

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*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

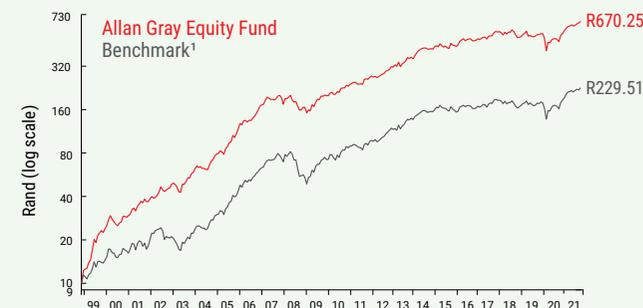
Fund information on 31 October 2021

Fund size	R38.4bn
Number of units	47 469 179
Price (net asset value per unit)	R452.47
Class	A

1. The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 October 2021. From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS.
2. This is based on the latest available numbers published by IRESS as at 30 September 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 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).
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 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)	6602.5	2195.1	228.7
Annualised:			
Since inception (1 October 1998)	20.0	14.5	5.3
Latest 10 years	9.8	9.5	5.0
Latest 5 years	6.5	6.8	4.4
Latest 3 years	7.6	10.3	4.0
Latest 2 years	11.2	13.0	4.0
Latest 1 year	38.5	39.9	5.0
Year-to-date (not annualised)	22.1	21.9	4.7
Risk measures (since inception)			
Maximum drawdown ³	-37.0	-45.4	n/a
Percentage positive months ⁴	65.7	59.2	n/a
Annualised monthly volatility ⁵	15.6	16.8	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-year period, 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.	31 Dec 2020	30 Jun 2021
Cents per unit	291.3975	330.8930

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 30 September 2021 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
Naspers ⁸	7.6
British American Tobacco	6.3
Glencore	5.1
Standard Bank	3.6
Woolworths	3.3
Remgro	3.0
Sasol	2.7
Old Mutual	2.5
Nedbank	2.4
AB InBev	2.3
Total (%)	38.7

- Underlying holdings of Orbis funds are included on a look-through basis.
- Includes holding in stub certificates or Prosus N.V., if applicable.
- 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 30 September 2021	1yr %	3yr %
Total expense ratio	0.68	0.74
Fee for benchmark performance	1.12	1.13
Performance fees	-0.54	-0.48
Other costs excluding transaction costs	0.04	0.04
VAT	0.06	0.05
Transaction costs (including VAT)	0.10	0.10
Total investment charge	0.78	0.84

Sector allocation on 30 September 2021 (updated quarterly)⁷

Sector	% of Fund	% of ALSI ⁹
Energy	2.1	0.8
Basic materials	17.7	31.8
Industrials	6.5	4.6
Consumer staples	14.4	7.6
Healthcare	3.5	2.4
Consumer discretionary	10.8	13.9
Telecommunications	2.3	5.3
Utilities	0.5	0.0
Financials	28.4	18.4
Technology	9.2	11.8
Commodity-linked	0.6	0.0
Real estate	0.8	3.4
Other	0.1	0.0
Money market and bank deposits	3.2	0.0
Total (%)	100.0	100.0

Asset allocation on 31 October 2021⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	95.0	66.4	4.0	24.6
Hedged equities	0.1	0.0	0.0	0.1
Property	0.9	0.8	0.0	0.1
Commodity-linked	0.6	0.6	0.0	0.0
Bonds	0.2	0.0	0.0	0.2
Money market and bank deposits	3.3	2.0	-0.2	1.6
Total (%)	100.0	69.7	3.8	26.5¹⁰

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.

The Fund had a good quarter on a relative basis, generating a return of 4.6% versus the benchmark at 3.4%.

It was a quarter driven by news out of the East, as the headlines and events emanating from China had a material impact on several shares in our market.

On the regulatory front, the Chinese government has made a number of announcements related to what they term anti-competitive behaviour and social ills in the technology sector. This includes far more scrutiny on and regulation of the digital financial system and online lending; clamp downs on monopolistic behaviour such as forced exclusivity and “walled gardens”; additional restrictions on how consumer data is collected and shared; and significant restrictions imposed on youth online gaming. Presumably under government pressure, many of the technology companies have committed to “common prosperity” contributions over the past year. As an example, in two separate announcements, Tencent has committed to donate a total of US\$15bn to a fund to invest in social projects over the coming years.

The news has had a material impact on the share price of Tencent and, as a result, on the share prices of Prosus and Naspers, whose single-largest investment is a 29% stake in Tencent. For the quarter, Tencent was down 21% in US dollars, while Prosus and Naspers were down 15% and 17% respectively in rands.

It is too soon to tell to what degree all of the regulatory changes will affect the long-term growth and earnings prospects for Tencent but, on a balance of probability, it is likely to have some sort of a negative effect. At the very least, we believe it is more likely than not that the multiple the market is willing to pay for Tencent has been permanently impaired. One could argue that, given the price declines, the negative news has already been priced in, but it is a dangerous game to try and predict future behaviour that may emanate from the Chinese Communist Party. As such, while we continue to see significant value in Naspers and Prosus at spot prices, we have an increasingly sharp focus on absolute position size within the portfolios.

The other major news item to emerge out of China was the unofficial default of Evergrande, one of the largest real estate developers in China. Heavily overindebted and faced with material cash flow issues, Evergrande has failed to make bond payments in the past few weeks. The Evergrande default has sparked renewed concerns about a property bubble in China, where the real estate sector accounts for 29% of GDP.

Why is this important to South African investors?

Two of the largest shares on our market, BHP and Anglo American, derive a substantial portion of their profits from the sale of iron ore, the vast majority of which goes into steel production in China, and therefore the property sector. We have for some time believed the iron ore price is unsustainably high, and the correction following this news has been swift. In the space of two months, the iron ore price has fallen from over US\$220/t to around US\$115/t today. Our preferred diversified miner has been, and remains, Glencore, which has zero exposure to iron ore production. Our preference for Glencore is partly due to its commodity mix, but primarily due to valuation, as it continues to trade at a material discount to peers.

