

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 45% offshore. 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.

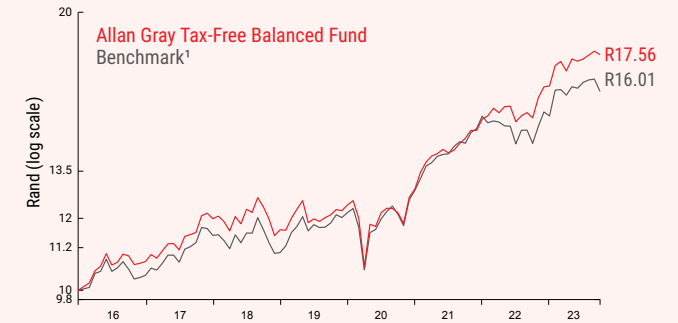
Fund information on 31 October 2023

Fund size	R2.5bn
Number of units	228 006 66
Price (net asset value per unit)	R14.75
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 2023.
2. This is based on the latest available numbers published by IRESS as at 30 September 2023.
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 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 ¹	CPI inflation ²
Cumulative:			
Since inception (1 February 2016)	75.6	60.1	47.1
Annualised:			
Since inception (1 February 2016)	7.5	6.3	5.2
Latest 5 years	8.0	7.3	5.0
Latest 3 years	14.1	10.9	6.0
Latest 2 years	8.6	4.0	6.4
Latest 1 year	8.6	6.4	5.4
Year-to-date (not annualised)	5.5	3.6	4.7
Risk measures (since inception)			
Maximum drawdown ³	-24.6	-23.3	n/a
Percentage positive months ⁴	65.6	63.4	n/a
Annualised monthly volatility ⁵	9.5	9.3	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 and over the latest five-year period, the Fund has outperformed 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 2022	30 Jun 2023
Cents per unit	24.2736	15.7833

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 2023 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
British American Tobacco	4.5
AB InBev	3.6
Glencore	3.2
Naspers & Prosus	2.8
Mondi	2.2
Woolworths	2.2
Sasol	2.1
Standard Bank	2.0
Nedbank	2.0
Remgro	1.7
Total (%)	26.2

Asset allocation on 31 October 2023⁷

Asset class	Total	South Africa	Foreign ⁸
Net equities	64.2	41.1	23.1
Hedged equities	8.8	2.8	6.0
Property	0.8	0.5	0.3
Commodity-linked	3.5	2.9	0.6
Bonds	13.7	8.8	4.9
Money market and bank deposits ⁹	8.9	6.7	2.2
Total (%)	100.0	62.8	37.2¹⁰

- 7. Underlying holdings of foreign funds are included on a look-through basis.
- 8. Includes Africa ex-SA exposure following the consolidation of the foreign ex-Africa and Africa ex-SA allowances into a single foreign limit of 45%.
- 9. Including currency hedges.
- 10. The Fund can invest a maximum of 45% offshore. Market movements may 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.

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2023	1yr %	3yr %
Total expense ratio	1.48	1.50
Fee for benchmark performance	1.31	1.31
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.04
VAT	0.14	0.15
Transaction costs (including VAT)	0.07	0.08
Total investment charge	1.55	1.58

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

Minimum	(February 2016) 57.5%
Average	64.4%
Maximum	(May 2021) 72.5%

The local market continued to drift sideways in the third quarter of 2023. Year to date, the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) has delivered a return of 0%, and the FTSE/JSE All Bond Index delivered a return of 1%. The Fund's performance of 8% was ahead of these numbers, helped by stock selection and offshore exposure.

It is well known that South African businesses face a myriad of challenges, notably loadshedding and a weak consumer environment. Reading the daily newspaper headlines paints a grim picture. Despite this, market returns over the past three years have been reasonably healthy, e.g. 14% for the Capped SWIX. This illustrates the benefit of starting at a low valuation during the COVID-19 slump of 2020.

Valuations for many South African shares remain at very cheap levels versus history, suggesting a reasonable prospect of good returns going forward – even in an unfavourable economic climate. This can be seen when looking at the market from a top-down view, e.g. the FTSE/JSE All Share Index's price-to-earnings multiple of only 10 times compared to a 20-year average of 16 times. Our bottom-up fundamental research on local shares also confirms that many are trading on low valuations compared to history and to our estimate of their intrinsic value.

Fixed income

Long-term South African government bonds offer yields in excess of 12% which appear very attractive at face value. Locally, inflation has fallen below 5%, so these bonds offer a real (i.e. after inflation) yield of 7%. This is close to the highest it has been in the last two decades. It is likely that the South African Reserve Bank has reached the peak of the current interest rate hiking cycle or is close to it. If inflation remains subdued, there is a good chance that interest rates will be cut next year which would be good news for bondholders. We do believe South African government bonds offer decent value and have increased their weighting in the Fund in recent years. But despite these bullish arguments, South African government bonds make up only 5% of the Fund – a significantly smaller position than many of our peers. The South African government continues to run a large fiscal deficit which the local savings pool has a limited ability to fund. As long as foreign investors remain apprehensive of South African bonds, there is a risk that bond yields increase even more, i.e. a decline in prices.

Meanwhile, local cash is also offering attractive yields in excess of 9% at much lower risk than long bonds. Cash also has valuable optionality, as it can be used to take advantage of future opportunities that may arise. We also prefer South African shares over South African bonds, given the low valuations of shares. Shares also protect investors against the risk of inflation, as companies can typically pass higher prices on to their customers to some degree.

Risks and opportunities

Our approach remains focused on bottom-up company research to find superior investment opportunities. This includes identifying investments which offer the highest expected returns but also weighs up the associated risks as well as the diversification benefits of uncorrelated returns. All these factors are considered when building the portfolio.

An important decision at present is whether to prefer "SA Inc" shares (i.e. companies that primarily operate in the local economy) or "rand hedge" shares (i.e. companies that operate offshore and benefit from a weaker rand). The very low valuations of SA Inc shares offer more potential upside if the economy recovers, but these are also the businesses facing the brunt of the challenges of operating in South Africa. At present, we are finding attractive opportunities in both categories, so there is no need to choose only one or the other. This diversification also means that performance of the Fund does not rely on a specific macroeconomic scenario playing out.

Currently, the Fund's foreign exposure is at 37% – still below the 45% foreign capacity limit. The majority of the foreign portion of the Fund continues to be allocated to various Orbis funds. In addition to this, the Fund has the flexibility to directly hold foreign shares, which is useful from a portfolio management point of view. One reason for not using the full foreign capacity is that local opportunities are more attractive currently. It is also worth remembering that a significant portion of "local" shares are in fact businesses with earnings outside of South Africa, so the underlying foreign exposure is higher than it appears.

During the quarter, the Fund added to positions in AB InBev, British American Tobacco and MultiChoice and trimmed Woolworths, Glencore and Prosus NV.

Commentary contributed by Tim Acker

**Fund manager quarterly
commentary as at
30 September 2023**

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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.

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).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). 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 the prescribed regulatory 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).

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, an insurer licensed to conduct investment-linked life insurance business 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).

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond 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, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond 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, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index vests in FTSE and the JSE jointly. All their rights are reserved.

MSCI Index

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Important information for investors

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