

Fund description and summary of investment policy

The Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts and can only be accessed through these products. The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. 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 tax-free investment account
- Typically have an investment horizon of at least three years

Minimum investment amounts*

| | |
|---------------------------------------|---------|
| Initial lump sum per investor account | R36 000 |
| Additional lump sum | R1 000 |
| Debit order** | R1 000 |

Maximum investment amounts

| | |
|---------------------------------------|----------|
| Maximum lump sum per investor account | R36 000 |
| Lifetime maximum | R500 000 |
| Maximum debit order** | R3 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.

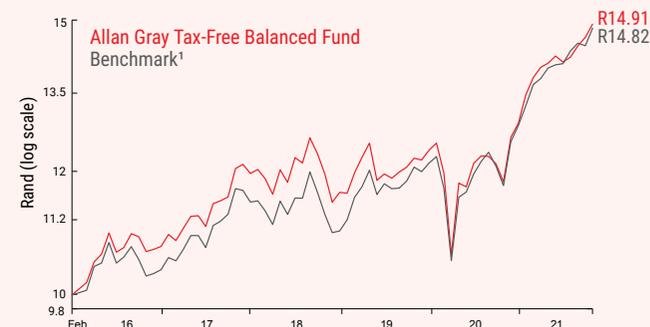
Fund information on 31 October 2021

| | |
|----------------------------------|-------------|
| Fund size | R1.7bn |
| Number of units | 109 713 175 |
| Price (net asset value per unit) | R13.12 |
| 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 2021.
2. This is based on the latest available numbers published by IRESS as at 30 September 2021.
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 31 March 2021 and the benchmark’s occurred during the 12 months ended 31 March 2020. 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 ¹ | CPI inflation ² |
|--|-------|------------------------|----------------------------|
| Cumulative: | | | |
| Since inception (1 February 2016) | 49.1 | 48.2 | 29.9 |
| Annualised: | | | |
| Since inception (1 February 2016) | 7.2 | 7.1 | 4.7 |
| Latest 5 years | 6.9 | 7.6 | 4.4 |
| Latest 3 years | 7.6 | 9.6 | 4.0 |
| Latest 2 years | 10.4 | 10.8 | 4.0 |
| Latest 1 year | 26.2 | 26.1 | 5.0 |
| Year-to-date (not annualised) | 15.8 | 15.5 | 4.7 |
| Risk measures (since inception) | | | |
| Maximum drawdown ³ | -24.6 | -23.3 | n/a |
| Percentage positive months ⁴ | 65.2 | 66.7 | n/a |
| Annualised monthly volatility ⁵ | 10.1 | 9.5 | n/a |
| Highest annual return ⁶ | 31.7 | 30.7 | n/a |
| Lowest annual return ⁶ | -13.4 | -10.3 | n/a |

Fund history

This Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts. Refer to the Allan Gray Balanced Fund factsheet for a history of the Allan Gray Balanced Fund since its inception on 1 October 1999.

Meeting the Fund objective

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 experiences periods of underperformance in pursuit of this objective. Since inception the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark.

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 |
| Cents per unit | 8.2124 | 8.1043 |

Annual management fee

The fee we charge is fixed at 1.25% excluding VAT.

This fee only applies to the portion of the unit trusts that we manage. The offshore portion of the unit trust is managed by Orbis. Orbis charges fixed fees within these funds. 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 2021 (SA and Foreign) (updated quarterly)⁷

| Company | % of portfolio |
|--------------------------|----------------|
| Naspers ⁸ | 5.9 |
| British American Tobacco | 5.8 |
| Glencore | 4.5 |
| Woolworths | 2.7 |
| Sasol | 2.4 |
| Standard Bank | 2.3 |
| Remgro | 2.2 |
| Old Mutual | 2.1 |
| Nedbank | 2.0 |
| FirstRand | 1.8 |
| Total (%) | 31.7 |

Total expense ratio (TER) and Transaction costs

| TER and Transaction costs breakdown for the 1- and 3-year period ending 30 September 2021 | 1yr % | 3yr % |
|---|-------------|-------------|
| Total expense ratio | 1.50 | 1.51 |
| Fee for benchmark performance | 1.31 | 1.33 |
| Performance fees | 0.00 | 0.00 |
| Other costs excluding transaction costs | 0.04 | 0.04 |
| VAT | 0.15 | 0.14 |
| Transaction costs (including VAT) | 0.10 | 0.10 |
| Total investment charge | 1.60 | 1.61 |