If the events of the past quarter have taught us anything, it is that what happens in China can have a material impact on South African investors, as a number of the shares on our market are either directly or indirectly invested in the Chinese economy. That is also why we believe British American Tobacco (BTI) is an excellent holding in our portfolios. Not only is it a globally diversified business that has an excellent track record and trades on a very attractive 8% dollar dividend yield, but it has zero exposure to China. From a portfolio construction and risk diversification perspective, this makes BTI particularly attractive for us.

During the quarter we increased our exposure to select domestic banks and the platinum group metal miners.

Commentary contributed by Rory Kutisker-Jacobson

Fund manager quarterly commentary as at 30 September 2021

1. A closed ecosystem in which all the operations are controlled by the ecosystem operator.

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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*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

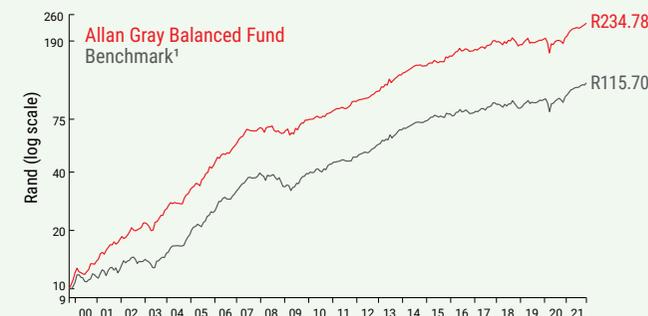
Fund information on 31 October 2021

Fund size	R152.4bn
Number of units	547 408 112
Price (net asset value per unit)	R122.87
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 October 2021. 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: Micropal.
2. This is based on the latest available numbers published by IRESS as at 30 September 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund’s monthly return. This is a measure of how much an investment’s return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund’s highest annual return occurred during the 12 months ended 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.

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 1999)	2247.8	1057.0	224.3
Annualised:			
Since inception (1 October 1999)	15.4	11.7	5.5
Latest 10 years	9.8	9.2	5.0
Latest 5 years	6.9	7.6	4.4
Latest 3 years	7.9	9.6	4.0
Latest 2 years	10.6	10.8	4.0
Latest 1 year	27.5	26.1	5.0
Year-to-date (not annualised)	16.8	15.5	4.7
Risk measures (since inception)			
Maximum drawdown ³	-25.4	-23.3	n/a
Percentage positive months ⁴	69.4	68.3	n/a
Annualised monthly volatility ⁵	9.6	9.4	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-year period, 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 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.	31 Dec 2020	30 Jun 2021
Cents per unit	105.3969	93.3008

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 30 September 2021 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
British American Tobacco	5.8
Naspers ⁸	5.8
Glencore	4.6
Woolworths	2.7
Sasol	2.4
Standard Bank	2.3
Remgro	2.2
Old Mutual	2.1
Nedbank	1.9
FirstRand	1.8
Total (%)	31.5

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 September 2021	1yr %	3yr %
Total expense ratio	0.81	0.96
Fee for benchmark performance	1.02	1.06
Performance fees	-0.32	-0.23
Other costs excluding transaction costs	0.03	0.04
VAT	0.08	0.09
Transaction costs (including VAT)	0.08	0.08
Total investment charge	0.89	1.04

Asset allocation on 31 October 2021⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	71.0	51.1	3.2	16.7
Hedged equities	6.3	1.5	0.0	4.8
Property	1.1	0.7	0.0	0.3
Commodity-linked	3.0	2.4	0.0	0.7
Bonds	13.2	10.1	1.5	1.7
Money market and bank deposits	5.3	2.7	0.0	2.7
Total (%)	100.0	68.4	4.7	26.9⁹

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

8. Includes holding in stub certificates or Prosus N.V., if applicable.

9. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

Minimum	(February 2000) 49.3%
Average	62.8%
Maximum	(May 2021) 72.9%

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

The Fund returned 4.1% for the quarter, better than the benchmark, which gave 2.7% for the quarter. The foreign portion of the Fund returned 4.8%, compared with a 60/40 benchmark of 4.4%.

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

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

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

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

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

During the quarter the Fund bought British American Tobacco and Nedbank and sold BHP.

Commentary contributed by Jacques Plaut

**Fund manager quarterly
 commentary as at
 30 September 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).

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

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

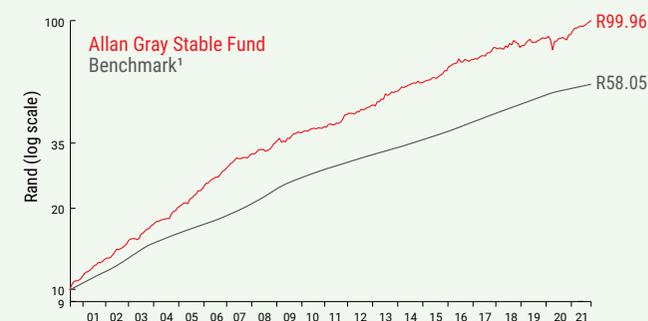
Fund information on 31 October 2021

Fund size	R46.9bn
Number of units	555 331 599
Price (net asset value per unit)	R39.18
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 October 2021.
- This is based on the latest available numbers published by IRESS as at 30 September 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 August 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)	899.6	480.5	208.0
Annualised:			
Since inception (1 July 2000)	11.4	8.6	5.4
Latest 10 years	8.4	6.9	5.0
Latest 5 years	7.3	6.9	4.4
Latest 3 years	6.8	6.2	4.0
Latest 2 years	7.7	5.3	4.0
Latest 1 year	18.0	4.6	5.0
Year-to-date (not annualised)	12.5	3.8	4.7
Risk measures (since inception)			
Maximum drawdown ³	-16.7	n/a	n/a
Percentage positive months ⁴	77.7	100.0	n/a
Annualised monthly volatility ⁵	5.2	0.7	n/a
Highest annual return ⁶	23.3	14.6	n/a
Lowest annual return ⁶	-7.4	4.6	n/a

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed 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.	31 Dec 2020	31 Mar 2021	30 Jun 2021	30 Sep 2021
Cents per unit	29.1088	22.9897	23.6459	36.4990

