

**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 45% offshore. 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\***

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.

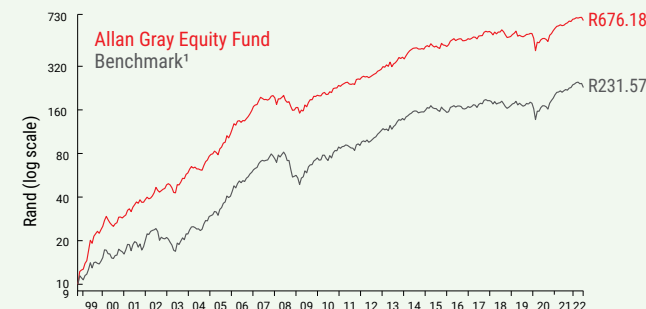
\*\*Only available to investors with a South African bank account.

**Fund information on 30 June 2022**

Fund size	R37.6bn
Number of units	47 393 740
Price (net asset value per unit)	R452.11
Class	A

**Performance net of all fees and expenses**

Value of R10 invested at inception with all distributions reinvested



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 2022. 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 2022.
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.

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 October 1998)	6661.8	2215.7	243.7
<b>Annualised:</b>			
Since inception (1 October 1998)	19.4	14.1	5.4
Latest 10 years	9.4	8.9	5.1
Latest 5 years	6.0	6.6	4.5
Latest 3 years	8.2	8.7	4.6
Latest 2 years	16.7	17.4	5.9
Latest 1 year	8.5	7.9	6.5
Year-to-date (not annualised)	-2.0	-4.2	3.7
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-37.0	-45.4	n/a
Percentage positive months <sup>4</sup>	65.6	59.6	n/a
Annualised monthly volatility <sup>5</sup>	15.5	16.7	n/a
Highest annual return <sup>6</sup>	125.8	73.0	n/a
Lowest annual return <sup>6</sup>	-24.3	-37.6	n/a

### Meeting the Fund objective

The Fund has created wealth for its long-term investors. 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. 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 2021	30 Jun 2022
<b>Cents per unit</b>	<b>448.7288</b>	<b>303.2238</b>

### 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 2022 (SA and Foreign) (updated quarterly)<sup>7</sup>

Company	% of portfolio
British American Tobacco	7.8
Naspers <sup>8</sup>	7.8
Glencore	5.9
Woolworths	3.3
Sasol	3.2
Nedbank	3.1
AB InBev	3.0
Remgro	2.9
Standard Bank	2.7
Sibanye-Stillwater	2.4
<b>Total (%)</b>	<b>42.0</b>

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

8. Includes holding in stub certificates or Prosus N.V., 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 2022	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.19</b>	<b>0.81</b>
Fee for benchmark performance	1.12	1.13
Performance fees	-0.08	-0.43
Other costs excluding transaction costs	0.03	0.04
VAT	0.12	0.07
<b>Transaction costs (including VAT)</b>	<b>0.10</b>	<b>0.10</b>
<b>Total investment charge</b>	<b>1.29</b>	<b>0.91</b>

### Sector allocation on 30 June 2022 (updated quarterly)<sup>7</sup>

Sector	% of Fund	% of ALSI <sup>9</sup>
Energy	4.6	1.2
Basic materials	20.8	27.3
Industrials	7.6	4.2
Consumer staples	16.1	8.9
Healthcare	2.5	2.0
Consumer discretionary	8.9	16.3
Telecommunications	1.9	5.3
Utilities	0.7	0.0
Financials	23.6	20.7
Technology	9.0	10.7
Commodity-linked	0.6	0.0
Real estate	1.0	3.4
Money market and bank deposits	2.7	0.0
Bonds	0.1	0.0
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

### Asset allocation on 30 June 2022<sup>7</sup>

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	95.7	67.7	3.8	24.2
Hedged equities	0.0	0.0	0.0	0.0
Property	1.0	1.0	0.0	0.0
Commodity-linked	0.6	0.6	0.0	0.0
Bonds	0.3	0.1	0.0	0.2
Money market and bank deposits	2.4	1.1	-0.2	1.5
<b>Total (%)</b>	<b>100.0</b>	<b>70.5</b>	<b>3.6</b>	<b>25.9<sup>10</sup></b>

10. The Fund can invest a maximum of 45% offshore. 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.

The Fund has returned -3.8% for the quarter and -2.0% for the year to date.

Rising inflation has continued to upset global markets. Consumer price inflation hit 8.6% in May in the US. In South Africa, the year-over-year increase was 6.5%. For the US and many other developed market economies, this is the highest inflation they have experienced in four decades. Why has inflation across the world increased so much over the last year? There are some specific and, hopefully temporary, factors including the war in Ukraine and global supply chain issues. But there has also been massive fiscal stimulus by governments everywhere over the last two years in response to the COVID-19 pandemic. And all this has taken place in the context of the extremely loose monetary policy environment of the last decade, i.e. low interest rates and quantitative easing by developed market central banks. Lastly, it is possible that underinvestment in areas like energy has led to shortages that could take many years to resolve.

What does higher inflation mean for the stock market? Shares are often said to be a hedge against inflation, providing some protection, unlike cash and bonds, which provide no protection. This is because businesses can increase their prices to keep up with inflation. Some businesses are better placed than others to pass higher costs on to their customers and defend margins. An example from our portfolio is British American Tobacco, which has a good history of increasing cigarette prices ahead of cost increases. All businesses are struggling with rising costs, from labour and fuel costs to raw materials. Consumers are starting to feel the pinch of the rising cost of living, which translates into lower purchasing power. This is true in rich countries,

for example the US, but especially so in emerging markets, like South Africa, where consumers spend a larger percentage of their income on food, transport and other basic necessities. There may be relative winners in this environment, such as providers of necessities rather than luxuries and lower-cost retailers that benefit from downtrading.

A last factor to consider is the reaction of central banks to inflation. Both globally and locally, central banks have started raising interest rates in an attempt to rein in demand and tame inflation. This is a delicate balancing act – raising interest rates quickly may lead to a recession, which would be bad for the real economy and the stock market. However, higher interest rates can benefit some businesses, for example banks, which earn higher interest income. The Fund has an 8.9% exposure to local banking shares, such as Nedbank and Standard Bank.

It is hard to predict with high confidence how the current inflationary period will play out. The portfolio is constructed on a bottom-up basis, with a view of doing well in various macroeconomic scenarios and taking the risk of a global recession into account.

During the quarter, the Fund bought Prosus and select miners and sold select financial services shares.

**Commentary contributed by Tim Acker**

### **Fund manager quarterly commentary as at 30 June 2022**

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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)11 301 6335 or [www.rmb.co.za](http://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.

## MSCI Index

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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](http://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 and FTSE/JSE Capped Shareholder Weighted All Share Index

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

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### Need more information?

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