

Fund description and summary of investment policy

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. 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 average return of South African General Equity Funds over the long term, without taking on greater risk of loss. To pursue its objective the Fund's portfolio may differ materially from those of its peers. 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 market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds).

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 from sellers who over-react to short-term difficulties or undervalue long-term potential. We invest in a selection of shares across all sectors of the stock market, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to 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.

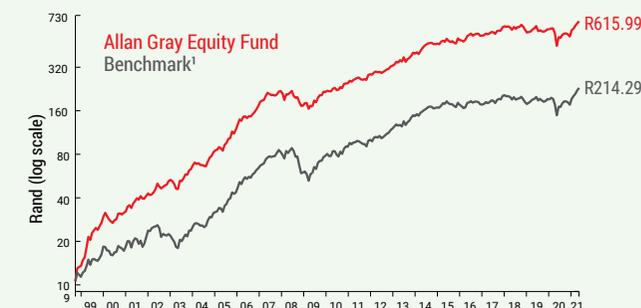
Fund information on 31 March 2021

Fund size	R36.6bn
Number of units	48 624 411
Price (net asset value per unit)	R419.17
Class	A

- The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS, performance as calculated by Allan Gray as at 31 March 2021.
- This is based on the latest available numbers published by IRESS as at 28 February 2021.
- Maximum percentage decline over any period. The maximum drawdown occurred from 3 September 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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 30 September 1999 and the benchmark's occurred during the 12 months ended 30 April 2006. 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 28 February 2009. 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 October 1998)	6059.9	2042.9	217.7
Annualised:			
Since inception (1 October 1998)	20.1	14.6	5.3
Latest 10 years	9.6	9.0	5.1
Latest 5 years	4.8	4.9	4.4
Latest 3 years	4.6	6.3	3.9
Latest 2 years	5.7	9.1	3.7
Latest 1 year	47.5	54.4	2.9
Year-to-date (not annualised)	12.3	13.8	1.2
Risk measures (since inception)			
Maximum drawdown ³	-37.0	-45.4	n/a
Percentage positive months ⁴	65.2	58.9	n/a
Annualised monthly volatility ⁵	15.8	17.0	n/a
Highest annual return ⁶	125.8	73.0	n/a
Lowest annual return ⁶	-24.3	-37.6	n/a

Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10 years, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average equity fund. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

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	969.596	291.3975

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. 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 approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. 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 31 March 2021 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
Naspers ⁸	10.4
British American Tobacco	7.0
Glencore	4.3
Woolworths	3.3
Standard Bank	2.6
FirstRand	2.5
Reinet	2.3
Sibanye Stillwater	2.3
Remgro	2.3
Sasol	2.0
Total (%)	39.0

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

8. Includes holding in Prosus NV if applicable.

9. FTSE/JSE All Share Index.

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	0.24	1.10
Fee for benchmark performance	1.12	1.14
Performance fees	-0.92	-0.17
Other costs excluding transaction costs	0.04	0.04
VAT	0.00	0.09
Transaction costs (including VAT)	0.11	0.10
Total investment charge	0.35	1.20

Sector allocation on 31 March 2021 (updated quarterly)⁷

Sector	% of Fund	% of ALSI ⁹
Energy	1.7	0.7
Basic materials	18.8	34.4
Industrials	5.9	4.0
Consumer staples	13.5	6.8
Healthcare	3.7	1.6
Consumer discretionary	11.3	11.7
Telecommunications	2.7	3.7
Utilities	0.3	0.0
Financials	25.3	14.6
Technology	12.3	19.8
Commodity-linked	0.8	0.0
Real estate	1.1	2.8
Other	0.1	0.0
Money market and bank deposits	2.6	0.0
Total (%)	100.0	100.0

Asset allocation on 31 March 2021⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	95.5	66.1	3.7	25.7
Hedged Equity	0.0	0.0	0.0	0.0
Property	1.1	1.0	0.0	0.1
Commodity-linked	0.8	0.8	0.0	0.0
Bonds	0.1	0.0	0.0	0.1
Money market and bank deposits	2.5	1.6	0.1	0.8
Total (%)	100.0	69.5	3.8	26.8¹⁰

10. 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.

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 47.5% 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 12.0% 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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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)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).

Foreign exposure

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

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**

Fund description and summary of investment policy

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 unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

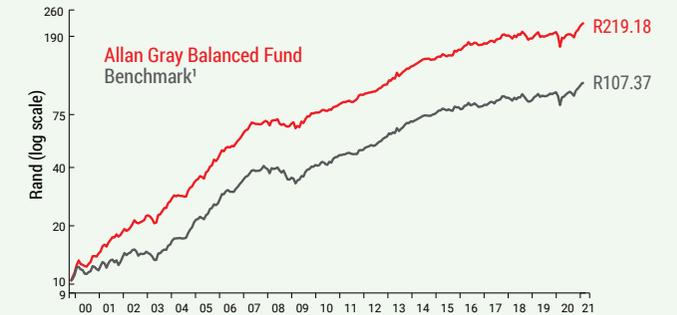
*Only available to investors with a South African bank account.

Fund information on 31 March 2021

Fund size	R146.4bn
Number of units	553 647 528
Price (net asset value per unit)	R115.63
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). From inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Morningstar, 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 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 30 April 2006 and the benchmark’s occurred during the 12 months ended 30 April 2006. 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 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 October 1999)	2091.8	973.7	213.5
Annualised:			
Since inception (1 October 1999)	15.4	11.7	5.5
Latest 10 years	9.9	8.9	5.1
Latest 5 years	5.7	5.7	4.4
Latest 3 years	6.5	7.4	3.9
Latest 2 years	6.9	8.3	3.7
Latest 1 year	33.1	30.7	2.9
Year-to-date (not annualised)	9.1	7.2	1.2
Risk measures (since inception)			
Maximum drawdown ³	-25.4	-23.3	n/a
Percentage positive months ⁴	69.0	67.8	n/a
Annualised monthly volatility ⁵	9.7	9.5	n/a
Highest annual return ⁶	46.1	41.9	n/a
Lowest annual return ⁶	-14.2	-16.7	n/a

Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10 years, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has performed in line with its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average balanced fund.