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 30 September 2021 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
Glencore	2.6
British American Tobacco	2.6
Naspers ⁹	2.3
Standard Bank	1.6
Nedbank	1.4
Woolworths	1.3
Sasol	1.3
Sibanye-Stillwater	1.1
Remgro	1.0
Aspen	0.9
Total (%)	16.0

- All credit exposure 1% or more of portfolio.
- Underlying holdings of Orbis funds are included on a look-through basis.
- Includes holding in stub certificates or Prosus N.V., if applicable.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 September 2021	1yr %	3yr %
Total expense ratio	1.09	0.89
Fee for benchmark performance	1.01	1.05
Performance fees	-0.07	-0.27
Other costs excluding transaction costs	0.03	0.03
VAT	0.12	0.08
Transaction costs (including VAT)	0.06	0.07
Total investment charge	1.15	0.96

Top credit exposures on 30 September 2021 (SA and Foreign) (updated quarterly)^{7,8}

Issuer	% of portfolio
Republic of South Africa	18.3
FirstRand Bank	5.4
Standard Bank (SA)	2.9
Investec Bank	2.5
Citibank London	2.3
Northam Platinum	1.9
Standard Bank Group	1.7
Nedbank	1.7
Total (%)	36.9

Asset allocation on 31 October 2021⁸

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	37.3	25.7	2.8	8.7
Hedged equities	10.9	2.6	0.0	8.3
Property	1.7	1.5	0.0	0.2
Commodity-linked	2.9	2.2	0.0	0.7
Bonds	37.5	30.6	3.1	3.7
Money market and bank deposits	9.7	4.9	0.0	4.7
Total (%)	100.0	67.6	6.0	26.4¹⁰

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.

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

Minimum	(January 2010) 12.4% ⁸
Average	26.2%
Maximum	(December 2018) 39.6%

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

The Fund continued its respectable recent run in the third quarter, adding 3.8% and taking the year-to-date return to 10.9%. After an especially strong start to the year, the FTSE/JSE All Share Index (ALSI) has treaded water for the last two quarters, in line with global stock markets, as investors digest the once-off post-lockdown economic boost, flare ups of the Delta variant and the prospect of normalising monetary policy. In addition, the risks posed by China, both from its slowing economy and a raft of tough new government regulations, have had an outsized impact on companies listed on our local market. The Fund has maintained its relatively high equity weighting (as viewed against the 40% maximum), with stock selection contributing positively to performance over the period.

Holdings in Glencore and Sasol were among the Fund's largest contributors to returns this quarter. We have preferred Glencore over the other large, diversified miners for some time given our cautious view on iron ore versus a more favourable outlook for base metals, to which Glencore is heavily exposed. Following the Chinese government's interventions in the market, the iron ore price has almost halved since June; however, it remains above what we consider a fair long-term level. As the world's largest producer of thermal coal for export, Glencore is also benefiting from the surge in energy prices globally, as a recovery in demand meets relatively stagnant supply. There is a possibility that this will continue as we head into the Northern Hemisphere winter, with suppliers either unwilling or unable to fulfil demand.

While this period of elevated prices may have one-off positive implications for Glencore in terms of shareholder returns, it has made a more permanent impact on Sasol, allowing the company to repair its previously precarious debt position, leading to a rerating in the share price. With a lower debt burden and capital expenditure profile going forward, Sasol is better positioned to generate cash flow sustainably and resume dividends, even at lower oil prices.

Continuing the recovery theme, Fund positions in companies exposed to the local economy, such as Old Mutual, Standard Bank and Remgro, among others,

have also aided performance, with reported results proving less dire than market participants feared a year ago. In many instances share prices remain at or below pre-COVID-19 levels, despite some businesses being better positioned now than what they were going into the pandemic. We continue to find value in local financial and industrial counters.

Disappointingly for South African investors, the crackdowns on the Chinese technology and gaming sectors have had a material impact on Tencent, and in turn Naspers/Prosus. While many of the new regulations do not seem out of the ordinary to what you may already find in the Western world, the process has unfolded in a heavy-handed manner. This, together with fears that further strict rules may be in the offing, has led to a great deal of investor uncertainty. Although Tencent remains a good business, we have reduced our estimate of its long-term intrinsic value and have decreased the Fund's weighting to Naspers/Prosus slightly.

Within fixed income, our local debt market has not been immune to the increased amount of taper talk coming out of most major central banks – in other words, the incremental reversal of quantitative easing strategies as their economies recover. This has implications for emerging markets such as ours, particularly given our reliance on foreign investor flows. Already-high levels of negative sentiment, plus a record current account surplus, albeit cyclical, will help cushion some of the impact. The Fund's offshore assets also mitigate part of this risk, benefiting from a weaker rand.

We retain our preference for local bonds over cash and have increased duration marginally after the recent sell-off in yields.

During the quarter we bought precious metal miners, Standard Bank and MTN and sold Prosus and British American Tobacco.

Commentary contributed by Sean Munsie

**Fund manager quarterly
commentary as at
30 September 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.

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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 Share 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*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

Fund information on 31 October 2021

Fund size	R23.8bn
Number of units	23 078 739 007
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.36
Fund weighted average coupon (days)	89.32
Fund weighted average maturity (days)	114.59
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 October 2021.
- This is based on the latest available numbers published by IRESS as at 30 September 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 October 2021 and the benchmark's occurred during the 12 months ended 31 October 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

Nov 2020	Dec 2020	Jan 2021	Feb 2021
0.35	0.36	0.36	0.32
Mar 2021	Apr 2021	May 2021	June 2021
0.35	0.34	0.35	0.34
July 2021	Aug 2021	Sept 2021	Oct 2021
0.35	0.36	0.35	0.36

