QC

Quarterly Commentary
Vol. 1 31 March 2019

ALLAN GRAY

Finding value in frontier African markets

CONTENTS

COMMENTS FROM THE CHIEF OPERATING OFFICER

Rob Formby

Our investment team ... works hard to disregard noise and make good decisions regarding the companies we invest in.

The first quarter of 2019 was characterised by a lot of "noise": political noise as parties gear up for the general elections, noise generated by our energy supply crisis, the noise around crucial policy decisions, and economic noise around South Africa's growth figures.

We are subjected to a constant humdrum from an overload of information that creates an atmosphere of uncertainty. This can lead to us making inappropriate decisions by extrapolating the bad news into our investments. Ignoring the noise can therefore increase our chances of long-term investment success.

Shutting out the noise

In his book *Before Happiness: The 5 Hidden Keys to Achieving Success, Spreading Happiness, and Sustaining Positive Change*, Harvard researcher Shawn Achor provides useful tips for long-term investors to reduce their exposure to investment noise. He gives four categories to identify and define noise, and by doing so, we can respond appropriately. He suggests asking the following questions:

1. **Is the information useable?** If an event has no effect on your long-term investment strategy, then you should disregard it.

2. **Is it untimely?** If the information is likely to change by the time you are ready to use it, then it is noise. A good example of this is short-term market returns: By the time you can use the information to decide whether to invest, the market may have already turned the tide.

3. **Is the information hypothetical?** Is it based on what someone thinks might happen, such as economic predictions? If it is, then you should discard it.

4. **Is it distracting?** If the information that you receive distracts you from your long-term goals, then you should ignore it.

The information we receive can have a significant impact on our outlook and, ultimately, our decisions – even without us being aware of it. It is essential to learn to recognise when information is not useful and filter this out or ignore it. Our investment team is acutely aware of this and works hard to disregard noise and make good decisions regarding the companies we invest in.

Finding signals within the noise

In his article, Nick Ndiritu looks at separating the noise from the facts around investing in frontier African markets. By looking at the businesses that have steadily built thriving operations on the continent, he presents a compelling case for attractively valued opportunities in frontier African markets that are well-suited to a patient contrarian investor.

Similarly, Jacques Plaut considers the case for investing in MultiChoice. Much of the market has adopted a wait-and-see attitude towards the company after it unbundled from Naspers in March. By looking at its operations in the Rest of Africa, as well as its cache of highly valuable local content and exclusive sports offering through DStv – that gives it a strategic advantage over newcomers Netflix and Amazon – he explains why there is good value to be found in MultiChoice.

Are you invested in the right unit trust?

To be a successful long-term investor, one of the key decisions to make upfront is where to invest your money. Making sure that you know what you are getting from your chosen investment, and that this aligns with your objectives and investment horizon, is critical. When you are invested in the right unit trust, you are less likely to be swayed by investment noise that may lead you to make knee-jerk decisions during times of uncertainty. In the Investing Tutorial, Lettie Mzwinila looks at the information that is available to you to assess whether the unit trust that you are interested in matches your needs and objectives.

> It is essential to learn to recognise when information is not useful and filter this out or ignore it.

Recent returns in the Allan Gray Stable Fund have been more volatile than in the past. Stephan Bernard and Radhesen Naidoo take a critical look at the Fund's positioning and performance as they assess whether it is doing what it promises "on the tin".

Warren Buffett once famously wrote in a shareholder letter: "Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down." This quote has been adopted as a sort of a mantra by value investors. Alec Cutler, from our offshore partner, Orbis, explains why our investment strategy is not merely about "buying cheap stocks", but instead about investing in good businesses when investor expectations are low.

It is an unpleasant thing to consider: What will happen should I one day not be able to make my own decisions, in particular, decisions about my investments? Jaya Leibowitz explains the options that are available to investors, and their loved ones, should they be affected by severe mental incapacity, such as that caused by Alzheimer's disease.

The next few months in the run-up to and following the elections are likely to intensify the political and economic noise around us. It is important that investors recognise when information is not useful and then tune it out for better investment outcomes.

Kind regards

Rob Formby

FINDING VALUE IN FRONTIER AFRICAN MARKETS

Nick Ndiritu

Asset prices tend to be heavily discounted when sentiment is negative during periods of uncertainty, presenting an attractive buying opportunity for long-term investors.

Across corporate boardrooms in South Africa, a number of management teams and institutional investors are grappling with a vexing question: Is investing in frontier African markets worth the hassle? Nick Ndiritu explains how we have wrestled with the uncertainty of investing in frontier markets.

