmark performance	1.02	1.07
Performance fees	-0.38	-0.18
Other costs excluding transaction costs	0.03	0.03
VAT	0.07	0.09
Transaction costs (including VAT)	**0.08**	**0.09**
Total investment charge	**0.82**	**1.10**

Asset allocation on 30 June 2021[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	71.9	51.2	3.1	17.6
Hedged Equity	6.3	1.1	0.0	5.2
Property	1.1	0.8	0.0	0.3
Commodity-linked	3.1	2.4	0.0	0.7
Bonds	12.4	8.9	1.5	2.1
Money market and bank deposits	5.2	2.7	0.1	2.3
Total (%)	**100.0**	**67.1**	**4.7**	**28.2[9]**

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

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(February 2000) 49.3%
Average	62.6%
Maximum	(May 2021) 72.9%

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

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Fund manager quarterly commentary as at 30 June 2021

The Fund returned 0.8% for the quarter. The local equity market traded sideways, following a very strong Q4 (10%) and Q1 (13%). Fixed income has contributed to returns, while the foreign portion of the Fund marginally detracted from returns, given the strength of the rand.

Despite the recent sell-off, rand strength has surprised many people. Compared to the US dollar, the local currency has strengthened 3% since the start of 2021 and 25% since its weakest point in 2020. These moves are partly due to dollar weakness, but the rand has also been one of the best-performing emerging market currencies over the past year. It may seem hard to reconcile the strength of the local currency with the very real economic problems SA is facing, such as low economic growth and a high debt burden. Two specific contributors to its strength have been strong SA exports and foreign capital returning to the country. Exports have been boosted by significantly higher prices across most commodities, resulting in large trade surpluses for South Africa. Foreign capital has gradually been returning to the local market as SA shares and bonds were simply too cheap last year.

A useful maxim in investing is that at a low enough price, almost any asset can be a good investment, and at a high enough price, any asset can be a poor investment. The former was true for most South African shares last year. The FTSE/JSE All Share Index (ALSI) has now appreciated by 52% in US dollars over the last 12 months. Many domestic businesses have been very good investments over the past year, despite facing a tough economic outlook. Share prices of these businesses were depressed following the initial COVID-19 market turmoil and were in many cases discounting a worst-case scenario.

A good example would be South African banks. For most of the last year, share prices of SA banks have implied expected credit losses much worse than the 2008-2009 recession – an unlikely outcome, in our view. The SA banks index is up 48% over the last year, but still lower than before the pandemic. Banks remain a significant holding in the Fund. A similar example is the domestic clothing retailers, which have enjoyed an even sharper recovery. Many of these shares, such as Mr Price and Foschini, are now at higher levels than before COVID-19. The Fund has sold a large portion of its position in these shares.

The ALSI is now significantly higher than it was before the pandemic – 21% up from the start of 2020. Is this not a sign that it is time to reduce local equity exposure? Not necessarily. The Fund has been trimming local equity exposure, but our bottom-up stockpicking is still finding many attractively priced opportunities. It is important to remember that the strength of the ALSI has largely been driven by mining companies and some large dual-listed industrials, such as Richemont. This has masked the relative weakness of other areas of the market. High commodity prices have been a significant tailwind to mining shares.

The Fund's holding of government bonds is higher than it has been in recent years, taking advantage of the steep yield curve. However, the fixed income portion remains conservatively managed, with low duration and modest exposure to credit risk.

During the quarter the Fund bought more Naspers and platinum miners and sold down some banks, retailers and Glencore.

Commentary contributed by Tim Acker.

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Allan Gray is an authorised financial services provider.

Management Company

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

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za.

Performance

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

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE/JSE All Share Index

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

MSCI Index

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ALLANGRAY

Fund managers: Duncan Artus, Sean Munsie, Tim Acker
(most foreign assets are invested in Orbis funds) **Inception date:** 1 July 2000

Allan Gray Stable Fund

30 June 2021

Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 40%. The Fund's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund or a balanced fund.

ASISA unit trust category: South African – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited, plus 2%.

How we aim to achieve the Fund's objective

A major portion of the Fund is typically invested in money market instruments. We seek to deploy the Fund's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Fund's stock market exposure in consideration of the Fund's capital preservation objectives. The Fund may also invest in bonds, property and commodities. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a unit trust that complies with retirement fund investment limits

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

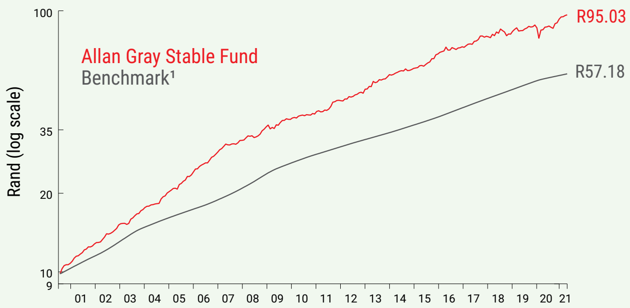
Fund information on 30 June 2021

Fund size	R45.2bn
Number of units	553 009 821
Price (net asset value per unit)	R37.84
Class	A

1. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited plus 2%, performance as calculated by Allan Gray as at 30 June 2021.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 June 2003. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 30 June 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2000)	850.3	471.8	202.0
Annualised:			
Since inception (1 July 2000)	11.3	8.7	5.4
Latest 10 years	8.6	7.0	5.0
Latest 5 years	6.3	7.2	4.3
Latest 3 years	5.0	6.5	3.9
Latest 2 years	7.0	5.8	3.6
Latest 1 year	11.0	4.6	5.2
Year-to-date (not annualised)	6.9	2.3	2.6
Risk measures (since inception)			
Maximum drawdown[3]	-16.7	n/a	n/a
Percentage positive months[4]	77.4	100.0	n/a
Annualised monthly volatility[5]	5.2	0.7	n/a
Highest annual return[6]	23.3	14.6	n/a
Lowest annual return[6]	-7.4	4.6	n/a