Performance net of all fees and expenses

% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 July 2001)	355.2	340.6	190.5
Annualised:			
Since inception (1 July 2001)	7.7	7.6	5.4
Latest 10 years	6.5	6.2	5.0
Latest 5 years	6.8	6.4	4.4
Latest 3 years	6.2	5.7	4.0
Latest 2 years	5.3	4.9	4.0
Latest 1 year	4.3	3.8	5.0
Year-to-date (not annualised)	3.5	3.1	4.7
Risk measures (since inception)			
Percentage positive months	100.0	100.0	n/a
Annualised monthly volatility	0.6	0.6	n/a
Highest annual return ³	12.8	13.3	n/a
Lowest annual return ³	4.3	3.8	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 30 September 2021	1yr %	3yr %
Total expense ratio	0.29	0.29
Fee for benchmark performance	0.25	0.25
Performance fees	0.00	0.00
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 October 2021

	% of portfolio
Corporates	12.0
Pick 'n Pay	2.8
Shoprite	2.8
Sanlam	2.7
AVI	1.7
Toyota Financial Services	1.1
MTN	0.5
Mercedes-Benz	0.4
Banks⁴	49.7
Nedbank	15.5
Standard Bank	15.2
Absa Bank	11.9
Investec Bank	6.0
FirstRand Bank	1.2
Government	38.3
Republic of South Africa	38.3
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.

Interest rates in South Africa may be at a crossroads. While the Monetary Policy Committee (MPC) continue to express agreement via their unanimous vote count to keep rates on hold, they convey divergence in both their rhetoric and their forward guidance for rates.

The South African Reserve Bank (SARB) Governor, Lesetja Kganyago, has indicated his preference for targeting the lower end of the inflation band (i.e., 3% - 4.5%). He bemoans that "higher inflation begets higher interest rates", and vice versa. He would like to adopt structurally lower national interest rates going forward. If one targets an inflation level of 3% and sets interest rates accordingly, this filters into the real-world economy via various mechanisms. Rental agreement escalations will bake in the targeted inflation number. Employers will set their wage agreements to escalate at 3%, which will inform the additional spending of consumers each year. This will feed into demand, which in turn will influence prices. The mindset of the economy shifts to expect lower inflation and, as with many things in life, it is those expectations that can become self-fulfilling.

Other members of the MPC continue to anchor around higher guidance – asserting that inflation at 4.5% with a 2% real uplift (which is enjoyed by savers) implies interest rates at 6.5%. Perhaps they consider the many inflationary factors outside of the MPC's control, such as ambitious US spending packages, the rising cost of global labour, and a developed world transition to decarbonisation utilising more expensive green energy.

The MPC's quarterly projection model is programmed to align with such thinking. To arrive at South Africa's neutral level of interest rates, it suggests a rate hike in November 2021 and at each meeting in 2022 and 2023, lifting the repo rate to roughly 6.5%. What is telling is that the model is no longer charitably referred to by the Governor as a trusted additional member of the committee – he now maintains that he will not outsource the role of the SARB to a mere forecasting tool.

Ultimately, it is the minister of finance who sets the inflation target pending a macroeconomic review and advice from various parties at the SARB and National Treasury. Our insufficient national energy supply is perhaps too great a structural impediment to South Africa realising permanently lower inflation and rates. The future is uncertain, but rates will need to rise from current levels soon. In terms of how high, we shall have to wait and see.

In the last quarter, the Fund reinvested maturities at higher yields up the Government Treasury Bill curve, lifting the weighted average yield of the Fund to 4.5% at end-September.

Commentary contributed by Thalia Petousis

**Fund manager quarterly
commentary as at
30 September 2021**

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Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za.

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. 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.

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 11:00 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*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

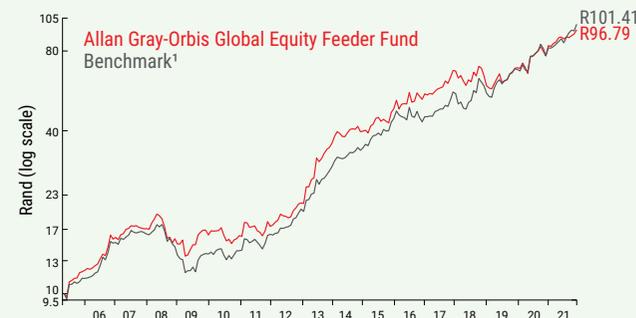
**Only available to investors with a South African bank account.

Fund information on 31 October 2021

Fund size	R26.2bn
Number of units	271 782 251
Price (net asset value per unit)	R96.35
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



1. FTSE World Index including income (source: Bloomberg), performance as calculated by Allan Gray as at 31 October 2021. Effective 14 May 2020, the Orbis Global Equity Fund's benchmark changed from the FTSE World Index, including income (FTSE World Index), to the MSCI World Index, including income, after withholding taxes (MSCI World Index). For an initial period of time, the Orbis Global Equity Fund will continue to charge its fee with reference to the FTSE World Index. After this period, the benchmark of the Allan Gray-Orbis Global Equity Feeder Fund will change to the MSCI World Index. Please see the Orbis Global Equity Fund's factsheet for more information on this fee transitional period.
2. This is based on the latest available numbers published by IRESS as at 30 September 2021.
3. Maximum percentage decline over any period. The maximum 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.

% Returns	Fund		Benchmark ¹		CPI inflation ²	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
Cumulative:						
Since inception (1 April 2005)	867.9	296.4	914.1	315.3	143.3	42.0
Annualised:						
Since inception (1 April 2005)	14.7	8.7	15.0	9.0	5.5	2.1
Latest 10 years	17.9	10.4	19.9	12.3	5.0	1.9
Latest 5 years	12.7	10.2	18.3	15.6	4.4	2.6
Latest 3 years	14.1	13.1	19.3	18.2	4.0	2.8
Latest 2 years	18.0	17.9	21.1	21.0	4.0	3.4
Latest 1 year	25.2	33.9	31.2	40.3	5.0	5.4
Year-to-date (not annualised)	15.3	11.3	22.8	18.5	4.7	5.1
Risk measures (since inception)						
Maximum drawdown ³	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months ⁴	63.8	60.3	62.8	64.8	n/a	n/a
Annualised monthly volatility ⁵	15.2	17.2	14.0	15.7	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 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 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 and prospectus, 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 30 September 2021	1yr %	3yr %
Total expense ratio	0.79	1.02
Fee for benchmark performance	1.48	1.49
Performance fees	-0.74	-0.52
Other costs excluding transaction costs	0.05	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	0.10	0.09
Total investment charge	0.89	1.11