Established South African industry leaders are struggling with the well-known challenges of doing business in Africa. From Nigeria to Uganda, the regulatory challenges faced by telecommunications company MTN resemble a cruel game of whack-a-mole: As soon as you fix one, another appears. Africa's leading retailer, Shoprite, reported its largest earnings decline in over a decade, citing currency devaluation in Angola as the cause. In the financial services sector, Liberty Holdings is looking to sell down loss-making African operations in asset management and health.

Newer entrants with less established African footprints, initially drawn to the continent's alluring growth prospects, are scaling back their ambitions. South African property companies Attacq and Hyprop recently impaired the value of their Rest of Africa assets and are looking to exit or pare down a joint venture that owns shopping malls in Ghana, Zambia and Nigeria. Most of their tenants are South African retailers who have scaled back their Africa expansion plans and are unlikely to renew their leases. Their concerns are valid. In 2013, retailer Woolworths exited Nigeria, citing high rental costs and supply chain challenges as reasons. In 2016, fashion chain Truworths also exited Nigeria due to high rentals and import restrictions.

There are success stories

On the other hand, there are compelling examples of South African corporates who have thrived on the continent. Standard Bank's footprint in 20 African markets is unrivalled. Their Rest of Africa business is lucrative, earning a 24% return on equity (ROE) compared to the Group's 18% ROE, and is now contributing a meaningful 29% to Group earnings. MTN's operations in Nigeria are thriving despite all the regulatory hullabaloo. At the end of 2018, revenues grew by 17%, with an 11% increase in their subscriber base to 58 million, and their EBITDA (earnings before interest, taxes, depreciations and amortisation) margin expanded by

4.5 percentage points (pp) to 43.5%, excluding once-off regulatory payments. Shoprite remains a formidable competitor in Africa's retail landscape despite short-term macroeconomic challenges in Angola and Nigeria. Battlefield scars are inevitable as these companies diligently build their competitive positioning through the ups and downs.

South African corporates have also dispelled any doubts that new market entrants can crack the challenging business environment in Nigeria. Brewer SABMiller (prior to its merger with Anheuser-Busch InBev) entered Nigeria's beer market in 2009 and later invested US$100m to build a brewery in the city of Onitsha. They pursued a differentiated regional marketing strategy, championing regional brands which resonated with the traditions and culture of the local communities. This strategy also avoided fierce nationwide competition with dominant Heineken and Diageo.

SABMiller also specifically addressed affordability, focusing on the number of minutes worked to earn a core beer. The company considers a beer to be affordable at 30 minutes, but the majority of the population in Nigeria is in the low- to mid-income range, where an individual needs to work for 72 to 140 minutes to earn a beer. Cheaper pricing expanded their reach into the value-conscious segment, at the expense of peers like Diageo, who have stumbled during Nigeria's recent economic slump.

The results have been impressive, with SABMiller garnering a 22% market share of Nigeria's beer market. AB InBev is building on SABMiller's groundwork, recently commissioning a US$250m brewery to meet growing demand and now expanding from a regional to a nationwide distribution footprint. At a time when others may be considering exit options, AB InBev is unabashedly betting on Nigeria's beer market.

It is not easy doing business in Africa

These examples of success and failure highlight the fallacy of sweeping narratives. The insistent story of a rising Africa underplays the challenges of doing business on the continent. Progress in changing the business environment has been uneven. One objective measure to track this progress is the World Bank's Doing Business rankings, which indicate the ease of doing business in 190 countries. They score each country based on various indicators that help determine the efficacy of the business environment: How easy is it to start a business, deal with construction permits, get electricity, register property, get credit, pay taxes, trade across borders, enforce contracts and resolve insolvency. Using the same standard everywhere enables comparability across economies.

Graph 1 on page 6 shows the ease of doing business scores for select African countries over the last five years. In 2015, South Africa was ranked 43rd out of 189 economies, and was on a par with Rwanda as one of Africa's top-ranked economies. By 2019, South Africa has fallen behind, with the Doing Business score having increased by only 2 pp compared to Rwanda's 10 pp improvement. Over this period, Kenya has made the most progress, with a 16 pp gain and jumping from a rank of 136 to 61. Nigeria has also made progress, but from a low base of being ranked 170th to 146th.

> The insistent story of a rising Africa underplays the challenges of doing business on the continent.