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Meeting the Fund objective

Since inception and over the latest 10 years, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to minimise the risk of loss over any two-year period.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus quarterly.	30 Sep 2020	31 Dec 2020	31 Mar 2021	30 Jun 2021
Cents per unit	**37.6982**	**29.1088**	**22.9897**	**23.6459**

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.50% p.a. excl. VAT
Minimum fee: 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

Top 10 share holdings on 30 June 2021 (SA and Foreign) (updated quarterly)[8]

Company	% of portfolio
British American Tobacco	3.2
Naspers[9]	3.1
Glencore	2.5
Nedbank	1.4
Sibanye Stillwater	1.4
Woolworths	1.4
Standard Bank	1.2
Remgro	1.0
MultiChoice	1.0
Taiwan Semiconductor Mfg.	1.0
Total (%)	**17.0**

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**0.89**	**0.90**
Fee for benchmark performance	1.01	1.06
Performance fees	-0.24	-0.27
Other costs excluding transaction costs	0.03	0.03
VAT	0.09	0.08
Transaction costs (including VAT)	**0.06**	**0.07**
Total investment charge	**0.95**	**0.97**

Top credit exposures on 30 June 2021 (SA and Foreign) (updated quarterly)[7,8]

Issuer	% of portfolio
Republic of South Africa	15.0
FirstRand Bank	5.5
Standard Bank (SA)	3.0
Investec Bank	2.6
Citibank London	2.4
Northam Platinum	1.9
Nedbank	1.7
Standard Bank Group	1.2
Total (%)	**33.3**

Asset allocation on 30 June 2021[8]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	36.8	23.8	2.9	10.1
Hedged Equity	13.8	4.3	0.0	9.5
Property	2.2	2.0	0.0	0.2
Commodity-linked	3.1	2.3	0.0	0.8
Bonds	34.5	26.9	3.1	4.6
Money market and bank deposits	9.5	4.8	0.3	4.5
Total (%)	**100.0**	**64.1**	**6.2**	**29.7[10]**

7. All credit exposure 1% or more of portfolio.
8. Underlying holdings of Orbis funds are included on a look-through basis.
9. Includes holding in Prosus NV if applicable.
10. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(January 2010) 12.4%[8]
Average	26.0%
Maximum	(December 2018) 39.6%

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

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Fund manager quarterly commentary as at 30 June 2021

The FTSE/JSE All Share Index (ALSI) consolidated the strong gains from the November low during the quarter. Global equities continue to trade near their recent highs.

Given the Fund's emphasis on capital preservation, the maximum net equity weighting is capped at 40%. The net equity position contributes to the Fund achieving its objective of outperforming cash. This naturally results in a large fixed income position in cash-like instruments and/or bonds of various durations: 15% of the Fund is currently invested in South African banking sector fixed income. The Fund also holds the equity of banks we find attractive, such as Standard Bank and Nedbank, which currently make up an additional 3.5% of the Fund.

The banking sector's returns, both equity and fixed income, are often impacted by the performance of South African government bonds, which make up 15% of the Fund, and the rand. Lower bond yields and a stronger rand are good for banks' relative performance, all else being equal. The performance of these assets is often closely interlinked. To manage this potential risk, the Fund has an allocation to offshore assets, Africa ex-SA and commodities like gold, as disclosed in the asset allocation table.

In addition, we can further diversify within local equities by holding attractive mining shares, such as Glencore and Sibanye-Stillwater, and dual-listed shares such as Naspers and British American Tobacco, which might perform differently to local bonds and banking shares in certain scenarios. The dramatic sell-off in bonds, property and financial shares during Nenegate was a good example of the value this diversification brings to the portfolio.

A new position we have accumulated over the last year is Anheuser-Busch Inbev (ANH), the world's largest brewer. The share has significantly underperformed since its overpriced acquisition of SABMiller in 2016. This underperformance accelerated during the pandemic sell-off over concerns about future beer sales and the company's substantial net debt. This gave us the opportunity to purchase a well-managed, high-quality, globally diversified business at an attractive valuation, which should benefit from a global reopening.

Since the onset of the pandemic, we have also used price weakness to increase our exposure to less cyclical domestic industrial shares, which generate good cashflow and will hopefully pay dividends despite the tough economy. These include retailers Woolworths, Pepkor, Pick 'n Pay and Cashbuild and food and beverage company AVI. These are all good businesses that have produced results which were far stronger than the market expected a year ago. The opportunity to increase the quality in the portfolio at attractive valuations is exciting.

The Fund purchased AngloGold and Naspers and reduced Mr Price and the platinum ETF during the quarter.

Commentary contributed by Duncan Artus.

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Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

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

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Total expense ratio (TER) and transaction costs

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Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE/JSE All Share Index

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Allan Gray Money Market Fund

30 June 2021

Fund description and summary of investment policy

The Fund invests in South African money market instruments with a term shorter than 13 months. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds.

While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the Fund defaults. In this event losses will be borne by the Fund and its investors.

ASISA unit trust category: South African – Interest Bearing – Money Market

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

The Fund invests in selected money market instruments providing an income yield and a high degree of capital stability. We formulate an interest rate outlook, which is influenced by our inflation outlook and expectations of the resulting Reserve Bank policy response. Based on this analysis, we select investments for the Fund. These assets are typically held to maturity. We take a conservative approach to credit risk.

Suitable for those investors who

- Require monthly income distributions
- Are highly risk-averse but seek returns higher than bank deposits
- Need a short-term investment account

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

Fund information on 30 June 2021

Fund size	R24.3bn
Number of units	24 061 444 791
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.34
Fund weighted average coupon (days)	84.87
Fund weighted average maturity (days)	106.00
Class	A

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 30 June 2021.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
3. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 July 2003 and the benchmark's occurred during the 12 months ended 31 July 2003. The Fund's lowest annual return occurred during the 12 months ended 30 June 2021 and the benchmark's occurred during the 12 months ended 30 June 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distribution for the last 12 months

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

Jul 2020	Aug 2020	Sep 2020	Oct 2020
0.45	0.42	0.39	0.38
Nov 2020	Dec 2020	Jan 2021	Feb 2021
0.35	0.36	0.36	0.32
Mar 2021	Apr 2021	May 2021	June 2021
0.35	0.34	0.35	0.34

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	348.8	335.1	184.8
Annualised:			
Since inception (1 July 2001)	7.8	7.6	5.4
Latest 10 years	6.5	6.2	5.0
Latest 5 years	7.1	6.6	4.3
Latest 3 years	6.5	6.0	3.9
Latest 2 years	5.9	5.4	3.6
Latest 1 year	4.5	4.0	5.2
Year-to-date (not annualised)	2.1	1.8	2.6
Risk measures (since inception)			
Percentage positive months	100.0	100.0	n/a
Annualised monthly volatility	0.6	0.6	n/a
Highest annual return[3]	12.8	13.3	n/a
Lowest annual return[3]	4.5	4.0	n/a

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Meeting the Fund objective

The Fund has preserved capital, maintained liquidity and generated a sound level of income.

