

Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). 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 South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. 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 FTSE/JSE All Share Index including income.

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 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. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-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.

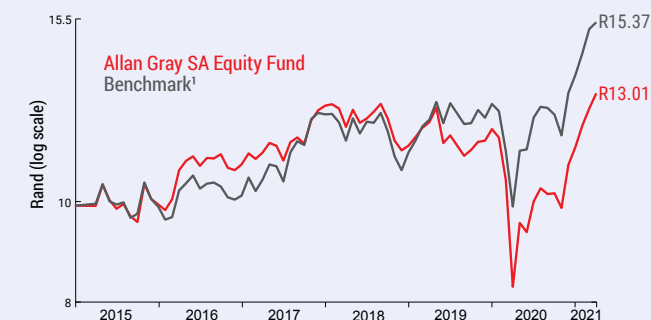
Fund information on 31 March 2021

Fund size	R3.3bn
Number of units	2 939 265
Price (net asset value per unit)	R365.74
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 March 2021.
2. This is based on the latest available numbers published by IRESS as at 28 February 2021.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 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 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 of the Fund. 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 March 2021 and the benchmark's occurred during the 12 months ended 31 March 2020 and the benchmark's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 March 2020. 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 (13 March 2015)	30.1	53.7	32.6
Annualised:			
Since inception (13 March 2015)	4.4	7.4	4.8
Latest 5 years	3.7	8.2	4.4
Latest 3 years	2.7	9.7	3.9
Latest 2 years	3.4	12.1	3.7
Latest 1 year	57.3	54.0	2.9
Year-to-date (not annualised)	13.4	13.1	1.2
Risk measures (since inception)			
Maximum drawdown ³	-44.3	-35.2	n/a
Percentage positive months ⁴	57.5	56.2	n/a
Annualised monthly volatility ⁵	16.5	14.8	n/a
Highest annual return ⁶	57.3	54.0	n/a
Lowest annual return ⁶	-32.0	-18.4	n/a

Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed [here](#).

Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. The Fund has underperformed its benchmark since inception.

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.	30 Jun 2020	31 Dec 2020
Cents per unit	1464.1491	401.8824

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. 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 20% of annualised performance relative to the benchmark.

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.

Top 10 share holdings on 31 March 2021 (updated quarterly)

Company	% of portfolio
Naspers	11.9
British American Tobacco	7.9
Glencore	6.1
Woolworths	4.7
Standard Bank	3.3
Reinet	3.3
FirstRand	3.2
Sibanye Stillwater	3.1
Old Mutual	3.1
Remgro	3.0
Total (%)	49.5

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	0.01	0.48
Fee for benchmark performance	1.00	1.00
Performance fees	-1.00	-0.59
Other costs excluding transaction costs	0.01	0.01
VAT	0.00	0.06
Transaction costs (including VAT)	0.14	0.11
Total investment charge	0.15	0.59

Sector allocation on 31 March 2021 (updated quarterly)

Sector	% of Fund	% of ALSI ⁷
Energy	0.0	0.7
Basic materials	25.8	34.4
Industrials	3.3	4.0
Consumer staples	13.2	6.8
Healthcare	3.7	1.6
Consumer discretionary	8.6	11.7
Telecommunications	1.8	3.7
Financials	27.0	14.6
Technology	11.9	19.8
Commodity-linked	0.2	0.0
Real estate	1.4	2.8
Other	0.0	0.0
Money market and bank deposits	3.0	0.0
Total (%)	100.0	100.0

7. FTSE/JSE All Share Index.

Asset allocation on 31 March 2021

Asset class	Total
Net equity	95.3
Property	1.4
Commodity-linked	0.2
Money market and bank deposits	3.0
Total (%)	100.0

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

In his 1986 letter to shareholders, Warren Buffett famously spoke of being fearful when others are greedy, and greedy when others are fearful. These words are as true today as they were then, and for the same reason: Human emotion. Much like a contagious disease, greed and fear can rapidly spread through the investment community, coming to dominate our decisions irrespective of the underlying value on offer. The last year provides an apt example.

Just over a year ago today, at midnight on 26 March 2020, South Africa went under our first COVID-19-related lockdown. At that point in time, no one had a clear idea of how long the virus would be with us, nor of the social, human, and economic impact. Fear and uncertainty were heightened, and this reflected in our equity market. The FTSE/JSE All Share Index (ALSI) began 2020 offering what appeared to be attractive valuations, and yet by the end of March 2020, it had declined a further 21.4% as fear spread.

In many respects, we are no closer today to knowing when life will return to normal (if ever), but sentiment in markets has changed materially. Those who stayed invested, or were fortunate enough to have capital to deploy and be greedy, have been healthily rewarded. From the end of March 2020 to today, the ALSI has returned 54% including dividends reinvested. In US dollars those returns are even greater, at over 80%, as the rand has strengthened from R17.86/US\$ to below R15/US\$ over this same period.

Since the end of March 2020, the Fund has delivered similar absolute returns, delivering a return of 57.3% over the past year. Cumulatively, since the end of December 2019, the ALSI has delivered a return of 21.1%, while the Fund has delivered a relatively disappointing return of 8.7% in comparison.

It is hard to believe that the market in South Africa is up over 15 months given all that has transpired. Perhaps, therefore, it is harder still to believe that we continue to see significant value in a number of JSE-listed equities and are excited about the prospects for future returns within the Fund.

The obvious question, then, is why?

The absolute performance of the ALSI over the last 15 months masks the individual performance of a number of shares, which have fared far worse

than the market overall. There has been substantial disparity in the returns experienced in certain sectors and within individual shares. Platinum group metal companies have continued to rally materially, while four of the largest shares on our market – Naspers, BHP, Anglo and Richemont – are all up over 32% over the last 15 months. In contrast, a number of the domestic focused businesses, such as the banks and insurers, remain materially below their December 2019 share prices. Perhaps more perplexing, a company like British American Tobacco (BTI), which came into 2020 trading on an undemanding earnings multiple of 10 times and actually grew earnings and paid down debt during the pandemic, has seen its share price decline. BTI has delivered a positive return of 3.4% over these 15 months, but that is the result of the very healthy dividend it paid and continues to pay.

We are not blind to the risks in SA and the high likelihood of a slow, uncertain and drawn-out economic recovery. We are also not blind to the risks of traditional cigarette volumes globally continuing to decline. However, we do see substantial value in many of the sectors that remain depressed, and believe that the current disparity in markets is creating an opportunity for bottom-up stockpickers like ourselves to generate outsized returns.

As always, it is a question of price: How much am I paying? How large is my margin of safety? And to what degree am I being compensated for the downside risks?

There are some buckets of the market which seem priced for perfection, while other buckets seem priced as if the current depressed environment they are experiencing will only continue to deteriorate. Then there are buckets where the company earnings have proven remarkably resilient, yet the share prices remain depressed, often because they are in industries which are unsexy or that sector is currently out of favour. It is in these latter two buckets that we prefer to do our fishing.

During the quarter we increased our exposure to British American Tobacco and our preferred insurers, and reduced our exposure to Naspers.

Commentary contributed by Rory Kutisker-Jacobson

**Fund manager quarterly
commentary as at
31 March 2021**

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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)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).

FTSE/JSE All Share Index

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