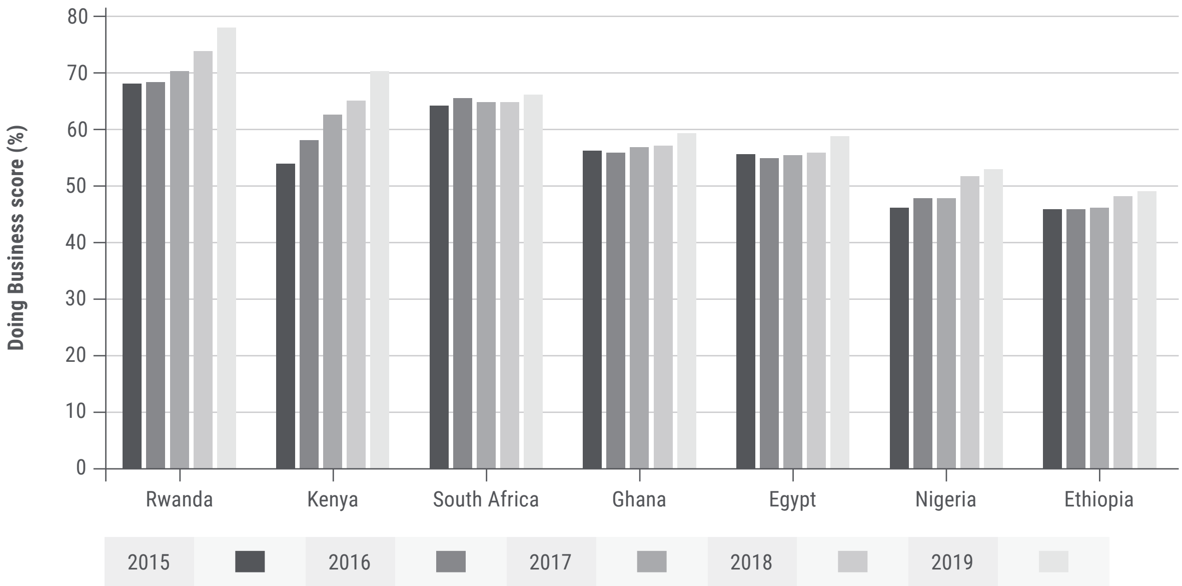
In aggregate, these scores highlight that in most frontier markets, companies seeking opportunities there are *barely* welcomed by smooth and efficient functioning of regulators, tax authorities and judiciaries, among others. These challenges aren't new or unique to Africa, but according to the Doing Business 2019 report, sub-Saharan Africa has been the region with the highest number of reforms each year since 2012. This past year, they captured a record 107 reforms across 40 economies in sub-Saharan Africa. Countries eager to lure investment are undertaking measurable pro-business reforms.

Establishing a competitive edge remains important

Painting the Africa narrative with broad brushes also obscures the role of competition. There will always be winners and losers. Successful market leaders are honing their strategies and ability to compete effectively despite the well-known challenges.

Take the case of Nestlé in Nigeria. To critics, Nigeria's emerging consumer class is elusive, premised on an oil-dependent economy: Any downswings in oil markets

Graph 1: Ease of doing business in Africa



Country ranking

	Rwanda	Kenya	South Africa	Ghana	Egypt	Nigeria	Ethiopia
2019 rank	29	61	82	114	120	146	159
2015 rank	46	136	43	70	112	170	132
Change in ranking 2015 – 2019	**17**	**75**	**(39)**	**(44)**	**(8)**	**24**	**(27)**

Source: World Bank, Allan Gray research

trickle down to constrain household consumption patterns. Undeterred, Nestlé has operated in Nigeria for close to 60 years, selling an ever-growing basket of consumer goods. The competitive environment has intensified in practically all their product categories and brands – sometimes new entrants, and in other cases, existing companies expanding into other categories. Their competitive edge has come from building a distribution chain that delivers their products to over 300 000 points of sale across a country renowned for poor infrastructure. Modern retailing formats (e.g. supermarkets) account for less than 2% of Nestlé's sales. Nearly 80% of their raw materials are sourced locally, providing some relief from import restrictions and currency fluctuations. In addition, through the ups and downs, they have invested in building local products like Maggi Seasoning cubes, which has limited import substitution based on the purchasing preferences of generations of discerning Nigerian taste buds.

In 2018, which was a difficult year for many consumer goods companies in Nigeria, Nestlé grew earnings by 28% and expanded EBITDA margins by 150 basis points to 27%, the highest on record over the last two decades. Nestlé's five-year average ROE is an astounding 65%, and this during a period of significant macroeconomic challenges in Nigeria.