Annual management fee

A fixed fee of 0.25% p.a. excl. VAT

Total expense ratio (TER) and Transaction costs

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**0.29**	**0.29**
Fee for benchmark performance*	0.25	0.25
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.29**	**0.29**

Exposure by issuer on 30 June 2021

	% of portfolio
Corporates	**11.8**
Pick 'n Pay	2.8
Shoprite	2.7
Sanlam	2.6
MTN	1.7
Toyota Financial Services	1.1
Mercedes-Benz	0.8
Banks[4]	**51.2**
Nedbank	15.4
Absa Bank	11.6
Standard Bank	9.3
FirstRand Bank	9.0
Investec Bank	5.9
Government	**37.0**
Republic of South Africa	37.0
Total (%)	**100.0**

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

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

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Fund manager quarterly commentary as at 30 June 2021

While South Africa's June inflation print at 5.2% is cause for concern for money market investors, we must keep in mind that base effects are very much at play given that this is a year-on-year calculation. In 2020, our inflation plummeted to just shy of 2%, as economic activity took a nosedive through the unfolding lockdowns. Even with these anomalies in mind, we are a far cry from the 3% uplift over inflation that the Fund achieved over the last five years. The fact that SA's policy rates are negative on an inflation-adjusted and forward-looking basis is well acknowledged by South African Reserve Bank (SARB) Governor Lesetja Kganyago. This means that short-term SA deposits will not fully compensate an investor for inflation erosion until rates are hiked.

Communication from the SARB seems to suggest that even though its primary goal is inflation targeting, it is also watching our fiscal consolidation prospects and thinking about the role that rates can play. An important "growth-friendly" policy that has emerged from the fiscus is the budding liberalisation of the electricity industry and co-generation of electrical power. Another solid victory could take the form of policies to address our high unemployment by way of labour market reforms. Where low interest rates can support such a path is via the mechanism of reducing the cost of borrowing and encouraging local corporates to roll out capital expenditure projects. For individuals, too, lower cost of capital has seen first-time house buyers emerge in force in 2020, which could have the knock-on effect of stimulating the construction sector.

The rhetoric coming from the SARB suggests that neutral interest rates should be closer to 6% - 7%, but that the process of moving back there will be gradual. The SARB would rather take their foot off the accelerator slowly than slam their foot on the breaks in three years' time when inflation may have spun out of control. Trends in rising global food prices will require a response if they evolve into pressures locally. In South Africa, a narrow supply base also means that there is upward pressure on administered prices like electricity, water, and municipal tariffs, which are passed onto the consumer.

In the last quarter, the Fund bought longer-dated deposits and bills to take advantage of rising yields following the global inflationary scare.

Commentary contributed by Thalia Petousis.

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

Allan Gray is an authorised financial services provider.

Management Company

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

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za.

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

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 applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens, withdrawals may be ring-fenced and managed over a period of time.

Purchase and redemption requests must be received by the Management Company by 11:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Important information for investors

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**

ALLANGRAY

Fund managers: This Fund invests solely into the Orbis Global Equity Fund, managed by Orbis Investment Management Limited **Inception date:** 1 April 2005

Allan Gray-Orbis Global Equity Feeder Fund

30 June 2021

Fund description and summary of investment policy

The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The Orbis Global Equity Fund is designed to be exposed to all of the risks and rewards of selected global shares. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.

ASISA unit trust category: Global – Equity – General

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

The Fund invests only in the Orbis Global Equity Fund. The Orbis Global Equity Fund is designed to be exposed to all of the risks and rewards of selected global shares. Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables Orbis to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally.

Suitable for those investors who

- Seek exposure to diversified international equities to provide long-term capital growth
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with global stock market and currency fluctuation and risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a global equity 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order**	R500

*Effective 14 May 2020, the Orbis Global Equity Fund's benchmark changed to the MSCI World Index, including income, after withholding taxes. However, for an initial period of time, the Orbis Global Equity Fund is continuing to charge its fee with reference to the FTSE World Index, including income. See the Orbis Global Equity Fund's factsheet for more information. After this initial period of time, the benchmark of the Allan Gray-Orbis Global Equity Feeder Fund will change to the MSCI World Index, including income, after withholding taxes.

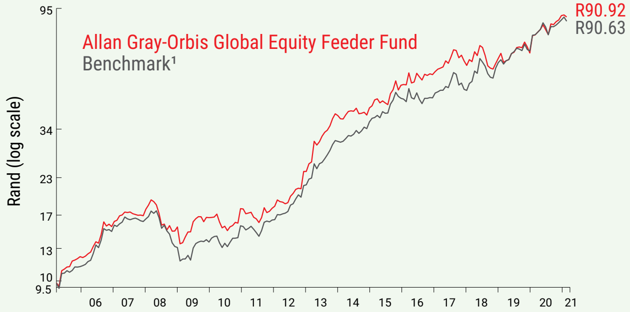
**Only available to investors with a South African bank account.

