

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.

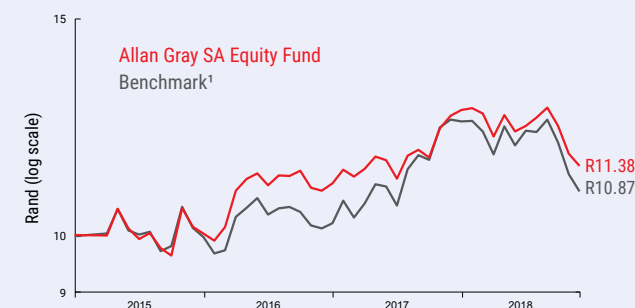
Fund information on 30 November 2018

Fund size	R2.8bn
Number of units	680 515
Price (net asset value per unit)	R357.80
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 30 November 2018.
2. This is based on the latest numbers published by IRESS as at 31 October 2018.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 November 2018 and maximum benchmark drawdown occurred from 25 January 2018 to 23 November 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 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 30 September 2016 and the benchmark's occurred during the 12 months ended 30 November 2017. The Fund's lowest annual return occurred during the 12 months ended 30 November 2018 and the benchmark's occurred during the 12 months ended 30 November 2018. 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)	13.8	8.7	22.4
Annualised:			
Since inception (13 March 2015)	3.5	2.3	5.7
Latest 3 years	3.9	2.3	5.4
Latest 2 years	2.3	3.5	5.0
Latest 1 year	-9.0	-12.6	5.1
Year-to-date (not annualised)	-9.9	-12.3	5.0
Risk measures (since inception)			
Maximum drawdown ³	-14.6	-15.5	n/a
Percentage positive months ⁴	51.1	51.1	n/a
Annualised monthly volatility ⁵	10.6	11.6	n/a
Highest annual return ⁶	17.2	22.5	n/a
Lowest annual return ⁶	-9.0	-12.6	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 up to 30% offshore, with an additional 10% allowed for African ex-SA investments. 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. As the Fund is less than five years old it is too early to tell if it has met its objective. Since inception the Fund has outperformed its benchmark and we are confident that the Fund will meet its objective over the long term.

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 2017	30 Jun 2018
Cents per unit	616.8465	370.2354

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 September 2018 (SA and Foreign) (updated quarterly)

Company	% of portfolio
Sasol	11.6
Naspers ⁷	8.5
British American Tobacco	7.7
Standard Bank	6.1
Old Mutual Ltd	5.4
Investec Ltd	4.8
Remgro	4.8
Glencore	3.3
Reinet	2.9
Life Healthcare	2.9
Total (%)	58.0

7. Including stub certificates.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 September 2018	1yr %	3yr %
Total expense ratio	0.96	1.38
Fee for benchmark performance	1.00	1.00
Performance fees	-0.17	0.20
Other costs excluding transaction costs	0.00	0.00
VAT	0.12	0.17
Transaction costs (including VAT)	0.11	0.20
Total investment charge	1.07	1.58

Sector allocation on 30 September 2018⁹ (updated quarterly)

Sector	% of Fund	% of ALSI ⁸
Oil and gas	0.0	0.1
Basic materials	23.7	25.2
Industrials	11.1	4.5
Consumer goods	9.0	12.6
Healthcare	5.8	2.4
Consumer services	13.7	26.1
Telecommunications	1.0	3.5
Financials	30.8	25.4
Technology	0.0	0.2
Commodity-linked	0.5	0.0
Other	0.7	0.0
Money market and bank deposits	3.8	0.0
Total (%)	100.0	100.0

8. FTSE/JSE All Share Index.

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

Asset allocation on 30 November 2018

Asset Class	Total
Net equity	94.1
Property	2.2
Commodity-linked	0.5
Money market and bank deposits	3.2
Total (%)	100.0

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

The FTSE/JSE All Share Index (ALSI) returned a modest 6.7% per year for the past three years, against an inflation rate of 5.2% over the period. More recently, the ALSI is down 3.8% year to date. Fortunately in investing, the lower the historic market returns, the greater the potential for improved returns in future.

We have not found value in domestically orientated industrial stocks for many years, however the negative sentiment towards South Africa is finally beginning to reflect in share prices and value is beginning to emerge. The chance to buy undervalued companies is always exciting and we will look to take advantage of any opportunities.

MTN, a company which we have thought to be substantially overvalued for many years, finally fell below our fair value estimate in September. The price declined from just over R100 to a bottom of R70 in just a few days as investors became concerned about the Nigerian risks. The risks associated with doing business in Africa are pervasive but they became clear to investors when the Nigerian government asked MTN to repatriate US\$8.1bn in dividends it had paid from 2007 to 2015. This presented a buying opportunity. Unfortunately it was only brief, as the share price quickly moved back towards our fair value estimate, eliminating the margin of safety.

Glencore was the Fund's largest purchase during the quarter. Similar to MTN, regulatory issues surrounding their African operations, together with fears about slowing global growth, created a buying opportunity. We have carefully considered the Democratic Republic of Congo issues. The risks to metal demand caused by a Chinese or global slowdown are also very real. The question is whether these risks are discounted in the price. We believe they are and there is a sufficient margin of safety between our estimate of fair value and the share price for us to buy the share.

When valuing commodity companies we use an estimate of through-the-cycle commodity prices to estimate normal earnings. The share prices of commodity companies often discount spot commodity prices, which can create opportunities when prices fall, as is the current case with the copper price.

Conversely, Sasol's discount to fair value narrowed sharply as the share price rallied with the higher oil price and weaker rand. Sasol was our biggest sale in the quarter. We were also sellers of Old Mutual as its value became clearer to investors post the Quilter unbundling and recent results.

Commentary contributed by Andrew Lapping

**Fund manager quarterly
commentary as at
30 September 2018**

Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (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 11 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 Proprietary Limited (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. Where annualised performance is mentioned, this refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

Fund mandate

The Fund may be closed to new investments at any time in order to be managed according to its mandate. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of its 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 (STT), 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 [STT], STRATE and Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost 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 ratio 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.

FTSE/JSE All Share Index

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

Important information for investors

Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website www.allangray.co.za or via our Client Service Centre on **0860 000 654**.