

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 2022

Fund size	R1.2bn
Number of units	51 062 923
Price (net asset value per unit)	R22.86
Class	A

Minimum investment amounts*

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

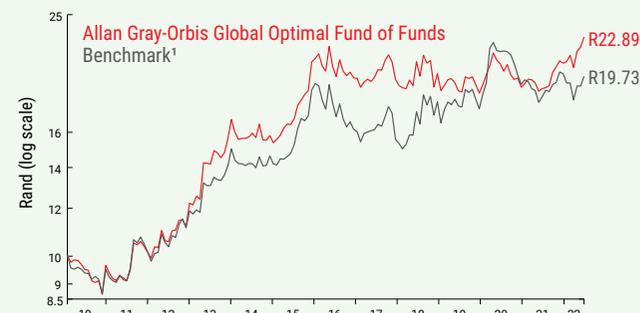
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 30 June 2022.
2. This is based on the latest available numbers published by IRESS as at 31 May 2022.
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)	128.9	7.0	97.3	-7.8	83.5	34.1
Annualised:						
Since inception (2 March 2010)	6.9	0.5	5.7	-0.7	5.1	2.4
Latest 10 years	8.0	0.7	6.5	-0.7	5.1	2.5
Latest 5 years	3.1	-1.4	4.1	-0.5	4.5	3.6
Latest 3 years	7.0	1.7	3.8	-1.3	4.6	4.5
Latest 2 years	5.2	8.2	-4.6	-1.9	5.9	6.7
Latest 1 year	21.6	5.3	8.1	-6.4	6.5	8.5
Year-to-date (not annualised)	10.4	7.0	-1.0	-4.1	3.7	4.6
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months ⁴	51.4	52.7	46.6	47.3	n/a	n/a
Annualised monthly volatility ⁵	13.4	7.4	14.1	4.3	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

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 2021
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 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 2022	1yr %	3yr %
Total expense ratio	1.07	1.07
Fee for benchmark performance	1.00	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.08	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	0.14	0.14
Total investment charge	1.21	1.21

Top 10 share holdings on 30 June 2022

Company	% of portfolio
British American Tobacco	4.2
Shell	3.8
Woodside Energy Group	3.2
Drax Group	2.8
Golar LNG	2.5
Motorola Solutions	2.3
FLEETCOR Technologies	2.2
INPEX	2.0
Mitsubishi	1.7
Tourmaline Oil	1.6
Total (%)	26.4

Fund allocation on 30 June 2022

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	60.4
Orbis Optimal SA (Euro)	39.6
Total (%)	100.0

Asset allocation on 30 June 2022

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	4.5	-1.5	3.3	1.5	0.5	0.8
Hedged equities	79.9	31.0	21.9	16.6	7.0	3.4
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	15.6	0.0	0.0	0.0	0.0	15.6
Total	100.0	29.4	25.2	18.1	7.5	19.8

Currency exposure of the Orbis funds

Funds	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Funds	100.0	58.1	40.2	0.1	1.8	-0.3

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

The first half of 2022 has been a difficult time for major asset classes. Global equities are now in bear market territory and bonds are on track for their worst year in decades. Still, asset prices remain near historical highs and valuation dispersions within markets (e.g. value versus growth) remain wide. In this environment, we continue to believe that the Orbis Optimal SA Fund ("the Fund") represents a compelling alternative, offering both protection against broader market declines through stock market hedging as well as exposure to our highest conviction stock selections.

B&M European Value Retail is one such stock. B&M is a low-price retailer in the UK that sits at the intersection of specialist retailers, grocery stores and deep discounters. Customers are attracted to B&M for their branded groceries, which are typically priced at a 15% discount to the mainstream grocers, and for bargain-hunting opportunities in the general merchandise category, which includes toys, gardening, home and do-it-yourself products.

B&M's strategy is to go wide and narrow on its inventory. That means they stock only the fastest-selling items in any given category. This strategy gives them bargaining power with their suppliers due to the high volumes purchased of each product and ensures healthy product margins, since they don't need to unload unpopular items at even steeper discounts. Shelf space is rotated across seasonal products such as gardening and Christmas decorations to ensure a high return on investment. If a certain product is seeing price increases from the supplier, B&M can just choose to stock another product instead. For example, if Kellogg's wants to increase the price of Corn Flakes, B&M can simply buy cereal from another brand. A traditional supermarket like Tesco, on the other hand, needs to keep both brands on the shelf to avoid disappointing its less price-conscious customers. B&M also has decades of experience sourcing cheap goods directly from China, cutting out the distributors such that it can get lower prices and pass on the benefits directly to consumers.

Based in Liverpool, B&M currently has about 700 stores in the UK, with the greatest concentration of stores still in the north and north-west parts of England. This suggests that there is still plenty of room for growth in the south and south-west. Based on our analysis, we believe B&M could add another 400 to 500 stores in the UK without cannibalising its existing stores. As a result, we think it's reasonable to assume that B&M can deliver earnings growth of about 8% per annum over the course of our investment horizon. More importantly, we expect that B&M will be able to return the vast majority of these earnings in the form of dividends because new stores tend to earn back the initial investment quickly. Said differently, growth doesn't require large amounts of capital and a large proportion of earnings are free to be distributed back to shareholders.

"Mr Market" is currently panicking about the state of the UK consumer, providing investment opportunities amid uncertainty. British consumers are under enormous pressure due to rising energy and food costs, and consumer confidence is currently at all-time lows. We believe our position in B&M offers compelling value relative to local stock markets. UK shares in the FTSE 100 trade at a forward earnings multiple of 13 but traded as high as 16 at the start of the year. B&M is not only trading at a more attractive valuation – currently just 11 times our estimate of earnings for the fiscal year that ends in March 2023 – but we think it is in a better position than many businesses in the UK amid this challenging environment.

While the near term is uncertain – and the consumer's pain is very real – discount retailers typically outperform during recessions as customers are more in need of a bargain than usual. Children will still need toys for their birthdays and Christmas presents will continue to need wrapping paper. History also shows that B&M has held up well during past periods of extreme consumer distress. For example, B&M posted like-for-like growth (existing store revenue growth without the impact of new stores opening) of approximately 10% during the global financial crisis in 2008-2009. The vast majority of what B&M sells costs GBP2 to GBP5 per item and only 2-3% of the revenues come from items that cost more than GBP20. B&M provides great value for money irrespective of the macro environment and especially so when budgets are stretched.

We think B&M has a winning retail format with excellent unit economics. While the near term is cloudy, its long-term competitive advantage remains intact and our confidence in the business model remains strong. The quality of the business is much superior to that of the average stock in the local market, and we see it as an attractively priced and hopefully defensive opportunity in a highly uncertain environment.

The Fund's overall net equity exposure rose over the quarter. Among individual positions, the largest buy was FleetCor Technologies, a US payments company, which appears to still be under a COVID-19 cloud. The largest sell was in UnitedHealth Group, a US healthcare company, which we trimmed following a period of outperformance.

Adapted from a commentary contributed by Neha Aggarwal, Orbis Portfolio Management (Europe) LLP

Fund manager quarterly commentary as at 30 June 2022

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.

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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.

Minimum disclosure document and quarterly general investors' report **Issued:** 11 July 2022

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).

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

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. 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.

Important information for investors

Need more information?

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