Fund information on 30 June 2021

Fund size	R24.8bn
Number of units	274 337 597
Price (net asset value per unit)	R 90.52
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (1 April 2005)	809.2	297.6	806.3	296.3	138.5	39.1
Annualised:						
Since inception (1 April 2005)	14.6	8.9	14.5	8.8	5.5	2.1
Latest 10 years	18.1	9.7	19.3	10.8	5.0	1.8
Latest 5 years	11.9	12.7	14.5	15.3	4.3	2.3
Latest 3 years	10.6	9.5	16.5	15.3	3.9	2.3
Latest 2 years	20.8	20.3	20.5	20.0	3.6	2.5
Latest 1 year	15.3	40.8	14.8	40.2	5.2	4.9
Year-to-date (not annualised)	8.3	11.6	9.7	13.1	2.6	2.9
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	63.6	60.5	62.6	64.6	n/a	n/a
Annualised monthly volatility[5]	15.3	17.4	14.1	15.8	n/a	n/a
Highest annual return[6]	78.2	64.1	54.2	58.4	n/a	n/a
Lowest annual return[6]	-29.7	-44.8	-32.7	-47.3	n/a	n/a

1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 30 June 2021.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 6 June 2008 to 10 March 2009 and maximum benchmark drawdown occurred from 5 June 2008 to 6 March 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 March 2009 and the benchmark's occurred during the 12 months ended 31 March 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the last 10- and five-year periods, it has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the global stock market. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2020
Cents per unit	**0.6366**

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet and prospectus, which can be found at www.orbis.com.

Total expense ratio (TER) and Transaction costs

The annual management fee charged by Orbis is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**0.80**	**1.14**
Fee for benchmark performance	1.48	1.49
Performance fees	-0.73	-0.40
Other costs excluding transaction costs	0.05	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	**0.11**	**0.09**
Total investment charge	**0.91**	**1.23**

Top 10 share holdings on 30 June 2021

Company	% of portfolio
British American Tobacco	6.8
NetEase	6.3
Naspers[7]	5.8
XPO Logistics	5.7
Comcast	3.3
Taiwan Semiconductor Mfg.	3.0
Anthem	2.9
Howmet Aerospace	2.7
Bayerische Motoren Werke	2.6
ING Groep	2.5
Total	**41.6**

7. Includes holding in Prosus NV if applicable.

Asset allocation on 30 June 2021

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	99.1	35.0	28.4	9.9	17.6	8.3
Hedged equities	0.0	0.0	0.0	0.0	0.0	0.0
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Commodity-linked	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	0.9	0.0	0.0	0.0	0.0	0.9
TOTAL	**100.0**	**35.0**	**28.4**	**9.9**	**17.6**	**9.1**
Currency exposure of the Orbis Global Equity Fund						
Funds	100.0	42.7	29.5	9.9	9.2	8.6
Index	100.0	65.0	18.3	7.2	5.7	3.8

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

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Fund manager quarterly commentary as at 30 June 2021

Last quarter, we discussed the Orbis Global Equity Fund's substantial underweight to the US. While the US is home to some of our highest-conviction ideas, just one-third of the Fund is invested in the US, which accounts for two-thirds of the MSCI World Index. To be so heavily underweight the US, we must be heavily overweight somewhere else, and roughly a quarter of the portfolio today is invested in emerging market (EM) shares. True to our bottom-up approach, almost all of that EM exposure comes from just eight positions.

One of the largest of those positions is in South Africa-listed Naspers. Naspers is an especially vivid illustration of our global research capability, as both our EM and Europe analyst teams have independently found it attractive. Here, stockpickers from those teams provide their perspectives on the stock.

The view from our EM team

We have known Naspers well for a very long time and owned the share on and off since 1998. Our initial research predated the US$34m investment in Tencent that would come to define Naspers' value.

Years of research have given us a deep appreciation for the strength of Tencent. The business can be thought of in four main parts: social media, online games, payments and stakes in other firms.

"Social media" is too small a term to describe WeChat, Tencent's messaging-based super app that is indispensable to daily life in China. WeChat is not like WhatsApp; it is like WhatsApp, Facebook, Apple News, PayPal, Spotify, Uber, Deliveroo and the App Store all rolled into one. Tencent is also the largest online game operator in China and in payments, Tencent's WeChat Pay operates in a duopoly with Alibaba's Ant Financial. On top of its operating units, Tencent also holds an enviable portfolio of stakes in Chinese internet businesses and global gaming businesses.

None of these businesses is without risk. China's regulators have recently clamped down on fintech companies and the government is casting a more sceptical eye over potentially anticompetitive practices from dominant tech platforms and closed ecosystems such as Tencent's could be prised open, with wide-ranging implications. Game regulators have halted approvals in the past and could do so again. And, finally, China-US tensions could paint a target on Tencent's back.

Yet we must weigh those risks in the context of Tencent's cash generation, growth potential and valuation. The company generated US$16 billion of free cash flow last year, and should be able to grow that number at a near-20% annual rate. Stripping out the value of its stakes in other firms, that leaves Tencent trading at 33 times free cash flow – not optically cheap, but not unreasonable given the fundamentals.

And Tencent is not the only great company in the Naspers stable. Naspers also offers exposure to a range of interesting EM tech businesses such as Delivery Hero, Mail.ru, takealot.com and PayU, to name just a few.

Through Naspers, we can gain exposure to Tencent and these other emerging markets technology businesses at a 50% discount. This looks attractive, even when applying an appropriate holding company haircut.

The view from our Europe team

In the Europe team, our work on Naspers started more than a year ago when Naspers created and listed Prosus in Amsterdam to hold its stakes in Tencent and other international internet companies.

Researching Tencent, Prosus and Naspers has been fascinating, both in qualitative terms and at the holding company level, in terms of price paid relative to value received. Starting with Tencent's operating businesses, the discounts stack up as we move through the holding companies.

One level up is Prosus, a holding company which holds a 29% stake in Tencent as well as a cash pile and a range of international internet companies. In addition to those mentioned above, Prosus holds a range of leading online classified businesses in verticals such as real estate and autos. Here, our research on European peers shows that leading classified players often earn operating margins of 60% or higher. If we roll these assets in together with the Tencent stake, Prosus appears to trade at roughly a 40% discount to the value of its underlying parts.