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	266.4257	105.3969

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.50% p.a. excl. VAT

Minimum fee: 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. 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 31 March 2021 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
Naspers ⁹	7.9
British American Tobacco	6.5
Glencore	4.1
Woolworths	2.6
Sibanye Stillwater	2.0
FirstRand	1.8
Remgro	1.8
Standard Bank	1.8
Old Mutual	1.8
Sasol	1.8
Total (%)	32.0

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	0.69	1.06
Fee for benchmark performance	1.02	1.08
Performance fees	-0.43	-0.14
Other costs excluding transaction costs	0.03	0.03
VAT	0.07	0.09
Transaction costs (including VAT)	0.09	0.09
Total investment charge	0.78	1.15

Asset allocation on 31 March 2021⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	71.3	51.3	2.6	17.3
Hedged Equity	6.9	1.7	0.0	5.2
Property	1.0	0.9	0.0	0.1
Commodity-linked	3.4	2.7	0.0	0.7
Bonds	12.2	8.7	1.4	2.1
Money market and bank deposits	5.2	2.8	0.4	1.9
Total (%)	100.0	68.2	4.5	27.4⁸

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

8. 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.

9. Include holding in Prosus NV.

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

Minimum	(February 2000) 49.3%
Average	62.5%
Maximum	(July 2004) 72.7%

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

The Fund returned 9% for the quarter, building on the recovery from the March 2020 lows, and finally taking out the unit price high of 2018. While pleasing, the three- and five-year numbers remain low in real terms and relative to fixed income.

Returns have been driven by strong equity markets, with the FTSE/JSE All Share Index (ALSI) and the MSCI World Index up 81% and 78% respectively from their March 2020 lows. For local equities, this return must be put in the context of a market that has traded sideways since 2014. When measured in US dollars, local equities have been outperforming global equities since the pandemic bottom, but the ALSI remains very depressed compared to the World and Emerging Market indices.

Bull markets are born out of pessimism and do not want to take investors along at the start. It is hard to imagine a more pessimistic scenario than 2020 for South Africa and, while we obviously do not know if this is the start of a bull market, we still own many cheap local shares. The net equity weighting at 71.3% reflects this belief, as well as the large rebound in prices.

The past few years have been a great time for index investors both locally and offshore, with indices driven by a small number of shares. As an active manager, we aim to beat the index, and can only do so by holding a portfolio that is different from the index. The recent increase in long bond yields and inflation expectations has caused many of the unloved and depressed shares, which do not dominate the index, to outperform quite strongly. This has helped the portfolio.

So, how is the Fund positioned to outperform?

1. The Fund is underweight US equities and overweight the rest of the world, including emerging markets.
2. We have a greater exposure to value shares, implying an underweight in US technology/ecommerce/disruptor companies.
3. Unlike many peers, the Fund's 27% offshore exposure is not 100% invested in equities. We prefer to own more South African listed equities over fixed income to comply with Regulation 28 limits.
4. On the fixed income side, we have very little exposure to sovereign bonds offshore, and a higher-than-normal weight to local bonds given the steep yield curve.
5. We are underweight iron producers (BHP and Anglo) and overweight the rest of the commodity basket via Glencore and Sasol.
6. We are overweight British American Tobacco, which has meaningfully underperformed in a strong market. As an "anti-bubble" share, it should provide protection during a correction, while paying an 8% dividend yield.
7. Naspers remains the largest equity position.
8. With quantitative easing in combination with fiscal stimulus around the world, we own platinum and gold, as well as the miners including Sibanye-Stillwater, Impala Platinum, and selected gold shares.
9. We retain an exposure to depressed local domestic shares, which remain well below their 2018 highs, including Woolworths, Standard Bank, FirstRand and Old Mutual.

The Balanced Fund seeks to own a diversified portfolio of undervalued assets that will produce real returns at an acceptable risk. We believe that to be the case currently.

The major purchases we made over the quarter were Anheuser-Busch InBev and precious metal shares, while we reduced positions in Naspers and financials such as Capitec Bank.

Commentary contributed by Duncan Artus

Fund manager quarterly commentary as at 31 March 2021

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Information and content

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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)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).

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.

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.

MSCI Index

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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**

Fund description and summary of investment policy

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 40%. The Fund's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. 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 or a balanced fund.

ASISA unit trust category: South African – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited, plus 2%.

How we aim to achieve the Fund's objective

A major portion of the Fund is typically invested in money market instruments. We seek to deploy the Fund's cash by investing in shares when they can be bought at a significant 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 allocate a low weight to shares or partially hedge the Fund's stock market exposure in consideration of the Fund's capital preservation objectives. The Fund may also invest in bonds, property and commodities. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a unit trust that complies with retirement fund investment limits

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.

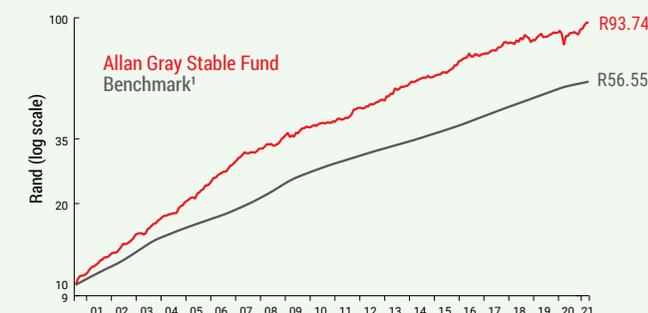
Fund information on 31 March 2021

Fund size	R45.1bn
Number of units	551 455 552
Price (net asset value per unit)	R37.56
Class	A

- The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited plus 2%, performance as calculated by Allan Gray as at 31 March 2021.
- This is based on the latest available numbers published by IRESS as at 28 February 2021.
- Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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 30 April 2006 and the benchmark's occurred during the 12 months ended 30 June 2003. 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 2021. 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 July 2000)	837.4	465.5	197.7
Annualised:			
Since inception (1 July 2000)	11.4	8.7	5.4
Latest 10 years	8.6	7.0	5.1
Latest 5 years	6.3	7.4	4.4
Latest 3 years	6.3	6.8	3.9
Latest 2 years	5.7	6.3	3.7
Latest 1 year	20.6	4.8	2.9
Year-to-date (not annualised)	5.5	1.1	1.2
Risk measures (since inception)			
Maximum drawdown ³	-16.7	n/a	n/a
Percentage positive months ⁴	77.5	100.0	n/a
Annualised monthly volatility ⁵	5.3	0.7	n/a
Highest annual return ⁶	23.3	14.6	n/a
Lowest annual return ⁶	-7.4	4.8	n/a

Meeting the Fund objective

Since inception and over the latest 10 years, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to minimise the risk of loss over any two-year period.