Top 10 share holdings on 31 October 2021

Company	% of portfolio
British American Tobacco	5.5
XPO Logistics	3.6
Naspers ⁷	3.4
GXO Logistics	3.3
ING Groep	3.0
Anthem	2.9
NetEase	2.9
UnitedHealth Group	2.8
Sberbank of Russia	2.7
Comcast	2.5
Total	32.6

7. Includes holding in stub certificates or Prosus N.V., if applicable.

Asset allocation on 31 October 2021

This fund invests solely into the Orbis Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	98.5	39.2	28.9	10.9	13.2	6.4
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	1.5	0.0	0.0	0.0	0.0	1.5
TOTAL	100.0	39.2	28.9	10.9	13.2	7.9

Currency exposure of the Orbis Global Equity Fund

	Funds	Index
Funds	100.0	45.9
Index	100.0	66.6

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

The past quarter has been painful. After an encouraging start to the year, we gave all the outperformance back and more, with exposure to selected Chinese technology shares and the broad underperformance of value-oriented shares globally driving the majority of underperformance. While we try not to dwell on quarterly results, the past few years have also been disappointing. As co-investors in the Orbis funds, we share the frustration that some of you may be feeling.

As painful as they may be, times like these are an inevitable consequence of our bottom-up approach. Labels such as “value” and “growth” are often used to bucket groups of stocks together according to shared quantitative characteristics or “factors”. But we focus on the risk/reward proposition of each individual investment opportunity, and for better or worse, clients should expect this approach to produce an idiosyncratic pattern of relative returns that is uniquely our own.

The past few years have been a reminder of what those difficult times can look like up close. It helps to break it down into three distinct periods.

1 January 2020 – 30 September 2020

Heading into 2020, the market was characterised by massive dislocations between the valuations of shares belonging to the value and growth factor buckets. But there’s a big difference between picking a few attractive stocks that happen to fall into a particular bucket and buying the entire bucket itself. We do the former, not the latter. For example, we owned shares such as BMW and Honda which were trading at or below their book value.

But we believed that our selections from the value bucket were significantly more attractive and resilient than the rest of their peers. As the pandemic unfolded, the broader value bucket was hit particularly hard. We felt our share of the pain as well, but during the first nine months of 2020, the Orbis Global Equity Fund (the Fund) held up much better than the value factor – and many other value investors – thanks to our holdings elsewhere in the portfolio, notably in the US and China.

1 October 2020 – 31 May 2021

As a group, value shares came roaring back from last October through May of this year – driven largely by vaccine news and the prospect of the world returning to “normal” sooner than expected. Many of our stock selections benefited from that tailwind, but actually did a bit better than exposure to any particular factor would suggest.

1 June 2021 – 30 September 2021

In recent months it has cut the other way, driven in part by a few stocks in China.

Leaving political risk aside, the Chinese equities that we own in the portfolio look extremely compelling and are trading well below our assessment of their intrinsic value. But we don’t have the luxury of investing in a vacuum. Indeed, escalating geopolitical and regulatory risks were our primary motivation for reducing the Fund’s aggregate exposure to China in the second half of last year – trimming it from 20% at 30 June 2020 to 15% at 31 December 2020. With the benefit of hindsight, we should have trimmed more.

As tempting as it may be to take a more aggressive stance in China at today’s valuations, we are increasingly mindful of the risks. At 9% of the portfolio at 30 September, which includes Naspers, we believe our position sizing in China is appropriate in light of the risks. We remain enthusiastic about our selected holdings in the area, the largest of which is NetEase. As painful as these developments have been, it is worth remembering that leaning into political risk has also worked in our favour. As we discussed in last September’s commentary on the eve of the 2020 US presidential election, our holdings in managed care organisations (MCOs) such as UnitedHealth Group and Anthem are uniquely sensitive to political risk.

We first bought into the MCOs in 2008 amid fears about “Obamacare” and were presented with another opportunity when Bernie Sanders proposed “Medicare for All” in the 2020 presidential campaign. The doomsday scenario is always the same – that the MCOs will be put out of business by a nationalised healthcare model – but the pandemic also brought fresh fears of a surge in COVID-19-related claims.

Since President Biden took office, he has not made any notable moves in healthcare. We continue to believe that the services of UnitedHealth and Anthem will be in even greater demand in the future as the US tries to provide better healthcare to an ageing and growing population at a manageable cost. We fully expect their share prices to remain volatile, but we continue to believe that they offer compelling long-term value.

Importantly, UnitedHealth and Anthem have nothing to fear from Chinese regulators, just as NetEase will never need to care about US healthcare policy. From a fundamental perspective, these businesses are completely uncorrelated. When we assemble a whole portfolio of opportunities like this, we end up with a collection that is truly differentiated. Historically, our analysis shows that less than half of the Fund’s long-term relative performance can be attributable to its factor exposures. Trying to mimic the factor exposures of the Fund would have beaten the World Index – an impressive feat – but you would have been unable to replicate the performance of the Fund over its history.

Only time will tell if our current selections can repeat this performance in the future. We are optimistic. When compared to the averages of their World Index peers, the companies held in the Fund are growing faster and yet trade at significantly lower valuations. To us, that’s pretty exciting – especially at a time when one can easily pay more than 50 times revenue for an unproven software business or US\$1 million for a digital picture of a rock.

Over the quarter, we established new, significant positions in two US companies that provide business payments services. We funded these purchases by trimming the positions in AbbVie and Taiwan Semiconductor Manufacturing after a period of outperformance, and in some China-related holdings.

Adapted from a commentary contributed by John Christy, Orbis Investments (Canada) Limited, Vancouver

Fund manager quarterly commentary as at 30 September 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).

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

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Fund description and summary of investment policy¹

The Fund is a feeder fund and invests only in the Orbis SICAV Global Balanced Fund ('Orbis Global Balanced'), managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. Orbis Global Balanced invests in a diversified global portfolio of equities, fixed income, and commodity-linked instruments. The typical net equity exposure of Orbis Global Balanced is between 40% and 75%. Orbis Global Balanced aims to balance investment returns and risk of loss. Returns are likely to be less volatile than those of a global equity-only fund. Although Orbis Global Balanced's investment universe is global, the units of the Fund are priced and traded daily in rands.