Asset allocation on 31 October 2021⁷

| Asset class | Total | South Africa | Africa ex-SA | Foreign ex-Africa |
|--------------------------------|--------------|--------------|--------------|-------------------------|
| Net equities | 70.3 | 51.0 | 3.0 | 16.4 |
| Hedged equities | 6.4 | 1.3 | 0.0 | 5.0 |
| Property | 1.2 | 0.7 | 0.0 | 0.4 |
| Commodity-linked | 3.1 | 2.4 | 0.0 | 0.7 |
| Bonds | 13.5 | 10.6 | 1.3 | 1.6 |
| Money market and bank deposits | 5.6 | 3.5 | 0.0 | 2.1 |
| Total (%) | 100.0 | 69.5 | 4.3 | 26.3⁹ |

- 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. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. 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.

Since inception, the Fund's month-end net equity exposure has varied as follows:

| | |
|---------|-----------------------|
| Minimum | (February 2016) 57.5% |
| Average | 63.5% |
| Maximum | (May 2021) 72.5% |

The Fund returned 3.7% for the quarter, better than the benchmark, which gave 2.7% for the quarter. The foreign portion of the Fund returned 3.9%, compared with a 60/40 benchmark of 4.4%.

The market tends to proceed in a random fashion over the short term, but it is possible to identify a few themes for the quarter:

1. **China.** China continues to pass and implement new regulations for technology companies. These played a role in reducing the prices of Naspers and Prosus by 17% and 15% respectively. China is also seeking to limit steel production, and there are doubts in the market about whether China will continue to build infrastructure and housing at the same pace as it has done for the past decade. This has caused the iron ore price to almost halve over the quarter, which has led to declines in the prices of Anglo American, BHP, and Kumba Iron Ore (which is down 23%). Fortunately, Glencore, a large holding in the Fund, has no exposure to iron ore and was up 16% for the quarter. Xi Jinping's common prosperity agenda has put pressure on Richemont, because presumably a more equal society means that fewer Cartier watches will be bought by the wealthy. The Fund has no exposure to Richemont at the moment. To read more about China risk, please refer to Rory Kutisker-Jacobson's commentary for the Equity Fund.
2. **Fossil fuels.** We have been reminded that the world has not yet been able to transition to clean energy, and that the demand for energy is very inelastic: Consumers will pay whatever is demanded to drive to work or heat their homes. The price of oil hit US\$80 per barrel, and Sasol was up 31% for the quarter. The price of metallurgical coal doubled, and thermal coal was up more than 75%. We think there is potential for a further spike in the oil price because the industry has been underinvesting for nearly a decade.
3. **Platinum group metals (PGMs).** The platinum miners had a poor quarter. The prices of palladium and rhodium fell by more than 30% over the quarter, which means Royal Bafokeng Platinum (RBPlat), Impala,

Sibanye, and Northam were some of the worst-performing shares on the market. All of them were down more than 17%. We are underweight the sector, but we still have some exposure to these shares. Despite the lower platinum and palladium prices, Sibanye, Impala, and RBPlat are still trading at around five times free cash flow. It is possible that demand for PGMs will increase when the chip shortage is alleviated and car production resumes at the normal pace. But a longer-term concern, and the reason for our underweight position, is that battery-powered cars will have an increasingly negative impact on the demand for PGMs.

4. **Buyouts.** When trade buyers step forward, it can be a sign that valuations are cheap. Distell, Liberty, and Imperial Logistics are all in the process of being bought. Food and beverage company AVI is under cautionary – possibly a sign that an international buyer is interested in the company.
5. **SA Inc has been a mixed bag.** Remgro was up 19% in the quarter, possibly on the hopes of more action to unlock value for shareholders. KAP Industrial was up 18% in the quarter. Financials such as Old Mutual and FirstRand were also strong. On the other hand, most retailers and many of the property companies had a poor quarter.

It seems that our patience, and our clients' patience, has been rewarded to some extent over the past few months. Many long-time underperformers held in the Fund are being seen in a more favourable light by other market participants. We continue to see value in the portfolio and good opportunities for outperforming the market.

During the quarter we bought British American Tobacco and AngloGold and sold Woolworths.

Commentary contributed by Jacques Plaut

**Fund manager quarterly
commentary as at
30 September 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.

Minimum disclosure document and quarterly general investors' report **Issued:** 10 November 2021

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).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. 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 a reasonable 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).

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

Information for investors in the tax-free investment account

The Allan Gray Tax-Free Investment Account is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Ltd, also an authorised financial services provider and a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual products are portfolios of collective investment schemes in securities (unit trusts or funds).

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