

Fund description and summary of investment policy¹

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 benchmark¹

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 Global Government Bond 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

Note: 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.

Fund information on 31 January 2024

Fund size	R17.2bn
Number of units	245 424 707
Price (net asset value per unit)	R69.98
Class	A

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

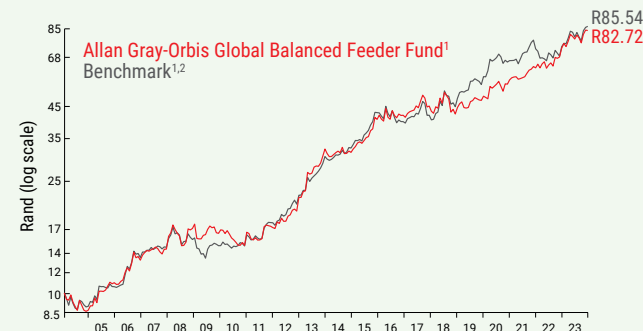
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

**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 Global Government Bond Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 January 2024. From inception to 31 May 2021, the benchmark was 60% of the FTSE World Index including income and 40% of the J.P. Morgan Global Government Bond Index.
3. This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 31 December 2023.
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 ¹		Benchmark ^{1,2}		CPI inflation ³	
Cumulative:	ZAR	US\$	ZAR	US\$	ZAR	US\$
Since inception (3 February 2004)	727.2	211.7	755.4	222.3	189.0	65.8
Annualised:						
Since inception (3 February 2004)	11.1	5.8	11.3	6.0	5.5	2.6
Latest 10 years	10.0	4.7	11.1	5.7	5.2	2.8
Latest 5 years	14.4	6.8	13.8	6.3	5.0	4.1
Latest 3 years	14.2	6.1	9.6	1.9	6.1	5.6
Latest 2 years	16.2	5.8	9.5	-0.3	6.2	4.9
Latest 1 year	15.3	7.5	17.8	9.8	5.1	3.3
Year-to-date (not annualised)	-0.3	-1.1	0.8	0.0	0.0	0.3
Risk measures (since inception)						
Maximum drawdown ⁴	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months ⁵	58.3	60.0	57.9	62.9	n/a	n/a
Annualised monthly volatility ⁶	13.5	11.8	12.8	10.5	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

Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has underperformed its benchmark. Over the latest five-year period, the Fund has outperformed 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 2023
Cents per unit	1.0560

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 (updated quarterly)

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 31 December 2023	1yr %	3yr %
Total expense ratio	0.68	1.74
Fee for benchmark performance	1.10	1.32
Performance fees	-0.48	0.36
Other costs excluding transaction costs	0.06	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	0.06	0.08
Total investment charge	0.74	1.82

Top 10 holdings on 31 January 2024

Company	% of portfolio
SPDR Gold Trust	5.2
Samsung Electronics	4.2
Kinder Morgan	3.4
Taiwan Semiconductor Mfg.	3.0
Burford Capital	2.6
US TIPS 0.25% 15 Jul 2029	2.5
US TIPS 0.375% 15 Jul 2027	2.5
Nintendo	2.4
Mitsubishi Heavy Industries	2.2
Drax Group	1.8
Total (%)	29.7

Asset allocation on 31 January 2024

This fund invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	57.3	12.9	19.3	9.3	13.3	2.6
Hedged equities	18.5	10.4	5.3	0.5	1.3	1.0
Property	0.1	0.0	0.0	0.1	0.0	0.0
Commodity-linked	5.2	0.0	0.0	0.0	0.0	5.2
Bonds	17.5	13.4	4.0	0.0	0.0	0.1
Money market and cash	1.4	0.3	0.5	0.3	0.2	0.1
Total	100.0	37.0	29.1	10.2	14.7	9.0

Currency exposure

	Fund	28.9	36.6	17.8	10.8	6.0
Benchmark	100.0	64.4	22.3	10.8	0.5	2.0

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

2023 was a healthy year for economies and markets, though a sometimes frustrating one for us. Across most of the developed world, interest rates rose, inflation slowed, wages grew, unemployment numbers napped, and equity markets flew. Central bankers have not quite toasted themselves for painlessly reducing inflation, but they have clearly started to chill the champagne. To many, the year felt like a warm encore to the investing environment of the last 15 years and a welcome pivot from 2022's tentative return to valuation rationality.