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 quarterly.	30 Jun 2020	30 Sep 2020	31 Dec 2020	31 Mar 2021
Cents per unit	64.5158	37.6982	29.1088	22.9897

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.50% p.a. excl. VAT
Minimum fee: 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. 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 31 March 2021 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
Naspers	3.5
British American Tobacco	3.4
Glencore	2.7
Sibanye Stillwater	1.5
Woolworths	1.3
Nedbank	1.1
Standard Bank	1.1
MultiChoice	1.1
Taiwan Semiconductor Mfg.	1.0
Cashbuild	1.0
Total (%)	17.8

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	0.75	0.89
Fee for benchmark performance	1.01	1.06
Performance fees	-0.37	-0.28
Other costs excluding transaction costs	0.03	0.03
VAT	0.08	0.08
Transaction costs (including VAT)	0.06	0.08
Total investment charge	0.81	0.97

Top credit exposures on 31 March 2021 (SA and Foreign) (updated quarterly)^{7,8}

Issuer	% of portfolio
Republic of South Africa	14.2
FirstRand Bank	8.2
Investec Bank	2.7
Standard Bank (SA)	2.5
Northam Platinum	1.9
Nedbank	1.7
Standard Bank Group	1.2
Total (%)	32.4

7. All credit exposure 1% or more of portfolio.

Asset allocation on 31 March 2021⁸

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	35.6	22.5	2.2	10.9
Hedged Equity	16.0	6.0	0.0	10.0
Property	2.2	2.1	0.0	0.1
Commodity-linked	3.6	2.8	0.0	0.8
Bonds	33.8	26.4	2.9	4.5
Money market and bank deposits	8.8	4.2	0.6	3.9
Total (%)	100.0	64.0	5.8	30.2⁹

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

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.

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

Minimum	(January 2010) 12.4% ⁸
Average	25.9%
Maximum	(December 2018) 39.6%

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

The Stable Fund recovered some of its 2020 underperformance in the first quarter, returning 5.7% p.a. as measured over the last two years. The announcement of effective vaccines last November, together with a well-received Democratic win in the US elections, has allowed financial markets to look through the current uncertainty to a more normalised post-COVID-19 world, with the expectation of an economic upswing, as growth and inflation accelerate from a recessionary base, also known as the “reflation trade”.

Reflation is typically seen as positive for more cyclical assets, commodities, and emerging markets in general as investors reallocate from “safer” asset classes to those offering higher prospective returns. This has allowed many global equity indices to reach new highs this quarter, including our local market. There is reason to retain some caution given 1) the positive sentiment could be derailed by, for example, stuttering vaccine roll-outs or economic data not confirming expectations; or 2) the unprecedented monetary and fiscal stimulus embarked upon in 2020, mainly in developed markets, creating pockets of exuberance, the unwind of which could have a wider impact on financial markets. As always, we prefer to try and look through the shorter-term volatility and concentrate on the intrinsic value of each asset, based on fundamentals.

The Fund has benefited in recent quarters from a higher net equity weight of 35.6% (viewed against the 40% maximum). Approximately two-thirds of this exposure is to locally listed shares. Positions that have contributed to returns on an absolute and relative basis over the last year include Glencore, Sibanye-Stillwater and Cashbuild, all of which remain material holdings in the Fund. While these shares traded at very depressed levels a year ago, the reasons for their subsequent advances are varied. Demand for the base metals that Glencore produces is often viewed as a leading indicator of economic growth given their input into industrial and consumer products, with prices for many of

these metals now at multi-year highs. Similarly, Sibanye-Stillwater has benefited from exposure to higher platinum group metal prices, particularly palladium and rhodium, where supply deficits are expected to remain over the medium term. Lastly, Cashbuild has seen demand for its home-improvement products as people spend more time at home during lockdowns.

Disappointingly, British American Tobacco (BTI) has detracted from performance recently. In our opinion, the current valuation is undemanding for a company that continues to grow its US dollar earnings in real terms while paying a healthy dividend. BTI, together with the Fund’s other more defensive shares and its exposure to precious metals, provides a counter to the reflation trade, should some of the risks mentioned above materialise.

Within fixed income, the Fund retains its preference for local bonds over cash given the steep yield curve and the low real return that holding cash currently offers. The Fund’s bond holdings provide a real yield well ahead of what cash currently provides with an inflation outlook that is relatively muted. While the market welcomed the commitments made to fiscal discipline in the February Budget, execution risk remains high. Fund duration has increased marginally but remains below that of the FTSE/JSE All Bond Index. In the offshore portion, we continue to prefer hedged equities over global sovereign bonds which, despite the recent sell-off, in our view still offer poor value.

The Fund was a net seller of equities during the quarter, reducing exposure to Naspers and listed property shares on positive price movements partly offset by purchases of Anheuser-Busch InBev, Sasol and AngloGold.

Commentary contributed by Sean Munsie

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

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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

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Total expense ratio (TER) and transaction costs

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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.

FTSE/JSE All Bond Index

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Important information for investors

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Fund description and summary of investment policy

The Fund invests in South African money market instruments with a term shorter than 13 months. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds.

While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the Fund defaults. In this event losses will be borne by the Fund and its investors.

ASISA unit trust category: South African – Interest Bearing – Money Market

Fund objective and benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

How we aim to achieve the Fund's objective

The Fund invests in selected money market instruments providing an income yield and a high degree of capital stability. We formulate an interest rate outlook, which is influenced by our inflation outlook and expectations of the resulting Reserve Bank policy response. Based on this analysis, we select investments for the Fund. These assets are typically held to maturity. We take a conservative approach to credit risk.

Suitable for those investors who

- Require monthly income distributions
- Are highly risk-averse but seek returns higher than bank deposits
- Need a short-term investment account

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	R25.4bn
Number of units	25 137 460 940
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.35
Fund weighted average coupon (days)	86.62
Fund weighted average maturity (days)	110.73
Class	A

- The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 31 March 2021.
- This is based on the latest available numbers published by IRESS as at 28 February 2021.
- 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 July 2003 and the benchmark's occurred during the 12 months ended 31 July 2003. The Fund's lowest annual return occurred during the 12 months ended 31 March 2021 and the benchmark's occurred during the 12 months ended 31 March 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distribution for the last 12 months

Actual payout (cents per unit), the Fund distributes monthly

Apr 2020	May 2020	Jun 2020	Jul 2020
0.56	0.54	0.47	0.45
Aug 2020	Sep 2020	Oct 2020	Nov 2020
0.42	0.39	0.38	0.35
Dec 2020	Jan 2021	Feb 2021	Mar 2021
0.36	0.36	0.32	0.35

Performance net of all fees and expenses

% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 July 2001)	344.2	331.1	180.8
Annualised:			
Since inception (1 July 2001)	7.8	7.7	5.4
Latest 10 years	6.6	6.3	5.1
Latest 5 years	7.3	6.8	4.4
Latest 3 years	6.8	6.3	3.9
Latest 2 years	6.4	5.9	3.7
Latest 1 year	5.1	4.6	2.9
Year-to-date (not annualised)	1.0	0.9	1.2
Risk measures (since inception)			
Highest annual return ³	12.8	13.3	n/a
Lowest annual return ³	5.1	4.6	n/a

Meeting the Fund objective

The Fund has preserved capital, maintained liquidity and generated a sound level of income.