Another level up is Naspers, which owns 73% of Prosus. Naspers trades at a roughly 20% discount to its Prosus stake and at a roughly 50% discount to its net asset value. By the time we've worked our way up the capital structure via Prosus to Naspers, we appear to be paying less than 20 times core earnings for Tencent. But this discount comes with significant risks and complexity.

Recently, Naspers announced a voluntary exchange where Prosus will offer to buy Naspers shares from existing shareholders in exchange for shares of Prosus. The transaction is meant to narrow the discount, but it is complex and will result in a large cross-shareholding, neither of which are typically rewarded by the market. We are assessing the deal, and we and our counterparts at Allan Gray have engaged with the company to understand their reasoning and express our views. This share exchange is not likely to be the end destination for Naspers. Looking ahead, we favour actions that simplify Naspers' structure to unlock the value of its underlying assets.

While the transaction is a reminder that the Naspers discount has strings attached, we ultimately come back to valuation, and the discount remains appealingly large. Once one strips out the various investments at each level, the multiple paid for core Tencent's free cash flow at the Naspers level is very probably below the global market average. That feels like compelling value indeed.

Over the quarter we added to the existing position in Alibaba Group Holding, the Chinese e-commerce giant, and established new positions in two internet-related companies in the US following a period of underperformance. We also added to the existing position in Naspers. We funded these purchases by trimming several positions that had outperformed of late, including BMW and XPO Logistics.

Adapted from a commentary contributed by Stefan Magnusson, Orbis Investment Management (Hong Kong) Limited, Hong Kong, and Edward Blain, Orbis Portfolio Management (Europe) LLP, London.

Important information for investors

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

Information and content

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Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

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

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Fees

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

Total expense ratio (TER) and transaction costs

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

Feeder fund

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

Foreign exposure

This fund invests in a foreign fund managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE Russell Index

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

MSCI Index

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Fund managers: This Fund invests solely into the Orbis SICAV Global Balanced Fund, managed by Orbis Investment Management Limited. **Inception date:** 3 February 2004

Allan Gray-Orbis Global Balanced Feeder Fund

30 June 2021

Fund description and summary of investment policy[1]

The Fund is a feeder fund and invests only in the Orbis SICAV Global Balanced Fund ('Orbis Global Balanced'), managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. Orbis Global Balanced invests in a diversified global portfolio of equities, fixed income, and commodity-linked instruments. The typical net equity exposure of Orbis Global Balanced is between 40% and 75%. Orbis Global Balanced aims to balance investment returns and risk of loss. Returns are likely to be less volatile than those of a global equity-only fund. Although Orbis Global Balanced's investment universe is global, the units of the Fund are priced and traded daily in rands.

ASISA unit trust category: Global – Multi Asset – High Equity

Fund objective and benchmark[1]

The Fund aims to create long-term wealth for investors and to outperform its designated combined equity and bond performance benchmark, which comprises 60% the MSCI World Index with net dividends reinvested and 40% the J.P. Morgan GBI Global Index.

How we aim to achieve the Fund's objective

The Fund invests only in Orbis Global Balanced. Orbis Global Balanced is actively managed and invests in a diversified global portfolio of equities, fixed income, and commodity-linked instruments. Orbis Global Balanced targets an exposure of 40% to 90% of net asset value ('NAV') in equities, 10% to 50% in fixed income and 0% to 10% in commodity-linked instruments. The overall exposure to equities after hedging is intended to be limited to 75% of NAV. The weighting among the asset classes is driven by Orbis' bottom-up approach in selecting securities across asset classes and therefore may deviate substantially compared to the benchmark.

Like Allan Gray, Orbis uses in-house research to identify companies whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables them to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. A similar approach is applied in selecting fixed income instruments, which may consist of cash, cash equivalents, government bonds and investment-grade and high-yield corporate bonds and, at times, distressed corporate bonds. They are selected with the aim of increasing the overall risk-adjusted return.

When Orbis' research suggests that stock or bond markets are overvalued, Orbis may reduce exposure to those asset classes or hedge market risk using exchange-traded derivatives. Hedged equities may also be used as an alternative to holding fixed-income instruments and reduce overall portfolio risks. Commodity-linked instruments are included if Orbis' research identifies certain commodities as being more attractive on a risk-adjusted basis than overall equity or fixed-income opportunities. Currency exposure is actively managed to control exposure to currencies less likely to hold their long-term value in US dollars.

Suitable for those investors who

- Seek to balance investment returns and risk of loss, by investing in a diversified global multi-asset class portfolio
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable that the investment approach is likely to result in volatility and potential capital loss, but typically less volatility than that of a global equity-only fund
- Typically have an investment horizon of at least three to five years

Fund information on 30 June 2021

Fund size	R14.5bn
Number of units	304 841 210
Price (net asset value per unit)	R47.53
Class	A

Minimum investment amounts

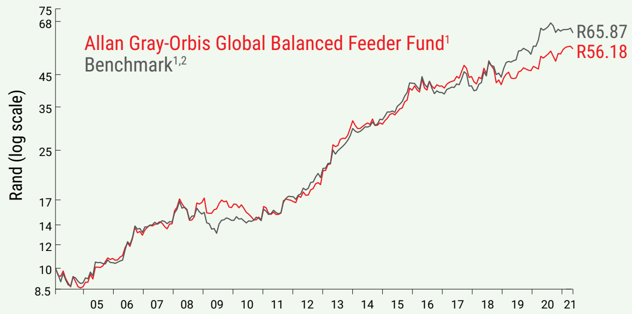
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

