

### 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.

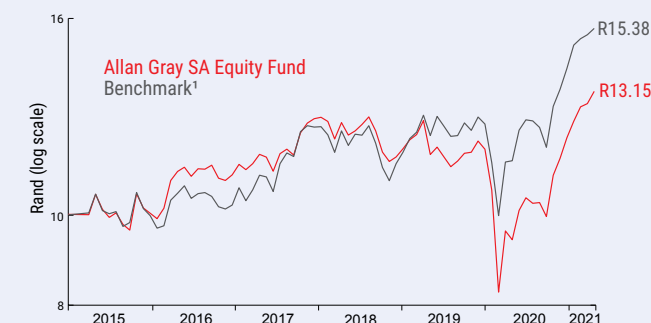
### Fund information on 30 June 2021

Fund size	R3.6bn
Number of units	3 735 463
Price (net asset value per unit)	R369.70
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 30 June 2021.
2. This is based on the latest available numbers published by IRESS as at 31 May 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 2021. 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 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 <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (13 March 2015)	31.5	53.8	34.5
<b>Annualised:</b>			
Since inception (13 March 2015)	4.4	7.1	4.9
Latest 5 years	3.7	8.1	4.3
Latest 3 years	2.3	8.1	3.9
Latest 2 years	5.6	10.0	3.6
Latest 1 year	30.2	25.1	5.2
Year-to-date (not annualised)	14.6	13.2	2.6
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-44.3	-35.2	n/a
Percentage positive months <sup>4</sup>	57.9	56.6	n/a
Annualised monthly volatility <sup>5</sup>	16.2	14.6	n/a
Highest annual return <sup>6</sup>	57.3	54.0	n/a
Lowest annual return <sup>6</sup>	-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.	31 Dec 2020	30 Jun 2021
<b>Cents per unit</b>	<b>401.8824</b>	<b>451.9763</b>

## 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 30 June 2021 (updated quarterly)

Company	% of portfolio
Naspers <sup>7</sup>	10.9
British American Tobacco	8.2
Glencore	6.5
Woolworths	4.6
Standard Bank	3.4
Nedbank	3.2
Remgro	3.2
Old Mutual	3.2
FirstRand	3.2
Reinet	3.1
<b>Total (%)</b>	<b>49.4</b>

7. Includes holding in Prosus NV if applicable.

## Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.01</b>	<b>0.40</b>
Fee for benchmark performance	1.00	1.00
Performance fees	-1.00	-0.66
Other costs excluding transaction costs	0.01	0.01
VAT	0.00	0.05
<b>Transaction costs (including VAT)</b>	<b>0.14</b>	<b>0.11</b>
<b>Total investment charge</b>	<b>0.15</b>	<b>0.51</b>

## Sector allocation on 30 June 2021 (updated quarterly)

Sector	% of Fund	% of ALSI <sup>8</sup>
Energy	0.0	0.7
Basic materials	25.3	33.1
Industrials	3.1	4.2
Consumer staples	13.9	7.0
Healthcare	4.0	1.7
Consumer discretionary	9.0	14.2
Telecommunications	1.6	4.1
Financials	28.5	15.6
Technology	10.9	16.4
Commodity-linked	0.0	0.0
Real estate	1.4	3.1
Other	0.0	0.0
Money Market & bank deposits	2.0	0.0
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

8. FTSE/JSE All Share Index.

## Asset allocation on 30 June 2021

Asset class	Total
Net Equity	96.5
Property	1.4
Commodity-linked	0.0
Money Market & bank deposits	2.0
<b>Total (%)</b>	<b>100.0</b>

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

The Fund returned 1.1% for the quarter, slightly better than the benchmark, which was up 0.1% over the period.

As often happens, the performance of shares within the benchmark has not been uniform. Many "SA Inc" stocks have done well, with shares like Nedbank, Investec, Foschini, and Pep up more than 20%. Naspers and the gold stocks had a poor quarter. The same thing has happened over the past year: SA Inc stocks have done well; Naspers and gold have done poorly.

There was some good news during the quarter for Life Healthcare (Life), one of the holdings in the Fund. The US Food and Drug Administration (FDA) approved a new drug for treating Alzheimer's disease. The new drug is not owned by Life, so how does the FDA approval help? Life has an important role to play in the diagnosis of Alzheimer's. It owns a tracer called Neuraceq, which is used during PET-CT scanning to identify the amyloid plaques in the brain that are associated with Alzheimer's. There are only three such tracers currently approved by the FDA. The expectation is that the availability of a treatment, and a very large need (there are tens of millions of people suffering from Alzheimer's), will lead to a big increase in the demand for diagnostic scans.

A lot still has to happen before it would be prudent to assign a big value to Neuraceq. For example, you don't necessarily need a PET-CT scan in order to diagnose Alzheimer's. Fortunately, Life is probably a cheap share even without Neuraceq. Earnings are depressed because of COVID-19. Believe it or not, the pandemic has been bad for private healthcare, because elective surgeries are delayed. If earnings recover – something which we expect to happen – Life will be on a low-teens earnings multiple (without counting any benefit from Neuraceq). This is attractive for a company that converts most of its earnings to free cash flow, has about one-third of its value in the UK, and for which demand is not usually cyclical.

Despite the market staging a strong recovery since the lows of 2020, there are more shares like Life which have been weak and which are trading below our assessment of intrinsic value.

During the quarter the Fund bought Naspers and Northam Platinum, and sold Anglo American and Investec Plc.

**Commentary contributed by Jacques Plaut.**

### **Fund manager quarterly commentary as at 30 June 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](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.

## 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).

## FTSE/JSE All Share Index

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## Important information for investors

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