Our investment approach

As institutional investors in Africa's frontier capital markets over the past decade, we have wrestled with uncertainty driven by macroeconomic factors, and we have had to contend with periods of illiquidity in currency markets. From our experience, the most critical driver of long-term investment returns is finding great businesses with a competitive edge and trading at a discount to our estimate of intrinsic value. Asset prices tend to be heavily discounted when sentiment is negative during periods of uncertainty, presenting an attractive buying opportunity for long-term investors. Having the patience and courage to follow this contrarian approach often yields attractive long-term returns.

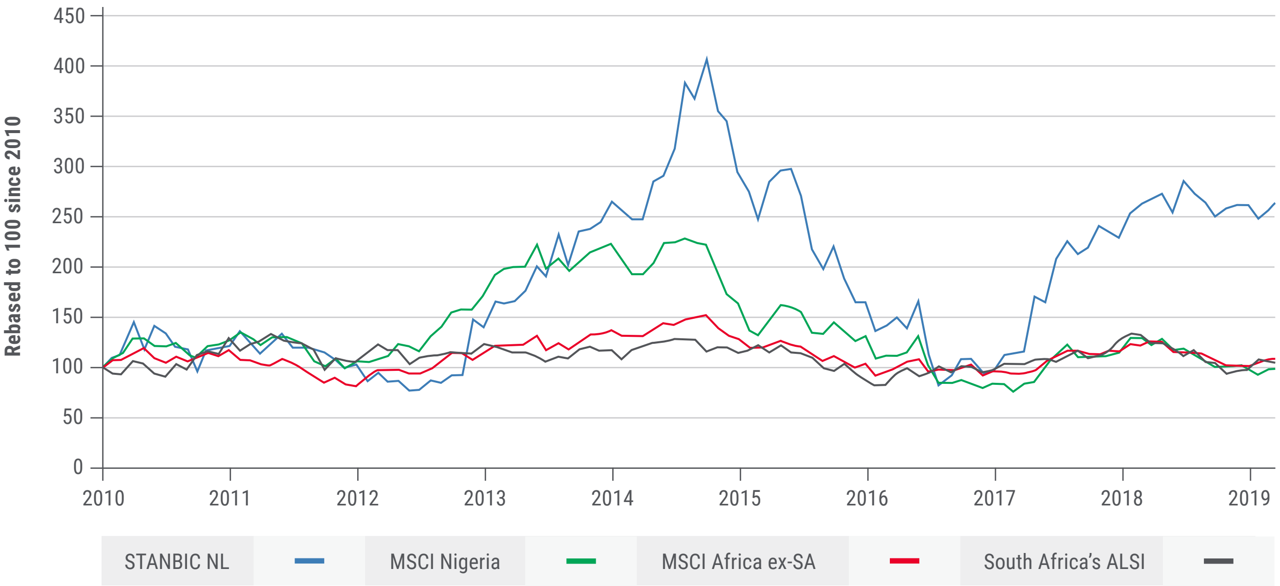
As an illustration, **Graph 2** shows the US dollar returns for various market indices relative to Standard Bank's listed subsidiary in Nigeria, Stanbic IBTC. From 2010 to March 2019, South Africa's FTSE/JSE All Share Index (ALSI) has been flat in US dollars, barely outperforming MSCI Nigeria and slightly behind MSCI Africa ex-SA. Over this period, Stanbic IBTC has outperformed, but with noticeably higher volatility.

At the peak in 2014, Stanbic IBTC was trading at a 15.2x price-to-earnings (PE) ratio and a 3.3x price-to-book (PB) ratio, which was above our estimate of fair value. Subsequently, oil prices collapsed, and the macro outlook was bleak. Stanbic IBTC also faced heightened regulatory risks. In October 2015, Nigeria's Financial Reporting Council suspended its chairman, CEO and two directors over allegations that the company had misstated financial statements related mainly to the accrual of franchise fees. The dispute was finally resolved in December 2016, but the lengthy delay prevented the company from releasing financial statements for the 2015 financial year to September 2016.

Despite the distraction from external risk factors, Stanbic IBTC's management continued to enhance their strong competitive positioning in Nigeria's pension fund industry. The company's market share of Nigeria's pension fund assets has risen to 31% by the end of 2018, up from 24% in 2010. Stanbic IBTC has grown its market share of retirement savings accounts to 21% from 18% in 2010. The company has a top-rated corporate and investment banking franchise and has steadily built a competitive retail banking franchise. It generated a 34% ROE in 2018, bouncing back strongly from Nigeria's economic slump in 2015, when it generated 13% ROE.