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

Fund objective and benchmark¹

The Fund aims to create long-term wealth for investors and to outperform its designated combined equity and bond performance benchmark, which comprises 60% the MSCI World Index with net dividends reinvested and 40% the J.P. Morgan GBI Global Index.

How we aim to achieve the Fund's objective

The Fund invests only in Orbis Global Balanced. Orbis Global Balanced is actively managed and invests in a diversified global portfolio of equities, fixed income, and commodity-linked instruments. Orbis Global Balanced targets an exposure of 40% to 90% of net asset value ('NAV') in equities, 10% to 50% in fixed income and 0% to 10% in commodity-linked instruments. The overall exposure to equities after hedging is intended to be limited to 75% of NAV. The weighting among the asset classes is driven by Orbis' bottom-up approach in selecting securities across asset classes and therefore may deviate substantially compared to the benchmark.

Like Allan Gray, Orbis uses in-house research to identify companies 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. A similar approach is applied in selecting fixed income instruments, which may consist of cash, cash equivalents, government bonds and investment-grade and high-yield corporate bonds and, at times, distressed corporate bonds. They are selected with the aim of increasing the overall risk-adjusted return.

When Orbis' research suggests that stock or bond markets are overvalued, Orbis may reduce exposure to those asset classes or hedge market risk using exchange-traded derivatives. Hedged equities may also be used as an alternative to holding fixed-income instruments and reduce overall portfolio risks. Commodity-linked instruments are included if Orbis' research identifies certain commodities as being more attractive on a risk-adjusted basis than overall equity or fixed-income opportunities. Currency exposure is actively managed to control exposure to currencies less likely to hold their long-term value in US dollars.

Suitable for those investors who

- Seek to balance investment returns and risk of loss, by investing in a diversified global multi-asset class portfolio
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable that the investment approach is likely to result in volatility and potential capital loss, but typically less volatility than that of a global equity-only fund
- Typically have an investment horizon of at least three to five years

Fund information on 31 October 2021

Fund size	R15.2bn
Number of units	299 849 007
Price (net asset value per unit)	R50.85
Class	A

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

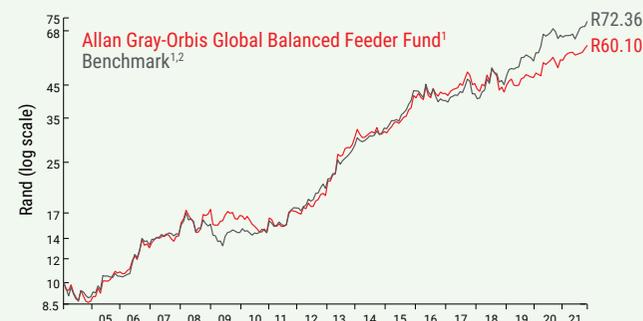
*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

1. The Fund was converted from a fund of funds structure to a feeder fund structure and its name and benchmark were amended on 1 June 2021. For more information, please read ['Ballot under way for Allan Gray-Orbis Global Fund of Funds'](#), available via the Latest insights section of our website.
2. 60% of the MSCI Index with net dividends reinvested and 40% of the J.P. Morgan GBI Global Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 October 2021. From inception to 31 May 2021, the benchmark was 60% of the FTSE World Index including income and 40% of the J.P. Morgan GBI Global Index.
3. This is based on the latest available numbers published by IRESS as at 30 September 2021.
4. 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).
5. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
6. 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.
7. 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 ^{1,2}		CPI inflation ³	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
Cumulative:						
Since inception (3 February 2004)	501.0	178.0	623.6	234.7	153.3	47.1
Annualised:						
Since inception (3 February 2004)	10.6	5.9	11.8	7.1	5.4	2.2
Latest 10 years	13.3	6.1	15.3	8.0	5.0	1.9
Latest 5 years	8.0	5.6	13.0	10.5	4.4	2.6
Latest 3 years	8.0	7.0	14.1	13.1	4.0	2.8
Latest 2 years	11.7	11.6	13.6	13.5	4.0	3.4
Latest 1 year	18.5	26.7	14.0	21.9	5.0	5.4
Year-to-date (not annualised)	11.9	8.0	12.8	8.9	4.7	5.1
Risk measures (since inception)						
Maximum drawdown ⁴	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months ⁵	58.2	60.1	59.2	64.3	n/a	n/a
Annualised monthly volatility ⁶	13.7	11.4	12.7	9.9	n/a	n/a
Highest annual return ⁷	55.6	43.8	38.8	37.6	n/a	n/a
Lowest annual return ⁷	-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 an annual management fee within the underlying Orbis SICAV Global Balanced 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 SICAV Global Balanced Fund factsheet and prospectus, 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 30 September 2021	1yr %	3yr %
Total expense ratio	0.84	1.06
Fee for benchmark performance	1.47	1.45
Performance fees	-0.70	-0.45
Other costs excluding transaction costs	0.07	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	0.10	0.09
Total investment charge	0.94	1.15

Top 10 holdings on 31 October 2021

Company	% of portfolio
SPDR Gold Trust	6.3
Samsung Electronics	5.2
BP	3.3
Royal Dutch Shell	2.7
ING Groep	2.5
Taiwan Semiconductor Mfg.	2.3
AbbVie	2.3
Schlumberger	2.2
UnitedHealth Group	2.2
Drax Group	2.1
Total (%)	31.1

Asset allocation on 31 October 2021

This fund invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	61.3	14.4	26.0	8.6	9.9	2.4
Hedged equities	20.2	10.5	5.4	1.2	1.6	1.5
Fixed interest	12.1	9.5	0.6	0.1	0.2	1.7
Commodity-linked	6.3	0.0	0.0	0.0	0.0	6.3
Net current assets	0.1	0.0	0.0	0.0	0.0	0.1
Total	100.0	34.5	31.9	9.9	11.7	12.0

Currency exposure of the Orbis SICAV Global Balanced Fund

Funds	100.0	37.6	36.8	13.0	9.3	3.2
Index	100.0	62.2	23.7	11.3	0.7	2.1

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

As investors, precious few things are within our control. We can do the research to find great opportunities, we can choose which ones we buy, we can monitor them closely, and we can work with management teams to enhance value. But we cannot force the market to buy.