1. The Fund was converted from a fund of funds structure to a feeder fund structure and its name and benchmark were amended on 1 June 2021. For more information, please read 'Ballot underway for Allan Gray-Orbis Global Fund of Funds', available via the Latest insights section of our website.
2. 60% of the MSCI World Index with net dividends reinvested and 40% of the J.P. Morgan GBI Global Index (source: Bloomberg), performance as calculated by Allan Gray as at 30 June 2021. From inception to 31 May 2021, the benchmark was 60% of the FTSE World Index including income and 40% of the J.P. Morgan GBI Global Index.
3. This is based on the latest available numbers published by IRESS as at 31 May 2021.
4. Maximum percentage decline over any period. The maximum rand drawdown occurred from 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
5. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
6. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
7. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 October 2010 and the benchmark's occurred during the 12 months ended 30 June 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark[1,2]		CPI inflation[3]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (3 February 2004)	461.8	177.4	558.7	225.3	148.3	44.1
Annualised:						
Since inception (3 February 2004)	10.4	6.1	11.4	7.0	5.4	2.1
Latest 10 years	13.9	5.8	15.5	7.2	5.0	1.8
Latest 5 years	6.4	7.2	9.2	10.0	4.3	2.3
Latest 3 years	5.4	4.4	12.1	11.0	3.9	2.3
Latest 2 years	12.6	12.2	13.7	13.2	3.6	2.5
Latest 1 year	6.4	29.9	0.7	23.0	5.2	4.9
Year-to-date (not annualised)	4.6	7.8	2.7	5.9	2.6	2.9
Risk measures (since inception)						
Maximum drawdown[4]	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months[5]	57.4	60.3	58.4	64.1	n/a	n/a
Annualised monthly volatility[6]	13.8	11.5	12.8	9.9	n/a	n/a
Highest annual return[7]	55.6	43.8	38.8	37.6	n/a	n/a
Lowest annual return[7]	-13.7	-27.3	-17.0	-31.7	n/a	n/a

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Allan Gray-Orbis Global Balanced Feeder Fund

30 June 2021

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than similar funds in the Global – Multi Asset – High Equity sector.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2020
Cents per unit	**0.0000**

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges an annual management fee within the underlying Orbis SICAV Global Balanced Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis SICAV Global Balanced Fund factsheet and prospectus, which can be found at www.orbis.com.

Total expense ratio (TER) and Transaction costs

The annual management fee charged by Orbis is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**0.82**	**1.18**
Fee for benchmark performance	1.46	1.45
Performance fees	-0.71	-0.33
Other costs excluding transaction costs	0.07	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	**0.09**	**0.09**
Total investment charge	**0.91**	**1.27**

Top 10 holdings on 30 June 2021

Company	% of portfolio
SPDR Gold Trust	5.8
Samsung Electronics	5.5
Taiwan Semiconductor Mfg.	5.3
AbbVie	3.2
BP	3.2
NetEase	3.2
Bayerische Motoren Werke	2.6
ING Groep	2.6
British American Tobacco	2.4
Royal Dutch Shell	2.3
Total (%)	**36.1**

Asset allocation on 30 June 2021

This fund invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	62.2	13.1	24.5	8.4	14.2	2.0
Hedged equities	18.7	9.9	4.8	0.5	2.2	1.3
Fixed interest	13.4	11.1	0.4	0.0	0.2	1.6
Commodity-linked	5.8	0.0	0.0	0.0	0.0	5.8
Net current assets	-0.1	0.0	0.0	0.0	0.0	-0.1
Total	**100.0**	**34.1**	**29.7**	**8.9**	**16.6**	**10.7**
Currency exposure of the Orbis SICAV Global Balanced Fund						
Funds	100.0	37.7	33.8	13.1	12.1	3.2
Index	100.0	61.0	24.5	11.5	0.8	2.1

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

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Fund manager quarterly commentary as at 30 June 2021

As contrarian, bottom-up investors, we often generate ideas by looking at companies that the market is neglecting. Since we are looking for value, you might expect us to avoid areas that are attracting a lot of hype. Often the obvious winners are expensive, but if a theme has legs, it is worth thinking through the second-order effects.

Few themes have been hotter recently than the energy transition, where electric vehicle companies with zero sales are commanding billion-dollar valuations. Amid the hype, we try to focus on how an orderly transition might impact the long-term fundamentals of companies.

The energy transition presents challenges for some companies, like oil producers. For portfolio holdings Shell and BP, however, playing a constructive role in the transition is not incompatible with generating good returns for shareholders. Both companies have set net zero emissions targets for 2050. In the interim, both have cut oil and gas investment by much more than they have increased investment in electricity and retailing, leaving far more cash available for shareholders. At current oil prices, both stocks offer free cash flow yields in the mid-teens.

On the other end of the spectrum are the obvious winners from the energy transition. While many of these shares look expensive, we do not ignore them entirely. Indeed, we own Vestas Wind Systems, the world's largest producer of onshore wind turbines.

But by and large, we have tried to avoid getting caught up in the glare of the obvious winners. Instead, we believe we have found some value below the surface of the theme. Turbine and grid equipment company Siemens Energy and power producer AES are both contributing to the transition, but in our view have been overlooked due to "dirty" parts of their business, while light-emitting diode (LED) producer Signify has suffered from simple neglect.

Siemens Energy

Electricity generation is an especially interesting part of the energy transition, because as consumers we want to do many things that add complexity: We want to move away from carbon-based energy sources, consume more energy through the electric grid, complicate the grid by adding distributed generation such as solar panels on homes and extend the grid by moving power plants away from cities to areas where they will catch the most sun or wind.

Siemens Energy touches every piece of this chain. The business was spun out of its namesake in September 2020. Today, the most valuable part of the company is its 67% stake in Siemens Gamesa, the global leader in offshore wind turbines. Siemens Energy combines this high-growth green energy exposure with a gas turbine business, a segment that focuses on electricity transmission, and promising efforts in producing green hydrogen. Increased demand for electricity will put increased strain on grids, just as those grids are growing more complex and dispersed. As the grid changes, transmission infrastructure must improve. As the world's largest producer of transmission equipment, Siemens Energy should be a key beneficiary over the long term.

If we value the company's Gamesa stake at market prices and assume investors are valuing the other segments at a 20% discount to the relevant peers, we are getting the gas turbine business for free at today's price, alongside a free option on the company's hydrogen efforts.

AES

The portfolio has also invested in AES, a global independent power producer. AES has gone through a decade-long transformation from coal-based power to being a global leader in renewable energy and energy storage. As a power producer, AES benefits when customers favour solar, as AES can profitably expand its generation capacity while locking in longer-term contracts. Yet despite growing more quickly than its closest peer, AES trades at a much lower valuation.