Annual management fee

A fixed fee of 0.25% p.a. excl. VAT

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.

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	0.29	0.29
Annual management fee	0.25	0.25
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.29	0.29

Exposure by issuer on 31 March 2021

	% of portfolio
Corporates	16.4
Mercedes-Benz	3.8
Pick 'n Pay	2.7
Shoprite	2.6
MTN	2.6
Sanlam	2.5
Life Healthcare	1.1
Toyota Financial Services	1.1
Banks⁴	51.8
Nedbank	13.7
Standard Bank	13.3
Absa	11.7
FirstRand Bank	8.6
Investec Bank	3.9
Capitec	0.6
Government	31.8
Republic of South Africa	31.8
Total (%)	100.0

4. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

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

This year has seen the members of the South African Reserve Bank subtly alter their collective stance on rates. The March Monetary Policy Committee meeting decisively broke the trend of the prior three consecutive meetings: Members finally voted in unison to keep rates on hold. This is important, as it signifies their sentiment that we are now at the bottom of the interest rate cycle. Members who previously voted for further rate cuts are now of the opinion that such action is no longer appropriate.

Why would their attitude have changed? The one-word answer is "inflation". Fears of inflation rearing its often-ugly head have been driving global and domestic fixed-income markets to extreme levels all year. US 30-year government bonds have fallen by 16% year to date as the market looks for US COVID-19-related stimulus spending to wreak havoc on consumer prices. After a multi-year slump in inflation to benign levels, investors earning a fixed rate are justifiably nervous should this situation finally change. Our Reserve Bank is closely watching foreigner capital market outflows from South Africa and is of the opinion that foreigners need to see stability of inflation to comfortably invest here. South Africa is hugely reliant on non-resident flows given that our domestic savings are not sufficient to balance our national budget and to cover our funding requirements for successive years.

It will still be a long time before money market funds enjoy the types of pre-COVID-19 rates of return of 7-8%. The South African Reserve Bank's Quarterly Projection Model forecasts the repo rate above 6% by the end of 2023. As highlighted in my previous quarterly commentaries, investors must continually re-evaluate their ability to take on risk if appropriate to their situation. At the end of March 2021, year-to-date and year-on-year respective total returns in South African money market (1% and 5%), bond (-2% and 17%) and equity (13% and 54%) investments illustrated wide disparities.

In the last quarter, we raised the weight of RSA Government Treasury bills to 30% of the Fund. These bills offer increasingly elevated yields of up to 5%, despite representing the highest creditworthiness of any borrower on a national scale.

Commentary contributed by Thalia Petousis

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

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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)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. 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 applicable taxes.

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.

Minimum disclosure document and quarterly general investors' report **Issued:** 13 April 2021

The Allan Gray Money Market Fund is not a bank deposit account

The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event, investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens, withdrawals may be ring-fenced and managed over a period of time.

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. 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).

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**

Fund description and summary of investment policy

The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray’s offshore investment partner, Orbis Investment Management Limited. The Orbis Global Equity Fund is designed to be exposed to all of the risks and rewards of selected global shares. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund’s investment universe is global, the units in the Fund are priced and traded daily in rands.

ASISA unit trust category: Global – Equity – General

Fund objective and benchmark

The Fund aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the FTSE World Index, including income.*

How we aim to achieve the Fund’s objective

The Fund invests only in the Orbis Global Equity Fund. The Orbis Global Equity Fund is designed to be exposed to all of the risks and rewards of selected global shares. Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis’ assessment of their long-term intrinsic value. This long-term perspective enables Orbis 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. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally.

Suitable for those investors who

- Seek exposure to diversified international equities to provide long-term capital growth
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with global stock market and currency fluctuation and risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a global 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

*Effective 14 May 2020, the Orbis Global Equity Fund’s benchmark changed to the MSCI World Index, including income, after withholding taxes. However, for an initial period of time, the Orbis Global Equity Fund is continuing to charge its fee with reference to the FTSE World Index, including income. See the Orbis Global Equity Fund’s factsheet for more information. After this initial period of time, the benchmark of the Allan Gray-Orbis Global Equity Feeder Fund will change to the MSCI World Index, including income, after withholding taxes.

**Only available to investors with a South African bank account.

Fund information on 31 March 2021

Fund size	R24.3bn
Number of units	269 695 271
Price (net asset value per unit)	R90.00
Class	A

1. FTSE World Index including income (source: Bloomberg), 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 rand drawdown occurred from 6 June 2008 to 10 March 2009 and maximum benchmark drawdown occurred from 5 June 2008 to 6 March 2009. 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 December 2013 and the benchmark’s occurred during the 12 months ended 31 December 2013. The Fund’s lowest annual return occurred during the 12 months ended 31 March 2009 and the benchmark’s occurred during the 12 months ended 31 March 2009. 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	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
Cumulative:						
Since inception (1 April 2005)	804.1	281.0	773.5	268.1	135.1	36.3
Annualised:						
Since inception (1 April 2005)	14.8	8.7	14.5	8.4	5.5	2.0
Latest 10 years	17.7	8.9	18.9	10.0	5.1	1.7
Latest 5 years	12.0	11.9	13.9	13.8	4.4	2.1
Latest 3 years	14.7	6.7	21.3	12.8	3.9	1.8
Latest 2 years	19.2	18.0	19.2	18.0	3.7	2.0
Latest 1 year	36.0	64.1	29.1	55.7	2.9	1.7
Year-to-date (not annualised)	7.7	7.0	5.8	5.1	1.2	0.9
Risk measures (since inception)						
Maximum drawdown ³	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months ⁴	63.5	60.4	62.5	64.1	n/a	n/a
Annualised monthly volatility ⁵	15.4	17.5	14.1	15.8	n/a	n/a
Highest annual return ⁶	78.2	64.1	54.2	58.4	n/a	n/a
Lowest annual return ⁶	-29.7	-44.8	-32.7	-47.3	n/a	n/a

Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the last 10- and five-year periods, it has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the global stock market. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

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 annually.	31 Dec 2020
Cents per unit	0.6366

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet, which can be found at www.orbis.com.

Total expense ratio (TER) and Transaction costs

The annual management fee charged by Orbis 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.