At times this is frustrating. Now is one of those times.

As we look out at markets, the major asset classes look broadly expensive. Bond yields are near 700-year lows, negative in Europe and Japan, and negative in real terms in the US and UK. Corporate bonds do not generally offer enough extra yield to even cover inflation. Global stock markets are at elevated valuations on almost any metric you choose. All this leaves the combined valuation of a passive 60/40 portfolio at worse levels than the eve of the global financial crisis in 2007, the peak of the tech bubble in 2000, or the Japan bubble in 1990.

And yet, there are still wonderful opportunities to be had in the shares of individual neglected companies. We can find great opportunities where we believe the market is undervaluing a company and its future prospects. But if the market doesn't see what we see, there is little we can do about it, other than wait for the penny to drop.

There is, however, something companies can do: control the cash flows they deliver to shareholders. Here, we have learned a lesson from credit investing.

We have set up our multi-asset team to encourage analysts to look at the equity and debt of companies. Today we see scant opportunities in credit, so we are focused on equities. But we have found one joy in credit investing: if your analysis is right, ultimately it doesn't matter what the market thinks. Your return is determined by cash flows agreed between you and the company, not by the opinions of other investors. If the market comes to see what you see, great – you get an accelerated return. But it's a bonus, not a requirement.

It is less clear-cut in equity markets, but well-managed companies can do well for shareholders by paying dividends and growing those dividends. Such companies can deliver attractive returns through growth and yield alone, even if the market resists putting a higher multiple on the shares.

This, at its heart, is what it means to invest like a business owner, and as we look around the world today, we see plenty of businesses offering exactly this sort of proposition. Most of these companies are not outright hated but have simply been neglected as markets focus on big popular themes like AI or e-commerce, and exogenous factors like COVID-19 stats, the US Federal Reserve's next move, the next emerging tech theme, or the next crypto boom.

Neglected shares like AbbVie, BP, Shell, ING, Bank of Ireland, BMW, Simon Property, Mitsubishi, and Samsung Electronics are all excellent examples of this sort of opportunity, and together they represent over 20% of the Orbis SICAV Global Balanced Fund. Each offers ample return potential through growth and dividend yield alone – without any crazy assumptions about the companies taking over the world, or their valuations going to the moon.

Of course, we also firmly believe that each of these shares is undervalued. AbbVie, a traditionally defensive pharmaceutical company with above-average returns on capital, trades at just nine times earnings. Shell and BP are producing record and near-record levels of cash flow, respectively, yet their share prices are a third lower than they were two years ago. ING and Bank of Ireland both have plenty of excess capital and are coming out of a period of intense regulatory scrutiny and pressure on lending margins, yet they are priced as if this pressure will never relent. BMW trades near a record low valuation, even as it demonstrates that it can transition to electric vehicles. Mitsubishi has grown dividends per share by 20% p.a. over the last five years and has earned better long-term returns on equity than the average Japanese stock, yet trades at a 30% discount. Simon Property's high-end retail malls are outperforming pre-COVID-19 profit levels, yet the shares continue to trade at valuations well below those of 2019. And Samsung, the undisputed leader of the increasingly essential and recently consolidated memory chip industry, has languished at a price-earnings multiple of just 11 times (excluding its cash).

Many also have additional upside. BP and Shell could thrive if oil and gas prices rise further due to limited supply, and the companies could attract admirers if they deliver decent returns on their renewable investments. Mitsubishi could surpass its record of long-term 7% p.a. growth as it reaps the rewards of renewed investment discipline. Simon Property could see a windfall should the venerable brands like Brooks Brothers, that it bought for cents on the dollar during the COVID-19 lockdown, continue their strong recoveries. Samsung's growth could exceed our expectations as memory chips pervade everything from refrigerators to cars, and as ever fewer companies are able to keep up with the latest manufacturing methods.

Should the market come to share our views of these businesses, holding the shares would be very rewarding. But, as we consider the cash flows as a business owner would, we think they offer good value even if they don't attract a richer valuation – so long as our analysis is correct.

Of course, we know some of these won't work out. This is why we watch each company like hawks and reassess if we see fundamentals falling behind our thesis. Currently, many are tracking or even surpassing our expectations. While some are being recognised by the market, a higher than usual proportion are continuing to be ignored, ultimately providing even greater opportunity. That is a bit frustrating now, but it bodes well for long-term returns.

The largest addition to the portfolio during the quarter was a new position in a US cinema chain, where we felt COVID-19 and disintermediation concerns were excessive, leaving the shares trading at a healthy discount to our assessment of the business' intrinsic value. We significantly reduced the position in Taiwan Semiconductor Manufacturing following strong share price appreciation. While we reduced the position size, we continue to retain conviction in the thesis and the stock remained a top 10 holding at 30 September 2021.

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

Fund manager quarterly commentary as at 30 September 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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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).

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.

MSCI Index

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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.