Stanbic IBTC's share price also bounced back strongly in 2017 as the macro outlook improved after the introduction of a new foreign exchange regime and a steady recovery in oil production and prices. More recently, investors' concerns about Nigeria's outlook have resurfaced, but Stanbic IBTC's long-term prospects are still very attractive. At the end of 2018, Nigeria had 8.4 million retirement savings accounts relative to the estimated 70 million working-age adults. Pension fund assets have risen to US$24bn, which is a paltry 6% of GDP compared to 57% in South Africa and 135% in the US. The company is attractively priced at 6.5x PE, 2.0x PB and 5.8% dividend yield for a market leader with a trusted brand in a promising industry. As long-term investors, Stanbic IBTC is one of our top holdings in Africa and we are prepared to wait through the inevitable periods of economic and political uncertainty.

Graph 2: Stanbic Nigeria vs. market indices in US$



Source: Bloomberg, Allan Gray research

Conclusion

The challenges of operating in Africa aren't new or exceptional. Multiple global companies have steadily built thriving businesses in countries across the continent: Unilever, Nestlé, MTN, Shoprite and Standard Bank. Undoubtedly, there are countless others that didn't survive. What differentiates the winners in frontier markets? From Lagos to Hanoi, success often owes much to the openness and willingness to adapt business models and products to fit constrained household budgets and appeal to the familiar yet aspirational ways of life.

We continue to find attractively valued opportunities and believe frontier African markets are well-suited to a patient, contrarian investment approach.

Nick is a portfolio manager for the Allan Gray Africa ex-SA Equity Fund and Africa ex-SA Bond Fund. He joined Allan Gray in 2010, with experience in investment banking and management consulting. Nick holds a BSc in Industrial Engineering (magna cum laude) from Northeastern University and an MBA from Harvard Business School.

AN OPPORTUNITY IN TELEVISION?

Jacques Plaut

Before buying a share, it is always a good idea to ask yourself: Who is the seller, and why are they selling?

The Top 40 got a new member this quarter when MultiChoice was unbundled from Naspers. MultiChoice owns the dominant pay-TV business in South Africa, DStv, with over seven million subscribers. You probably know the product quite well, but perhaps there are some things about the business that you weren't aware of. Jacques Plaut takes you through the most important aspects.

People watch a lot of TV. In the UK, the average adult watches three hours per day. That's live TV. He then watches a further two hours of recordings, DVDs and YouTube. The UK is not an outlier – other countries have similar stats. In South Africa, nine million people regularly watch *Uzalo* and eight million watch *Generations*, both on SABC 1. About seven million households get their TV from MultiChoice, the owner of DStv.

Here are some features of the South African part of the business:

1. DStv makes most of its money from subscriptions. Only a small portion comes from advertising revenue.
2. Revenue has grown by 16% per year over the past 10 years. Most of this is from adding subscribers to the cheaper packages, not from price increases. The price of the premium package has increased from R300 to R800 over the past 20 years, but that is in line with inflation: Everything else has gone up by a similar amount (20 years ago, the petrol price was R3).
3. The biggest cost is content: DStv buys the rights to broadcast sports and other shows, and generally pays for these in US dollars. It is an importer. If the rand weakens, this is a problem, because content costs then increase in rand terms, which squeezes the margin. If the rand strengthens, it helps the margin.
4. DStv also produces local content, which accounts for 30% of viewing minutes on the platform. The nice thing about local content is that once it has been developed, it's yours forever. In the case of DStv, the costs are also in rand, so there is no currency mismatch. DStv owns 30 000 hours of local content that it has developed over the years – a valuable asset.

5. There is a virtuous cycle in pay-TV: The more subscribers you have, the more you can afford to bid on content, and the better your content, the more people will subscribe. That is why it is difficult to compete against a powerful incumbent.

6. The business is extremely profitable: It makes a return on assets of 28%. For context, the average return on assets for the S&P 500 is 7.5%. Not even Facebook makes 28%. The profit margin is 27% – also a big number.

7. The quality of earnings is high: For every R1 of earnings, DStv produces 97 cents of free cash available to shareholders. This is unusually good. The average company produces about 50 cents of free cash for every R1 of earnings.

How much do you have to pay to own this business? The South African operations produced R7.9 billion of earnings in the most recent year. A quarter of this goes to Phuthuma Nathi (DStv's empowerment scheme) shareholders, and the remaining R5.8 billion to owners of MultiChoice. The market capitalisation of MultiChoice is R52 billion, so the price-to-earnings ratio (market cap ÷ earnings) is less than nine times.

If that were the whole story, the share would be cheap, but investing is never that simple. There are two snags which investors have to incorporate into their valuation: the Rest of Africa, and Netflix.

