

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 45% offshore. 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

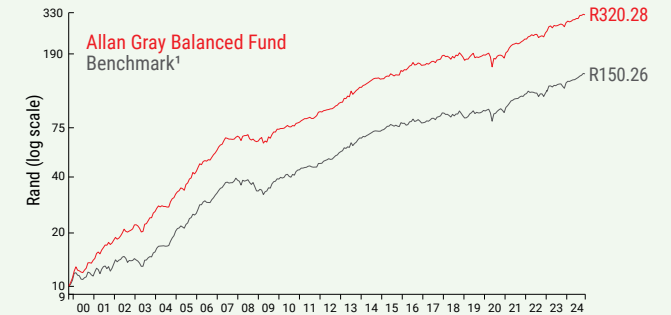
Fund information on 31 October 2024

Fund size	R196.6bn
Number of units	586 038 243
Price (net asset value per unit)	R155.88
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 31 October 2024. 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: Morningstar.
2. This is based on the latest available numbers published by IRESS as at 30 September 2024.
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)	3102.8	1402.6	281.9
Annualised:			
Since inception (1 October 1999)	14.8	11.4	5.5
Latest 10 years	8.6	7.6	4.9
Latest 5 years	10.8	9.8	4.9
Latest 3 years	10.9	9.1	5.6
Latest 2 years	12.3	13.1	4.6
Latest 1 year	16.5	20.2	3.8
Year-to-date (not annualised)	8.5	9.9	3.0
Risk measures (since inception)			
Maximum drawdown ³	-25.4	-23.3	n/a
Percentage positive months ⁴	69.8	67.8	n/a
Annualised monthly volatility ⁵	9.3	9.2	n/a
Highest annual return ⁶	46.1	41.9	n/a
Lowest annual return ⁶	-14.2	-16.7	n/a

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 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 2023	30 Jun 2024
Cents per unit	163.9386	219.4385

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 September 2024 (SA and Foreign)
(updated quarterly)⁷

Company	% of portfolio
AB InBev	3.9
Naspers & Prosus	3.8
British American Tobacco	3.8
Nedbank	2.3
Woolworths	2.2
Standard Bank	2.1
Glencore	2.0
Mondi	1.6
Remgro	1.6
The Walt Disney Company	1.4
Total (%)	24.8

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024	1yr %	3yr %
Total expense ratio	1.71	1.65
Fee for benchmark performance	1.02	1.02
Performance fees	0.50	0.45
Other costs excluding transaction costs	0.04	0.03
VAT	0.15	0.15
Transaction costs (including VAT)	0.05	0.06
Total investment charge	1.76	1.71

Asset allocation on 31 October 2024⁷

Asset class	Total	South Africa	Foreign
Net equities	64.4	39.0	25.4
Hedged equities	9.1	3.0	6.1
Property	0.7	0.2	0.5
Commodity-linked	2.9	2.2	0.7
Bonds	15.8	11.1	4.6
Money market and cash ⁸	7.1	6.9	0.3
Total (%)	100.0	62.4	37.6⁹

7. Underlying holdings of foreign funds are included on a look-through basis.

8. Including currency hedges.

9. The Fund can invest a maximum of 45% offshore. Market movements may 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	63.3%
Maximum	(May 2021) 72.9%

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

In the previous quarter, we ended our commentary with the following: “We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes.”

The third quarter of 2024 has certainly highlighted the need for a carefully constructed, diversified portfolio in the face of significant volatility.

The quarter included a remarkable one-day crash and subsequent recovery in Japanese shares. This was in response to a larger-than-forecast rise in short-term interest rates by the Bank of Japan, which triggered a strong rally in the yen. The TOPIX fell by 12.2% in a single day and the better-known Nikkei index had one of its greatest intraday falls since the crash of 1987, before bouncing by 10% the next day. This led to a sharp sell-off across global equities. While many analysts attribute this to the unwinding of the long-running yen carry trade, where investors borrow in yen and invest in higher-yielding international assets, it is not yet clear if other factors contributed as well.

For example, US equities had another large intraday sell-off on 6 September. Remarkably, the S&P 500 ended the quarter making new all-time highs. To put this in perspective, Nvidia, one of the three largest companies by market value in the world, lost US\$279bn in value on 3 September. Since mid-June, the US\$3tn bellwether AI/semiconductor stock has gone from a high of US\$140 to a low of US\$90, back to US\$130 and then down to US\$120. The significant volatility in global equities, while potentially unnerving in the short term, can hopefully provide opportunities for patient long-term investors.

Locally, the FTSE/JSE All Share Index consolidated its strong second-quarter gains in July, before a sharp sell-off in line with Japanese and US stocks, before going on to reach a new all-time high of 87 802 in September.

The other theme affecting markets has been the continued weakness of the Chinese economy and stock market. Chinese government bond yields are trading at close to all-time lows in response to the disinflationary conditions in the economy. We have written about our concerns over Chinese investment-led, debt-funded growth for many years – and perhaps the bill has finally come due.

This weakness has shown up in the price of commodities and the share prices of mining companies. While the Fund has been underweight diversified mining shares, we are sharpening our pencils and revisiting our valuations. The other potential opportunity is the weakness in some global multinational consumer stocks, whose profits in China have disappointed. Of course, in South Africa, the weakness in China could have implications for Prosus and Richemont, and the impact of the recently announced Chinese policy stimulus is still untested. Markets, however, rapidly bid up depressed Chinese equities in response to the announced stimulus. It will be interesting to see how sustainable the rally will be.

Turning our attention to the local bond market, the South African 10-year yield continued its post-government of national unity (GNU) rally from 12.2% in April to 10.0% on hopes of reform under the GNU and the release of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) proceeds, which reduced forecast issuance – please see the Bond Fund commentary for more detail. For some time, we have viewed 10% as a key level for the 10-year bond yield and continue to monitor it closely. It will be a significant change in the market’s view of South Africa’s risk should it trade below 10% sustainably.

The fall in the cost of capital and increase in growth expectations have continued to underpin the rally in domestic shares that are largely exposed to the South African consumer. For example, Mr Price has rallied from an April low of R157 to R270, while Capitec has risen from R1 982 to R3 045.

It is clear that the share prices of these locally focused companies are discounting a better future, but the recent earnings results were generally still reflective of the poor local economy, structural problems and a tough trading environment. It is also probably fair to say that the GNU’s “unity” has yet to be truly tested. It has been a great period for holders of these domestic assets and the rand has strengthened as well, but the fundamentals will still have to come through to justify the price moves. We have been trimming some positions where appropriate.

During the quarter, the Fund purchased shares in Anheuser-Busch InBev and select miners, and reduced its position in select banks.

Commentary contributed by Duncan Artus

Fund manager quarterly commentary as at 30 September 2024

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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.

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).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). 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 the prescribed regulatory 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).

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

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