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	0.82	1.26
Fee for benchmark performance	1.49	1.49
Performance fees	-0.72	-0.28
Other costs excluding transaction costs	0.05	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	0.13	0.09
Total investment charge	0.95	1.35

Top 10 share holdings on 31 March 2021

Company	% of portfolio
British American Tobacco	7.5
Naspers	6.9
NetEase	6.2
XPO Logistics	5.7
Bayerische Motoren Werke	3.8
Anthem	3.2
Comcast	3.2
Howmet Aerospace	3.1
Taiwan Semiconductor Mfg.	2.8
Newcrest Mining	2.7
Total	45.0

Asset allocation on 31 March 2021

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	97.6	31.7	30.5	9.9	15.9	9.6
Hedged equities	0.0	0.0	0.0	0.0	0.0	0.0
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Commodity-linked	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	2.4	0.0	0.0	0.0	0.0	2.4
TOTAL	100.0	31.7	30.5	9.9	15.9	11.9

Currency exposure of the Orbis Global Equity Fund

	Funds	Index
	100.0	100.0
	41.3	64.2
	30.7	18.5
	10.4	7.7
	8.0	5.9
	9.6	3.7

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

With just 30% of assets invested in US shares versus 66% for the MSCI World Index, the Orbis Global Equity Fund's current underweight to the US market is the largest in its history. As always, our portfolio positioning is driven by bottom-up decisions about individual businesses. But those decisions don't take place in a vacuum. They are influenced by the hand we are dealt by the market, and we naturally gravitate to areas where the attractive opportunities appear most abundant.

In recent years, the stockpicking environment in the US has been characterised by rising aggregate valuations, surging liquidity, dwindling concern for risk and increasing speculation. Yet despite stiff valuation headwinds at the broader market level, some of our highest-conviction ideas have come from the US market, where we continue to own a number of businesses that we believe offer attractive long-term risk-adjusted returns. In particular, we have uncovered shares of businesses that are cyclical, but also competitively advantaged.

XPO, a transportation and logistics company with operations in the US and Europe, is one example. It has been one of Orbis Global's largest holdings for many years. The business is run by Bradley Jacobs, who has a strong track record of strategic vision, capital allocation acumen and operational skill. The most tangible evidence is XPO's outperformance of 14% per annum versus the S&P 500 since Jacobs took the helm in 2011.

Despite these results, we believe XPO continues to be undervalued, in part due to its complexity. It was therefore welcome news at the end of 2020 when XPO announced its intent to spin off its contract logistics business into an independent public company called GXO Logistics, and to seek investment grade credit ratings at both companies. As a simpler, pure-play transportation business, we believe XPO should be valued closer to its listed peers. Even if we assume a somewhat lower valuation, and that XPO keeps all of the company's current debt, this would ascribe no value to the GXO spin-off, which means we would essentially get it for free.

We believe the implementation of this spin-off plan and subsequent deleveraging, in conjunction with steady execution and an attractive long-term earnings growth trajectory, creates a compelling long-term risk-adjusted return profile for our holding today in XPO. It can take time for spin-offs to ultimately influence a company's valuation, but they can be an effective way to unlock hidden or underappreciated value.

While our conviction in XPO is driven by our bottom-up research, we also see reason for optimism about the relative return potential of XPO, and our other cyclical shares, when we consider the broader market and economic context. Large exogenous shocks have a way of changing the prevailing regime in unexpected but enduring ways, and the COVID-19 pandemic was nothing if not a shock to the global economy.

The market regime of the last decade in the US was a near-perfect confluence of conditions for the shares of the defensive growth businesses that we have largely avoided in recent years. Below-trend economic growth in the aftermath of the GFC created an earnings headwind for economically sensitive businesses that made the relative earnings growth of many disruptive growth businesses look unusually attractive by comparison; with real growth scarce, investors were willing to pay a

large premium for it. At the same time, inflation remained subdued. Finally, with low growth, low inflation and aggressive central bank intervention, long-term interest rates were depressed to historically low levels, disproportionately benefiting long-duration assets, such as the shares of richly-priced growth companies.

As this regime became entrenched, relative valuations for such businesses, which started low, were steadily amplified by the circularity of the capital cycle. Growth managers outperformed, attracting new assets, spurring further buying of the same growth shares, pushing such shares ever higher, while the reverse happened to value managers and their shares.

Yet developments since the pandemic offer the tantalising possibility that this regime may be changing.

Consider, for example, that the pandemic unleashed the most extreme increase in US government spending since World War II, US\$6 trillion of stimulus, with more likely on the way given the prevailing political environment in Washington DC. The magnitude of this fiscal response is difficult to overstate and may well produce a period of unusually high economic growth in the coming years. Even without these extraordinary measures, the "real" economy stands to benefit from accelerating vaccine deployment and the end of lockdowns, combined with enormous pent-up demand and the highest individual savings rate in decades.

Additionally, the combination of surging demand, limited supply of both labour and goods (already a theme across US companies), ongoing de-globalisation and exceptionally loose monetary policy, potentially set the conditions for much higher rates of inflation and interest rates. Such a development would be a significant headwind to richly-priced growth shares.

While none of this is guaranteed to happen – and this is by no means a "forecast" on our part – it aligns well with developments in recent months. And by owning individually attractive companies like XPO, we don't need to bet on a regime change to find favourable risk-adjusted returns. A clear lesson from history is that big shifts can unfold dramatically, and it is critical to avoid areas of the market that look most overvalued. At this stage of the cycle, we believe it is less about trying to find the next Amazon, and more about trying to avoid being left holding the next Pets.com. US stocks may currently represent a relatively small portion of the Orbis Global Equity Fund, a far cry from their weight in the World Index. But, in our view, the handful of ideas that make up our allocation to the US are among our highest-conviction holdings anywhere in the world.

Over the quarter, most of the concentrations in the portfolio were unchanged. We established new positions in several ecommerce companies operating in emerging markets. We also added to the existing position in Naspers. We funded these by trimming several positions that had outperformed of late, including BMW and Taiwan Semiconductor Manufacturing.

Adapted from a commentary contributed by Matthew Adams and Eric Marais, Orbis Investment Management (U.S.), L.P., San Francisco

Fund manager quarterly commentary as at 31 March 2021

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

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Performance

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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).

Feeder fund

A feeder fund is a unit trust that invests in another single unit trust, which charges its own fees. Allan Gray does not charge any additional fees in its feeder funds.

Foreign exposure

This fund invests in a foreign fund managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2021. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

MSCI Index

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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**

Fund description and summary of investment policy

The Fund invests in a mix of equity, absolute return and multi-asset class funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 40% and 75%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of an international equity-only fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.