In addition to its core unit, AES owns an energy storage joint venture with Siemens called Fluence. Fluence is the world's second-largest energy storage company (after Tesla), and the largest one focused on utility-grade storage – the part of the market expected to see the highest growth. Should Fluence ever be listed separately, it would be the largest pure-play energy storage company in the world.

Signify

Looking at studies of what solutions to emissions reduction provide the best "bang for their buck", one of the most efficient solutions is also one of the simplest – switching from fluorescent light bulbs to LEDs.

A switch to LEDs is one of the few solutions that is an economic "win" for all parties involved. Compared to traditional fluorescent bulbs, LEDs last longer and shine brighter per dollar spent on electricity, reducing the cost to consumers. You can replace light bulbs without tearing down buildings, making it one of the easier solutions for governments to support and implement. And if buildings use less energy, countries need less power-generating capacity, saving capital costs all the way down the transmission line.

Signify is the world's largest producer of LED bulbs for both residential and professional use. According to the European Commission (EC), 40% of energy is consumed in buildings and 75% of buildings are energy inefficient, so the EC is rolling out financial incentives with an aim to double the rate of building renovations over the next five years. With similar renovation plans coming out of the Biden White House, we can expect above-trend renovation growth across both continents over the coming years.

These attractive growth opportunities are not reflected in Signify's valuation. Even after a recent price recovery, its shares offer an attractive 9% 2021 free cash flow yield and the company just paid out a healthy 5% dividend.

These three names form part of a larger energy exposure that tries to take a holistic, long-term view of how the world's energy systems might evolve. Newsworthy themes can be tricky to navigate as an investor, but can also lead to rewarding opportunities if you take the time to separate the facts from the froth.

Over the quarter we added to the portfolio's holding in a US Real Estate Investment Trust (REIT) and established new positions in a European financial services company and, following a period of underperformance, a US internet-related company. The additions were moderate and the aforementioned holdings were all less than 1% positions at 30 June 2021. We funded these purchases by reducing the portfolio's exposure to British American Tobacco and by trimming BMW.

Adapted from a commentary contributed by Timo Smuts, Orbis Investment Management Limited, Bermuda.

Important information for investors

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

Information and content

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

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Allan Gray is an authorised financial services provider.

Management Company

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

Performance

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

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Feeder fund

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

Foreign exposure

This fund invests in a foreign fund managed by Orbis Investment Management Limited, our offshore investment partner.

MSCI Index

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FTSE Russell Index

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

J.P. Morgan Index

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Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**

Fund manager: Duncan Artus (The underlying Orbis funds are managed by Orbis)
Inception date: 2 March 2010

Allan Gray-Orbis Global Optimal Fund of Funds

30 June 2021

Fund description and summary of investment policy

The Fund invests in a mix of absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 0% and 20%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of a foreign equity or balanced fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.

ASISA unit trust category: Global – Multi Asset – Low Equity

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

The Fund invests only in the Optimal SA absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within the Optimal funds, Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables them to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally. The Orbis Optimal SA funds reduce most of their stock market risk by the use of exchange-traded derivative futures contracts. The Orbis Optimal SA funds will typically retain a small portion of their exposure to equity markets, but the level of exposure may be varied depending on Orbis' assessment of the potential returns on global stock markets relative to their risk of capital loss. The underlying funds' returns are therefore derived partly from their relatively low exposure to stock markets, partly from Orbis' selected share returns relative to those markets, and partly from foreign currency cash-equivalent returns. The Fund's currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

Suitable for those investors who

- Seek steady absolute returns ahead of those of cash measured in global currencies
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk
- Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio

Fund information on 30 June 2021

Fund size	R0.7bn
Number of units	37 633 445
Price (net asset value per unit)	R18.80
Class	A

Minimum investment amounts

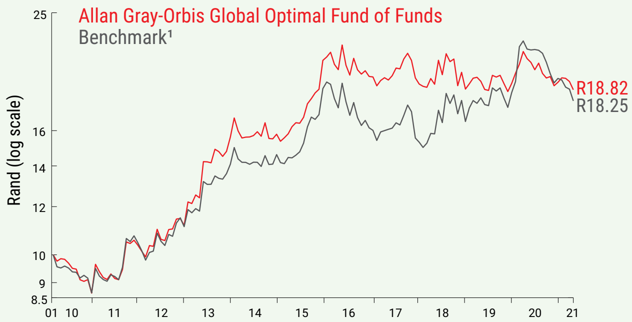
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 30 June 2021.
2. This is based on the latest available numbers published by IRESS as at 31 May 2021.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 2018. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 January 2016. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 28 February 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (2 March 2010)	88.2	1.6	82.5	-1.5	72.2	23.6
Annualised:						
Since inception (2 March 2010)	5.7	0.1	5.5	-0.1	5.0	1.9
Latest 10 years	7.5	-0.2	7.1	-0.6	5.0	1.8
Latest 5 years	-1.7	-1.0	0.5	1.2	4.3	2.3
Latest 3 years	-3.3	-4.3	1.9	0.9	3.9	2.3
Latest 2 years	0.4	0.0	1.7	1.3	3.6	2.5
Latest 1 year	-9.0	11.1	-15.8	2.8	5.2	4.9
Year-to-date (not annualised)	-0.6	2.5	-4.6	-1.6	2.6	2.9
Risk measures (since inception)						
Maximum drawdown[3]	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months[4]	48.5	52.2	45.6	49.3	n/a	n/a
Annualised monthly volatility[5]	13.7	7.4	14.3	4.4	n/a	n/a
Highest annual return[6]	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return[6]	-12.4	-15.3	-19.1	-11.6	n/a	n/a

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Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. It should be noted that the returns on dollar and euro cash have been low over this period. There has been some volatility in the Fund's returns. The underlying funds' maximum drawdowns to date, in their reporting currencies, are 23% for the Orbis Optimal SA Dollar class and 28% for the Orbis Optimal SA Euro class.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2020
Cents per unit	**0.4566**

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the Orbis Optimal SA Fund factsheets and prospectus, which can be found at www.orbis.com.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	**1.08**	**1.07**
Fee for benchmark performance	1.00	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.09	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	**0.14**	**0.13**
Total investment charge	**1.22**	**1.20**