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 October 2021

Fund size	R0.9bn
Number of units	45 751 473
Price (net asset value per unit)	R20.42
Class	A

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

- The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 October 2021.
- This is based on the latest available numbers published by IRESS as at 30 September 2021.
- 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).
- 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 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)	104.5	3.4	92.7	-2.6	75.6	26.2
Annualised:						
Since inception (2 March 2010)	6.3	0.3	5.8	-0.2	5.0	2.0
Latest 10 years	7.0	0.2	6.3	-0.5	5.0	1.9
Latest 5 years	0.7	-1.6	3.4	1.1	4.4	2.6
Latest 3 years	-0.8	-1.7	1.8	0.9	4.0	2.8
Latest 2 years	1.9	1.8	1.3	1.2	4.0	3.4
Latest 1 year	4.9	12.2	-6.8	-0.3	5.0	5.4
Year-to-date (not annualised)	8.0	4.2	0.7	-2.8	4.7	5.1
Risk measures (since inception)						
Maximum drawdown ³	-18.9	-31.3	-26.6	-15.1	n/a	n/a
Percentage positive months ⁴	50.0	52.9	46.4	48.6	n/a	n/a
Annualised monthly volatility ⁵	13.5	7.4	14.1	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 Orbis Optimal SA Fund factsheets and prospectus, 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 30 September 2021	1yr %	3yr %
Total expense ratio	1.08	1.07
Fee for benchmark performance	1.00	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.09	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	0.13	0.12
Total investment charge	1.21	1.19

Top 10 share holdings on 31 October 2021

Company	% of portfolio
British American Tobacco	3.9
UnitedHealth Group	3.8
Mitsubishi	3.2
Drax Group	3.1
Woodside Petroleum	3.1
NetEase	2.6
Sberbank of Russia	2.5
Korea Investment Holdings	2.3
KB Financial Group	2.0
Olam International	1.9
Total (%)	28.4

Fund allocation on 31 October 2021

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	62.9
Orbis Optimal SA (Euro)	37.1
Total (%)	100.0

Asset allocation on 31 October 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	2.7	-2.3	2.5	0.5	2.1	-0.1
Hedged equities	86.6	27.6	22.0	17.1	14.8	5.0
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	10.7	0.0	0.0	0.0	0.0	10.7
Total	100.0	25.4	24.5	17.6	16.9	15.6

Currency exposure of the Orbis funds

Funds	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Funds	100.0	57.1	36.7	-0.3	6.0	0.4

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

As we have written in previous commentaries, the past decade or so has been an extraordinary time to be broadly invested in global equities or “beta”. A simple passive strategy would have delivered per annum returns of 15% since the global financial crisis lows of 2009, well above historical averages and putting many a traditional active stockpicker to shame.

In a sense, it has become a self-reinforcing dynamic. The more attractive the returns offered by cheap and widely available beta, the more capital has flowed into passive strategies at the expense of active management. By some estimates, about 40% of money is managed passively today versus less than 5% in the mid-1990s.

Perhaps counterintuitively, we believe this creates more opportunity for active stock selection to add value, not less. Markets should arguably become less efficient over time if there are fewer participants engaged in active price discovery. Indeed we are seeing ample signs of it in the current environment. At a time of historically low rates and abundant liquidity, it should be very difficult to find businesses with high cash yields and inflation protection. And yet we’ve had no trouble finding opportunities that appear to offer unusually good value.

As an example, we can see this by looking at the commodity sector. Shares of these businesses have been one of the few investments to lose money over the past two decades while almost everything else has been in a historic bull market. Earnings of metals and mining companies have improved sharply over the past year – driven partly by reopening in the wake of the pandemic – yet the sector’s valuations relative to global equities are the cheapest they have been since the global financial crisis. Valuations in the sector remain very low, with free cash flow yields in the teens for many producers.

The combination of sustainable positive change coupled with deep scepticism is typically a very favourable one for investors. So what is the market missing? The traditional perception of commodities is that a lump of metal is a lump of metal. By definition, there is little room for differentiation. But it looks to us like we are at an interesting inflection point. First, companies, governments, and – most importantly – consumers are starting to care a lot more about how and where products are sourced. Whether it’s the beans used to make coffee or the materials used to build cars or iPhones, we believe it is a trend that is here to stay and will likely intensify. Secondly, and just as importantly, technology is making it easier than ever to reliably track goods back to their origin. Where were they sourced? Which countries, companies, processes did they pass through? The capacity to do this is now becoming very real.

Put these two developments together – a greater desire to identify the origin of what we consume and the ability to do so with precision – and we believe this combination will lead to both structurally higher commodity prices and greater price differentiation. For the first time we are seeing governments, companies and consumers get very serious about sourcing “low externality” products from responsible producers.

It is a trend that we see across a variety of commodities. Volvo and Mercedes-Benz are now starting to use “fossil-free” steel, which is made using hydrogen and renewable energy rather than coal. Apple is buying aluminium for its iPhones from a joint venture between Alcoa and Rio Tinto that is pioneering a new smelting technique that does away with carbon anodes. And the copper industry’s “Copper Mark” assurance framework aims to promote responsible production in the same way that the Forest Stewardship Council (FSC) does with wood and paper products.

These dynamics could have significant implications for commodity prices. Over the long term, commodity prices are ultimately driven by the cost of production. Prices tend to be set by the marginal producer – i.e., the company with the highest costs – while the lowest-cost producers enjoy the highest profit margins. Those who have generated substantial externalities (such as high emissions from cheap coal power) have enjoyed fatter margins than they perhaps should have, while more responsible producers have been “penalised” with higher cost structures. But as the world pays more attention to externalities, the competitive landscape could change dramatically. If “dirty” producers are forced to pay their true share of the cost, the cleanest may find themselves at the low end of a cost curve that is both higher and steeper.

In addition to selected producers, key beneficiaries of this trend include commodity trading firms. As commodity prices perhaps become less “commoditised” (more price differentiation), the traders of these commodities should benefit, as there will be higher value-add in matching buyers with sellers. Some examples here include the Japanese trading companies that we’ve written about in previous commentaries, notably Sumitomo and Mitsubishi. At a time when global equities look fairly expensive, these businesses offer double-digit free cash flow yields with embedded growth.

The more difficult question to answer is if and when markets will come to share our enthusiasm. While we believe the trend toward passive investing is creating interesting opportunities such as those discussed here, it is potentially also slowing the usual reversion process. There are more gaps between price and intrinsic value to exploit, but these gaps are also taking longer to close. This isn’t unusual – weak price discovery both creates and perpetuates inefficiency – but we are more than happy to exercise patience given the returns offered for doing so are currently unusually high.

The Orbis Optimal SA Fund’s overall net equity exposure decreased over the quarter. Among individual positions, the largest addition was to a US energy exploration and production company, and the largest reduction was to Alcoa, a US-listed producer of aluminium and alumina.

Adapted from a commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda

Fund manager quarterly commentary as at 30 September 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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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.

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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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