ASISA unit trust category: Global – Multi Asset – High Equity

Fund objective and benchmark

The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk. The Fund's benchmark is a portfolio made up 60% by the FTSE World Index, including income, and 40% the J.P. Morgan GBI Global Index.

How we aim to achieve the Fund's objective

The Fund invests in equity, absolute return and multi-asset class funds managed by our offshore investment partner, Orbis Investment Management Limited. Within all of the underlying funds, Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables them 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. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally. Depending on our assessment of the potential returns on global stock markets relative to their risk of capital loss, we actively manage the Fund's net exposure to equities by varying its exposure to the underlying Orbis funds. By varying the Fund's overall exposure to equities and also its geographic exposure, through selecting between the Orbis regional equity funds, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

Suitable for those investors who

- Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a foreign medium equity 'building block' in a diversified multi-asset class portfolio

Fund information on 31 March 2021

Fund size	R14.7bn
Number of units	304 538 373
Price (net asset value per unit)	R48.12
Class	A

Minimum investment amounts

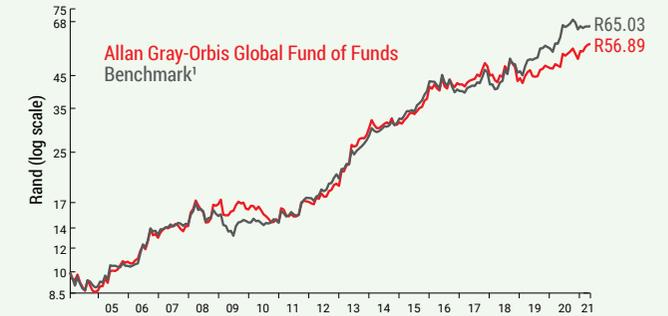
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

- 60% of the FTSE World Index including income and 40% of the J.P. Morgan GBI Global Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 March 2021.
- This is based on the latest available numbers published by IRESS as at 28 February 2021.
- Maximum percentage decline over any period. The maximum rand drawdown occurred from 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 October 2010 and the benchmark's occurred during the 12 months ended 30 June 2009. 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:	ZAR	US\$	ZAR	US\$	ZAR	US\$
Since inception (3 February 2004)	468.9	170.8	550.3	209.5	144.8	41.3
Annualised:						
Since inception (3 February 2004)	10.7	6.0	11.5	6.8	5.4	2.0
Latest 10 years	13.9	5.4	15.6	6.9	5.1	1.7
Latest 5 years	7.0	6.9	9.4	9.3	4.4	2.1
Latest 3 years	10.2	2.5	17.1	8.9	3.9	1.8
Latest 2 years	11.4	10.3	13.8	12.7	3.7	2.0
Latest 1 year	19.2	43.8	8.8	31.2	2.9	1.7
Year-to-date (not annualised)	5.9	5.2	1.4	0.7	1.2	0.9
Risk measures (since inception)						
Maximum drawdown ³	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months ⁴	57.3	60.2	58.3	63.6	n/a	n/a
Annualised monthly volatility ⁵	13.9	11.6	12.8	10.0	n/a	n/a
Highest annual return ⁶	55.6	43.8	38.8	37.6	n/a	n/a
Lowest annual return ⁶	-13.7	-27.3	-17.0	-31.7	n/a	n/a

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than similar funds in the Global – Multi Asset – High Equity sector.

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 annually.	31 Dec 2020
Cents per unit	0.0000

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis Funds' factsheets, which can be found at www.orbis.com.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by 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.

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	0.78	1.26
Fee for benchmark performance	1.45	1.44
Performance fees	-0.74	-0.24
Other costs excluding transaction costs	0.07	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	0.11	0.09
Total investment charge	0.89	1.35

Top 10 holdings on 31 March 2021

Company	% of portfolio
Taiwan Semiconductor Mfg.	5.1
British American Tobacco	4.3
Samsung Electronics	4.3
SPDR Gold Trust	4.2
NetEase	3.7
Bayerische Motoren Werke	3.1
AbbVie	3.0
Naspers	2.5
BP	2.4
XPO Logistics	2.4
Total (%)	34.9

Fund allocation on 31 March 2021

Funds	%
Foreign multi-asset funds	74.6
Orbis SICAV Global Balanced Fund	74.6
Foreign equity funds	16.1
Orbis Global Equity Fund	12.6
Orbis SICAV Emerging Markets Equity Fund	3.4
Foreign absolute return funds	9.3
Orbis Optimal SA Fund (US\$)	5.7
Orbis Optimal SA Fund (Euro)	3.6
Total (%)	100.0

Asset allocation on 31 March 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	62.7	13.2	23.5	7.3	15.0	3.7
Hedged equities	22.7	10.1	6.0	2.0	3.1	1.5
Fixed interest	8.9	6.8	0.5	0.1	0.2	1.2
Commodity-linked	4.2	0.0	0.0	0.0	0.0	4.2
Net current assets	1.6	0.0	0.0	0.0	0.0	1.6
Total	100.0	30.1	30.0	9.4	18.2	12.3

Currency exposure of the Orbis funds

Funds	Index	North America	Europe and UK	Japan	Asia ex-Japan	Other
Funds	100.0	39.1	34.5	10.0	11.8	4.6
Index	100.0	59.9	25.0	12.1	0.8	2.2

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

The Orbis SICAV Global Balanced Fund has now outperformed its benchmark 60/40 Index since global stock markets' pre-COVID-19 peak on 12 February 2020. Essentially, all of that outperformance has come since the positive vaccine announcements in early November, and those good returns have overcome the painful underperformance we experienced during the initial market drawdown. To be clear, we are not happy with how the portfolio behaved during the COVID-19 crash, and the Fund's relative returns over the last three years remain far below the standards we set for ourselves.

But the recovery is encouraging nonetheless, especially as the opportunity set remains stretched: That is true whether we look at bonds, aggregate valuations or valuation spreads within equities.

Government bond yields remain near-zero, with elevated interest rate risk. That risk is not theoretical, which we are seeing as bond yields have risen. So far this year, US Treasuries have endured their worst quarter in 40 years. The portfolio continues to have zero exposure to long-term nominal government bonds – the "40" in the benchmark 60/40 Index.

The "60" of the benchmark in global equities doesn't look much better. We flagged in December that the passive global 60/40 portfolio traded at 32 times earnings – its worst valuation ever. Today it trades at 31 times earnings. The recent bond volatility has barely made a dent in record-high valuations.