Top 10 share holdings on 30 June 2021

Company	% of portfolio
British American Tobacco	4.7
UnitedHealth Group	3.1
Mitsubishi	3.1
NetEase	3.0
Woodside Petroleum	2.6
Korea Investment Holdings	2.5
Taiwan Semiconductor Mfg.	2.5
Honda Motor	2.3
Drax Group	2.3
XPO Logistics	2.2
Total (%)	**28.3**

Fund allocation on 30 June 2021

Foreign absolute return funds	%
Orbis Optimal SA (US$)	63.8
Orbis Optimal SA (Euro)	36.2
Total (%)	**100.0**

Asset allocation on 30 June 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equity	3.4	-1.5	1.9	0.2	2.3	0.4
Hedged equity	85.6	23.7	22.1	18.8	16.4	4.6
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Commodity-linked	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	11.0	0.0	0.0	0.0	0.0	11.0
Total	**100.0**	**22.3**	**24.0**	**19.1**	**18.6**	**16.0**
Currency exposure of the Orbis funds						
Funds	100.0	57.8	36.0	-0.2	6.3	0.2

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

Fund manager quarterly commentary as at 30 June 2021

At this time last year, we met with a number of clients who were understandably frustrated with the Orbis Optimal SA Fund's performance. We shared this frustration ourselves, but also noted that valuation dislocations in the wake of the COVID-19 outbreak had become historically extreme and Optimal was well placed to take advantage.

Since 30 June 2020, the Orbis Optimal SA Fund (US$) returned 10% after fees versus 2% for the average US dollar bond fund and 0.2% on US dollar bank deposits. While this pales in comparison to the 36% return of the average global equity fund over that time period, it has come with considerably less risk than an unhedged equity portfolio. This is hardly a cause for celebration – Optimal's longer-term results remain below the standard we set for ourselves – but it does give us confidence that the Fund remains as relevant as ever and is doing what it was designed to do.

One of Optimal's key design features is its ability to harness our stock selection capabilities, especially when the opportunity set is most extreme.

In recent years, dislocations within stock markets have been unusually large. In late 2019, fundamentally cheap shares had never been cheaper compared to fundamentally rich ones. Then, in 2020, the gap got even more extreme.

On the one hand, large dislocations like the one we saw last year are exciting for bottom-up stockpickers. They suggest the presence of mispricings that can be exploited by taking a contrarian view supported by in-depth fundamental research. But on the other hand, dislocations can be frustrating because extremes are often characterised by widespread irrational behaviour and can therefore persist for a painfully long time before they unwind.

To bring this to life with an illustration, we can look at BMW, which has been a key holding in the Fund for five years. It is a stock that has performed well over the past 12 months, but not before an uncomfortable period of underperformance and a great deal of uncertainty during the pandemic.

Back in late 2019, BMW was deeply out of favour for two primary reasons. The first was the automobile sales cycle, which was weak at the time, and the second was the broader threat of disruption posed by the industry's looming transition to electric vehicles (EVs).

We disagreed with the market's view on both counts. As with all cycles, we believed auto sales would inevitably improve – although we couldn't predict the timing – and that BMW would also successfully navigate the transition to EVs. If anything, we believed BMW had a distinct advantage over other incumbent auto makers given its premium brand and early efforts to prepare for the transition. Most importantly, we were excited about BMW because its valuation was the cheapest it had been since the global financial crisis a decade earlier and it was hard to imagine the stock getting much cheaper.

Instead, as the global economy began to shut down, we found ourselves running an analysis that we would have never contemplated just a few months earlier – how long could BMW survive without selling any cars? Having built conviction that BMW could survive a total shutdown of its plants and more than a year without sales, we used the market panic to increase our position when it was trading at a stunning three and a half times our estimate of "normal" earnings and a 45% discount to tangible book value.

Since then, it has become clear that the market's view was far too pessimistic. While the pandemic and the related lockdowns were clearly disruptive, they never affected car sales as much as was feared. In fact, by the fourth quarter of 2020, BMW reported remarkably normal-looking results. Over the past 12 months, BMW has returned 66% (in US dollar), comfortably outperforming the FTSE World Index's 40% return over the same period.

As encouraging as it has been to see this part of our thesis come to fruition, fears about EVs still weigh on the stock. Many investors continue to believe that early innovators like Tesla have an insurmountable lead over incumbent automakers and will disrupt the industry in the same way Apple did with smartphones or Amazon did with bookstores.

While these challenges are real, BMW has already invested heavily to develop a range of highly competitive EVs that will come to market from later this year. Whereas other incumbents have simply bolted new EV initiatives onto their existing business, BMW has spent more than five years integrating EV technology throughout its entire design and production processes. If consumer demand for EVs begins to inflect, we believe BMW is well positioned to not only capture the growth opportunity but also see its margins expand back to their historical range of 8-10% since the major costs in the transition have already been incurred in recent years.

At current prices, BMW is trading at seven times normalised earnings and 1.1 times tangible book value. While no longer the screaming bargain that it was at this time last year, we consider this attractive on a relative and absolute basis for a business that should continue to compound intrinsic value at above-market rates over the long term.

While our focus in this commentary has been on BMW, a similar story can be told about other holdings in Optimal that have been highlighted in our commentaries over the past year, such as XPO Logistics, Lloyds Banking Group, the Japanese trading companies and US health insurers. The same cannot be said for broad stock market indices, which continue to be flattered by an abnormally wide equity risk premium and unusually low risk-free rates. It is a setup that we continue to find particularly compelling and well suited to Optimal's strengths.

The Orbis Optimal SA Fund's overall net equity exposure was largely unchanged over the quarter. Among individual positions, the largest addition was to a Chinese internet company. The largest reduction was to BMW.

Adapted from a commentary contributed by John Christy, Orbis Investments (Canada) Limited, Vancouver, and Michael Heap, Orbis Portfolio Management (Europe) LLP, London.

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Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

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

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

Total expense ratio (TER) and transaction costs

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

Fund of funds

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

Foreign exposure

This fund invests in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE Russell Index

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