Rest of Africa

MultiChoice owns pay-TV operations in 49 other African countries. The most important ones are Nigeria, Zambia, Kenya and Angola. Rest of Africa accounts for half of subscribers, but only 28% of revenue. This part of the business is heavily loss-making. What went wrong?

MultiChoice signed long-term content deals, agreeing to pay in US dollars. When the naira, kwacha, shilling and kwanza all collapsed in recent years, subscription revenues collapsed with them, but the dollar obligations remained. Before buying the share, one would want some assurance that these losses won't continue indefinitely. MultiChoice has a three-year turnaround plan that relies partly on subscriber growth, and partly on signing more favourable content deals in the future.

Netflix

For the first 25 years, DStv had limited competition in South Africa. But Netflix and Amazon Prime Video are available for about one-fifth of the price of DStv Premium (ignoring the cost of internet, which I assume the typical premium subscriber will have anyway).

Premium subscribers are valuable, but their number is declining – probably as a result of this new competition. Of course, Netflix and Amazon are not only competing for subscribers, but also for content. They might force DStv to pay more for shows, or to drop certain shows, and thereby make DStv's offering less attractive.

Three points in mitigation of this are:

1. DStv has sports. This is crucial for many subscribers. So far, streaming players have not managed to compete in sports.
2. For people who don't have fast internet, the lower-priced DStv packages are still a good deal.
3. Inertia is a powerful force. Just because a better deal is available, doesn't always mean people will change. In the US, there are still two million people who pay for dial-up internet every month.

> For every R1 of earnings, DStv produces 97 cents of free cash available to shareholders. This is unusually good.

DStv compared to Vodacom

It is interesting to compare DStv with Vodacom. Both are mature, highly profitable businesses. The most significant difference is that Vodacom is more capital-intensive: Capex ÷ revenue has averaged 13% for Vodacom versus 4% for DStv. DStv has grown free cash flow at a slightly faster rate since 2007, as shown in **Graph 1**.

Despite the businesses being quite similar, Vodacom trades at a 50% higher price-to-free-cash flow than MultiChoice – ignoring the Rest of Africa business. To my mind, it is an open question which company will be able to grow free cash flow the most over the next 10 years. DStv has better pricing power, but the competitive landscape in cellular will probably be more stable than for TV.

Who is the seller, and why are they selling?

A final consideration: Before buying a share, it is always a good idea to ask yourself: Who is the seller, and why are they selling? In the case of MultiChoice, many of the sellers are international technology investors who own Naspers and received MultiChoice through the unbundling. They aren't interested in pay-TV. Over the first few days of the listing, they were selling MultiChoice shares indiscriminately. Fully 22% of the company changed hands in the first five days of listing, at a much lower price than where it is currently trading. Often such a scenario provides a happy hunting ground for a value investor willing to do the work required for a thorough understanding of the asset.

Graph 1: Growth in free cash flow based to 100

Source: Company reports

Jacques joined Allan Gray in 2008 as an equity analyst after working as a management consultant. He began managing a portion of client equity and balanced portfolios earmarked for associate portfolio managers from March 2013 and was appointed as portfolio manager in November 2015. Jacques has a BSc in Mathematics from the University of Cape Town.

ORBIS: HUNTING FOR VALUE

Alec Cutler

We remain convinced that buying quality on the cheap and passing on what's highly valued by others remains a winning formula over the long term.

Buying cheap stocks and selling them for a profit sounds like a reasonable way to make money. But there's a bit more to it when it comes to the way we invest. Alec Cutler, from our offshore partner, Orbis, explains.

Over very long periods, buying cheap "value" stocks has been a winning strategy. That sounds intuitive, but people aren't stupid. Cheap stocks are often cheap for a reason – maybe they grow less quickly, or earn worse profits, or carry more risk than other businesses.

But investors often take differences between companies too far. They get excited about an especially fast-growing or profitable or predictable company, and they start to believe it will maintain its prodigious, profitable, predictable growth forever. If the story is exciting enough, the company might look like a good investment at any price. On the other hand, investors can get too dour about other companies, thinking they will forever struggle to grow or earn decent profits – or that the future of the business is too hard to predict. If the story is scary enough, the company might look *uninvestable* at any price.

That is a mistake, and the reason that value investing works over the long term. At a low enough price, almost any asset can be a good investment, and at a high enough price, any asset, no matter how amazing the product, growth or management, can be a bad one. Exceptional growth often fades, and tough periods often pass. Yet investors have made these mistakes consistently enough that simply holding your nose and blindly buying all the cheap stocks in the market has historically outperformed by quite a bit.