We see a similar pattern if we look within stock markets. In October, the valuation gap between fundamentally cheap and expensive shares reached an all-time record. Here, sticking to our philosophy has proved beneficial, as the stocks that were most painful to own during the crash have been some of the best performers over the last five months. Since the vaccine news, cheaper "value" shares have led the market, and that has made a dent in valuation spreads. But only a dent – the valuation gap today remains extreme.

As a result, the top holdings in the portfolio have not changed much. Taiwan Semiconductor Manufacturing and Samsung Electronics have performed well, even as some software companies have struggled, a trend we dub the "revenge of the makers". We continue to believe they offer good value. On the other end of the spectrum, BP and Royal Dutch Shell continue to offer ample free cash flow yields. In short, we continue to find the top holdings attractive.

In some quarters, having covered big holdings and the opportunity set, this is where the commentary would end. This quarter, we want to walk through some of the smaller equity clusters in the portfolio, including Japanese trading companies, UK small caps, underappreciated energy transition, European banks, COVID-19-bashed defensives, travel and leisure and gold companies. Taken together, the stocks in these seven clusters below represent 28% of the Global Balanced portfolio, and are broadly diversified across the investment universe. Having discussed the Japanese trading companies last quarter, and gold last June, we will focus here on the other five groups.

UK small caps: The UK stock market has been deeply out of favour and has lagged shares elsewhere by a cumulative 50% over the last five years. Here, we have found bargains such as Balfour Beatty (which we highlighted last quarter) and Headlam, Europe's leading distributor of floorcoverings.

Underappreciated energy transition: The other UK small cap we highlighted last quarter was Drax, a one-time coal utility that is transforming to focus on renewable power generation, carbon capture and energy storage. We have also uncovered opportunities like Siemens Energy. At times last year, most of Siemens Energy's market value was accounted for by its shareholding in wind turbine maker Siemens Gamesa, putting little value on other businesses such as crucial electricity grid equipment.

European banks: We wrote last quarter about ING Group, the low-cost, customer-friendly Dutch bank. Across the English Channel and the Irish Sea, we also hold the two dominant banks in Ireland – Bank of Ireland (BoI) and Allied Irish Banks (AIB). Today, BoI and AIB are among the most conservatively capitalised banks in Europe, yet they trade at some of the lowest valuations.

COVID-19-bashed defensives: We have spotted a similar setup among generally defensive businesses that have been bashed by COVID-19. Comcast, whose main business is cable communications (including broadband) is perhaps the best example. Its other businesses, including theme parks, have suffered to varying degrees during COVID-19, however this should prove temporary. Meanwhile, the main business has been growing as working from home has spurred demand for high-speed broadband.

Travel and leisure: Buying any stock into a sell-off is not an easy thing to do, but Southwest was the easiest of the hard decisions we made at the time of the COVID-19 crash. For one, Southwest is overwhelmingly focused on the US. International travel restrictions are less of an issue if you mainly operate in one country.

The holdings we have touched on above are all idiosyncratic opportunities. Some clusters of stocks behave similarly, and some don't, but the clusters themselves are broadly diversified. From a risk management perspective, that is exactly what we like to see – but it is largely a by-product of where we have found opportunities. More encouraging to us is the relative valuation picture. With the 60/40 Index still trading near record valuations, the outlook for broad equity and bond market returns looks poor, but with a portfolio active share of around 95%, an investment in Orbis Global Balanced is very different to an investment in the market. As gaps in the opportunity set remain wide, we believe the relative value in the portfolio remains compelling.

There were no significant additions to the portfolio over the quarter. We trimmed the position in Taiwan Semiconductor Manufacturing into price strength, although it remained a leading position in the portfolio as at 31 March 2021. We sold out of the portfolio's position in Credit Suisse Group to rotate capital to other ideas that were trading at a deeper discount to our estimate of intrinsic value.

Adapted from a commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda

Fund manager quarterly commentary as at 31 March 2021

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

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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

Minimum disclosure document and quarterly general investors' report **Issued:** 13 April 2021

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).

Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

Foreign exposure

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

FTSE Russell Index

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J.P. Morgan Index

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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**

Fund description and summary of investment policy

The Fund invests in a mix of absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 0% and 20%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of a foreign equity or balanced fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.

ASISA unit trust category: Global – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis funds.

How we aim to achieve the Fund's objective

The Fund invests only in the Optimal SA absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within the Optimal funds, Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables them 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. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally. The Orbis Optimal SA funds reduce most of their stock market risk by the use of exchange-traded derivative futures contracts. The Orbis Optimal SA funds will typically retain a small portion of their exposure to equity markets, but the level of exposure may be varied depending on Orbis' assessment of the potential returns on global stock markets relative to their risk of capital loss. The underlying funds' returns are therefore derived partly from their relatively low exposure to stock markets, partly from Orbis' selected share returns relative to those markets, and partly from foreign currency cash-equivalent returns. The Fund's currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

Suitable for those investors who

- Seek steady absolute returns ahead of those of cash measured in global currencies
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk
- Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio

Fund information on 31 March 2021

Fund size	R0.8bn
Number of units	42 820 240
Price (net asset value per unit)	R19.44
Class	A

Minimum investment amounts

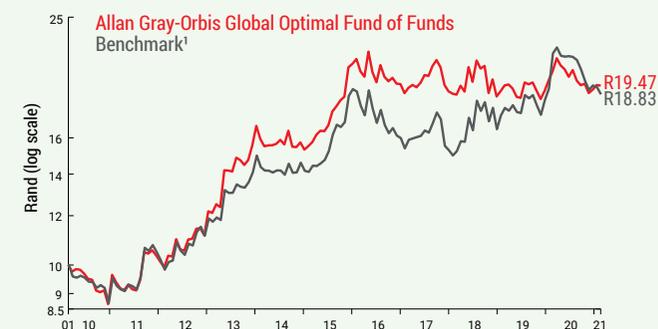
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

*Only available to investors with a South African bank account.