Company fundamentals, asset prices and common sense tell us that a re-run of the last 15 years is unlikely. Accordingly, the Fund hasn't changed much on the surface. Its asset class exposures are roughly where they were a year ago. Between regions, we still favour Japan, the UK and Europe over the US. Within sectors, our best ideas are still in energy, semiconductor manufacturers, energy transition businesses, financials and defence contractors, with minimal exposure to the US tech juggernauts that dominated markets in 2023. In part, that stability is deliberate. The classic value investor's mistake is to buy a cheap share on the way down, sweat anxiously until it starts to recover, then sell with relief as soon as it gets back to the purchase price. To us, that's like hopping off a train on the middle of a bridge. An extremely cheap stock that performs well may still be very cheap, and sometimes the hardest thing to do is sit on your hands.

Bottom-up rotation: energy, energy transition and semiconductors

But the Fund's apparent stability belies a number of changes under the surface. During the year, we made notable changes to the Fund's energy, energy transition and semiconductor holdings.

In energy, we trimmed exposure to oil and gas producers in favour of specialist service companies. As producers have ramped up supply, oil prices fell from an average of US\$100 per barrel in 2022 to an average of US\$85 in 2023. Higher supply is not great for producers, but it is rewarding for their service providers. Yet all of our services companies trade for less than 10 times what we expect them to earn in a few years.

We have also rotated within the Fund's energy transition holdings. Among utilities, we bought US nuclear energy generator Constellation, whose scale and cost advantages should help it benefit as reliable, clean power sources become more highly valued. And we added to our largest utility position, Drax, to take advantage of share price weakness driven by short-term concerns.

In semiconductors, we have written repeatedly about long-held Samsung Electronics and Taiwan Semiconductor Manufacturing Company (TSMC) which remain major holdings. In 2023, we bought Intel and added to memory maker Micron.

The memory chip industry has just rounded out a vicious downcycle, and the recovery should benefit both Micron and Samsung. Having consolidated from a half dozen competitors to just three, the industry is fundamentally better than it was a decade ago, but this is hardly reflected in valuations – Micron trades for about 10 times our estimates of 2025 earnings.

While Intel had fallen behind TSMC and Samsung in manufacturing, the company's shares got much cheaper in early 2023, and in an increasingly fraught environment where Taiwan is a flash point, being an American company with American factories is a huge asset. Even after a share price recovery in 2023, the valuation suggests the market remains sceptical.

Within stock markets, we still see plenty of value, but the MSCI World Index remains expensive in aggregate. While 2022 took some of the absurdity out of valuations, the bubble was just starting to unwind. In 2023, richly priced shares got richer while cheap stocks mostly stayed cheap.

Walk on the mild side

That creates interesting conditions on the lower-risk side of the Fund.

Hedged equity remains a wonderful tool for us. When we buy undervalued shares and sell their local market index, we capture the relative return of our stocks versus the index, plus a cash interest rate. In the US, that cash-like return is now 5% p.a. – a nice boost for our hedged equity exposure.

In bonds, the real yield on a 10-year US Treasury Inflation Protected Security, or TIPS, is now a little less than 2%, against market inflation expectations of 2.2% for the foreseeable future. That combination looks attractive to us, and it raises the bar for everything else in the Fund. If a super liquid, super safe, reasonably stable asset will give us about 2% per year after inflation, anything riskier we buy needs to offer substantially higher returns. Today, we can find higher returns without leaving the bond world, and our team has uncovered a number of attractive corporate bond ideas.

Which leaves gold. In 2023, gold managed to beat bonds and set a new record high. We clipped the position into this strength, but we continue to like the diversification gold brings to the Fund.

A better balance

We continue to think our Fund offers a better balance of risk and return than the benchmark, aided by the diversification provided from assets that can hold their own against inflation. For risk management, that diversification is helpful. But we have always believed the best way to reduce risk without sacrificing return is to simply own undervalued assets. In aggregate, the equities in Global Balanced trade at just 16 times earnings, compared to 24 times for the MSCI World Index. That leaves us excited by the low expectations and undervaluation we see across the Fund.

We added to the Fund's exposure to TIPS, as we believe the exposure offers low risk, a positive real yield and inflation protection at a reasonable price. We exited our position in Bayer in order to reallocate capital to higher-conviction holdings.

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

Fund manager quarterly commentary as at 31 December 2023

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.

© 2024 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

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.

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)11 301 6335 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. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

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.

MSCI Index

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

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. 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

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2024, J.P. Morgan Chase & Co. All rights 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**