We don't simply buy cheap stocks

To be clear, that is not what we do. We conduct in-depth company research, aiming to buy businesses at a discount to their intrinsic value. Sometimes this is a company whose superior growth potential is underappreciated, and other times it can be an average company where an external and temporary issue has depressed its share price, like a cork held under water. Our focus on fundamentals, however, does lend a pattern to our performance. Our approach tends to produce better results when cheap stocks are getting less cheap, and has a tougher time when expensive stocks are getting more expensive.

In the decade since the trough of the financial crisis, we have seen more of the latter – expensive stocks getting more expensive. This is shown in **Graph 1**, where the dark line has sloped upwards from 2009. The spread between the valuations of cheap and expensive shares has become much wider.

While value shares have done relatively poorly lately, over the long term, investing in value shares has significantly outperformed – compare the area of light blue above the line to the area of light blue below the line. By definition, value stocks are always cheaper than the expensive stocks in the market, but sometimes they are just a bit cheaper, and sometimes they are much cheaper. As the shaded area in the graph shows, hunting for ideas among value stocks is much more rewarding when valuation spreads are wide, as they are today. Thus you should not be surprised that the Orbis Global Balanced Fund's equity holdings have increasingly tilted toward shares trading at low multiples of their normalised earnings, or low valuations relative to their history. We've been holding our noses and adding to what's currently unwanted, untouchable, and cheap, relying on our fundamental research to fight human nature and buy when others think we're foolish.

Excited about the opportunities

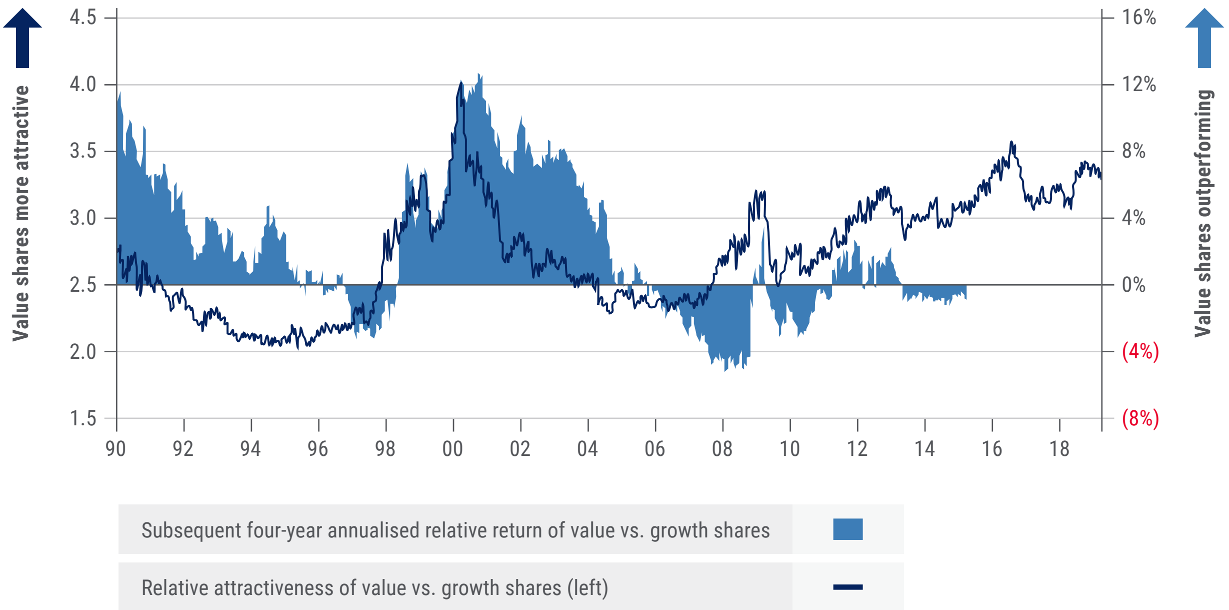
While leaning into those shares, and selling what have become appreciated "winners", has been painful from a performance standpoint, we are equally excited by what we're able to buy, at the prices we're able to buy them for. To explain this enthusiasm, we need to take a step back.

Sometimes, the expensive stocks in the market are called "growth" stocks, but it's important to understand how those buckets are defined. In discussions about value and growth, "growth" stocks are conventionally defined by their high valuations – paying no attention at all to the companies' actual growth! "Anti-value" would be a more accurate term.