1. The simple average of the benchmarks of the underlying funds, 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 rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 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 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 December 2013 and the benchmark's occurred during the 12 months ended 31 January 2016. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 28 February 2017. 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:	ZAR	US\$	ZAR	US\$	ZAR	US\$
Since inception (2 March 2010)	94.7	1.3	88.3	-2.0	69.8	21.1
Annualised:						
Since inception (2 March 2010)	6.2	0.1	5.9	-0.2	4.9	1.8
Latest 10 years	7.8	-0.3	7.5	-0.6	5.1	1.7
Latest 5 years	-1.1	-1.2	0.9	0.8	4.4	2.1
Latest 3 years	1.1	-6.0	7.3	-0.2	3.9	1.8
Latest 2 years	0.0	-1.0	2.6	1.6	3.7	2.0
Latest 1 year	-5.2	14.4	-14.2	3.5	2.9	1.7
Year-to-date (not annualised)	2.8	2.1	-1.6	-2.3	1.2	0.9
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months ⁴	48.9	51.9	45.9	48.9	n/a	n/a
Annualised monthly volatility ⁵	13.8	7.4	14.4	4.4	n/a	n/a
Highest annual return ⁶	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return ⁶	-12.4	-15.3	-19.1	-11.6	n/a	n/a

Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has outperformed its benchmark. Over the latest five-year period the Fund has underperformed its benchmark. It should be noted that the returns on dollar and euro cash have been low over this period. There has been some volatility in the Fund's returns. The underlying funds' maximum drawdowns to date, in their reporting currencies, are 23% for the Orbis Optimal SA Dollar class and 28% for the Orbis Optimal SA Euro class.

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 annually.	31 Dec 2020
Cents per unit	0.4566

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the respective Orbis Funds' factsheets, which can be found at www.orbis.com.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by 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.

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	1.09	1.07
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	-0.01
Other costs excluding transaction costs	0.09	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	0.15	0.13
Total investment charge	1.24	1.20

Top 10 share holdings on 31 March 2021

Company	% of portfolio
British American Tobacco	4.5
UnitedHealth Group	3.5
Mitsubishi	3.0
Woodside Petroleum	2.9
Bayerische Motoren Werke	2.8
NetEase	2.6
Alcoa	2.5
Taiwan Semiconductor Mfg.	2.2
XPO Logistics	2.2
Korea Investment Holdings	2.2
Total (%)	28.5

Asset allocation on 31 March 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equity	2.8	-1.4	0.9	-0.3	2.5	1.2
Hedged equity	86.6	25.1	25.1	17.2	14.2	5.1
Fixed interest	0.0	0.0	0.0	0.0	0.0	0.0
Commodity-linked	0.0	0.0	0.0	0.0	0.0	0.0
Net current assets	10.5	0.0	0.0	0.0	0.0	10.5
Total	100.0	23.7	26.0	16.9	16.7	16.8

Currency exposure of the Orbis funds

Funds	100.0	58.2	35.4	-0.1	6.2	0.2

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

Fund allocation on 31 March 2021

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	64.0
Orbis Optimal SA (Euro)	36.0
Total (%)	100.0

Since hitting bottom in March 2009, global equities have returned 15% per annum. At the same time, risk-free rates have been abnormally low – close to zero – which implies an equity risk premium that is about triple its long-term average of 4-5%. It would be an understatement to say that investors have been well-rewarded for owning equities.

We are not in the business of making forecasts, but it is hardly a stretch to say that a double-digit equity risk premium is unsustainably high and a risk-free rate of close to zero is unsustainably low – to say nothing of the absurdity of negative rates in some markets. Fortunately, as bottom-up stockpickers, we have the luxury of being extremely selective. The gap between the most expensive and cheapest stocks remains historically wide despite some recent positive signs that things may be beginning to normalise. Put another way, we continue to find substantially undervalued assets in what is an expensive market overall.

UK-based Lloyds Banking Group, a relatively recent purchase, provides an illustrative example of the type of bargain that is still on offer. Trading at a 30% discount to the carrying value of its tangible assets, Lloyds is cheaper than it has been in close to a decade. As with other banks in the UK, Lloyds has been negatively impacted by the COVID-19 pandemic and the economic impact of prolonged lockdowns. Its net interest income margins have been squeezed as interest rates have been slashed, non-interest income has fallen as economic activity remains subdued and expected impairments have increased in the aftermath of the crisis.

But taking a longer-term view, there is a lot to like about Lloyds. It has one of the highest-quality credit books in the industry, with more than 80% of its loans and advances secured by assets to which the bank has claim in the event of a default. The bank has also been conservative in meeting required standards for capital adequacy and management's cost discipline has been impressive. A consistent focus on profitability rather than market share growth has enabled Lloyds to maintain a strong balance sheet and deliver return on equity well above its peer group average since 2014.

We believe that Lloyds offers a compelling risk-reward proposition. Its shares are currently trading at an 8% yield on the cancelled 2019 dividend, which we expect to be reinstated over the medium term. With interest rates near 0%, an 8% and growing yield looks attractive to us. Most importantly, we don't need to make heroic assumptions. Non-interest fee income should recover as life returns to normal and impairments should also subside once employment picks up. We simply need the patience to allow the current recession to run its course and conviction that Lloyds will continue to manage costs in a disciplined manner.

In the US, XPO Logistics stands out as another compelling example. A transportation and logistics company with operations in the US and Europe, XPO has been one of Orbis Optimal's largest holdings for many years. Despite the tremendous success that the company has achieved under the leadership of its entrepreneurial founder and CEO Bradley Jacobs, we have continued to view XPO shares as significantly undervalued.

It was therefore welcome news at the end of 2020 when XPO announced its intent to spin off its contract logistics business into an independent public company called GXO Logistics, and to seek investment grade credit ratings at both companies. As a simpler, pure-play transportation business, we believe XPO should be valued closer to its listed peers. Even if we assume a somewhat lower valuation and that XPO keeps all of the company's current debt, this would ascribe no value to the GXO spin-off, which means we would essentially get it for free.

We believe the implementation of this spin-off plan and subsequent deleveraging, in conjunction with steady execution and an attractive long-term earnings growth trajectory, creates a compelling long-term risk-adjusted return profile for our holding today in XPO. It can take time for spin-offs to ultimately influence a company's valuation, but they can be an effective way to unlock hidden or underappreciated value.

We are excited about the stock selection opportunities such as Lloyds and XPO that we have identified on your behalf, and we continue to have a high degree of conviction in Orbis Optimal's ability to protect capital and deliver attractive long-term returns. In the Orbis Global Equity commentary this quarter, we discuss how large exogenous shocks can change the market environment in unexpected but enduring ways and the pandemic certainly qualifies as a major shock. While there are no guarantees in investing, the prospect of longstanding headwinds potentially turning into tailwinds only gives us more reason to be enthusiastic.

The Orbis Optimal SA Fund's overall net equity exposure decreased over the quarter. Among individual positions, the largest addition was to UnitedHealth Group. The largest reduction was to Credit Suisse Group.

Adapted from a commentary contributed by Neha Aggarwal, Orbis Portfolio Management (Europe) LLP, London, Matthew Adams, Orbis Investment Management (U.S.), L.P., San Francisco and John Christy, Orbis Investments (Canada) Limited, Vancouver

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

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

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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).

Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

Foreign exposure

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

Important information for investors

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