Likewise, just because a stock is cheaper doesn't mean it's a worse business. This is what we spend much of our research time exploring. By conducting research on many ideas, we can sometimes find stocks that are cheaper than the average stock *and* have better growth, profitability, and balance sheets than the average company. When we find and build conviction in these, we invest. **Tables 1** and **2** on page 14 show some valuation and fundamental characteristics of the equity portion of the Orbis Global Balanced Fund.

Graph 1: Relative valuation and subsequent four-year relative return of value vs. growth shares

Valuation spreads have only been wider twice in the last 30 years.



Source: Datastream, Orbis. Relative attractiveness and returns are relative to the FTSE World Index, unit-weighted. "Value" and "Growth" shares in the FTSE World Index are defined using price-to-book ratios.

Table 1: Cheaper stocks ...

Valuation metrics, equities in Orbis Global Balanced and MSCI World Index

	Price / Book value	Price / Sales	Price / Trailing earnings	Price / Normal* earnings	Free cash flow yield	Dividend yield
Orbis Global Balanced	1.9	2.2	17	16	7%	3.2%
MSCI World Index	3.5	3.0	21	24	5%	2.3%

Source: Datastream, Orbis. Weighted median values shown for each metric to represent the "typical" stock in the portfolio and the index.
*Earnings normalised by applying a historical average return on equity to current book value.

Table 2: ... with above-average fundamentals

Fundamental metrics, equities in Orbis Global Balanced and MSCI World Index

	Average long-term return on equity	Average growth in book value	Average growth in revenues	Debt / Equity
Orbis Global Balanced	16%	9%	10%	0.29
MSCI World Index	15%	7%	6%	0.34

Source: Datastream, Orbis. Weighted median values shown for each metric to represent the "typical" stock in the portfolio and the index.

In aggregate, they are cheaper than the wider market as a multiple of their book value, sales, trailing and normalised earnings, free cash flow, and dividends. But as a reminder that low valuations don't entail poor growth or quality, those same holdings, in aggregate, have historically delivered better returns on equity, grown book value and revenues more quickly, and currently have stronger balance sheets than the average stock in the index. Though many of them have been painful to hold over the past several months, we believe the portfolio today is simply more attractive for it when compared to the equity component of its benchmark. A number of the portfolio's top holdings tick more than one of these boxes, including oil giants BP and Shell, US pharmaceutical company AbbVie, Taiwan Semiconductor Manufacturing Company, and German pharmaceutical company Bayer. We can't know when expensive stocks will stop getting more expensive, but when the time comes for cheap stocks to get less cheap, we think shares like these should be at the front of the line.

If valuation spreads are wide, looking at the cheap stocks is only one side of the coin. So what's on the expensive side? Some names you'd expect, like Netflix and Amazon, where investors are very excited about potential growth. But also some stocks that have made a virtue out of being unexciting – defensives such as consumer staples in the US. In fact, the "momentum" bucket of stocks, which is usually filled with glamorous, high-growth companies, is currently chock-full of defensives. Utilities, for instance, represent just 5% of the stocks in the MSCI World Index, but 14% of the stocks with the best 12-month price performance.

Safe businesses can be poor investments

We've observed before that investors appear to be overpaying for perceived stability and predictability. We've noted that at a high enough price, even "safe" businesses can be poor investments. And in some cases, the apparent safety of these businesses looks to be propped up by debt.

Consider Coca-Cola, which has outperformed world markets over the last 12 months. Having invested in advertising for decades, the company has created an iconic brand, and with an iconic brand, selling sugary syrup can be a nicely profitable business. The company has historically paid out 60% of the resulting cash, leading to steady growth in dividends. This reassuring dividend growth has continued without a blip in recent years (and kept the stock on the buy list for some large, popular "dividend growth" exchange-traded funds).

Over the same period, however, consumers have soured on sugar, and Coca-Cola's revenues and profits today are lower than they were in 2010. The company has responded by buying back shares – if you cut the same pie into fewer shares, it should be easier to keep each share growing. Yet even on a per-share basis, revenues and earnings have failed to grow. With rising dividends and falling profits, the company is now paying out over 100% of its cash flow, leaving nothing for reinvestment. The money for all those dividends and share repurchases has to come from somewhere, and without rising profits, the company has turned to increasing debt to prop up shareholder returns. Since 2010, Coca-Cola's net debt per share has more than doubled.

That's what we see if we look at the company today – a business that is struggling to grow, paying out every cent it earns, and piling on debt. It simply does not appear to be the dependable grower it was in the past. Yet you would never know that from looking at the share price. Since April 2010, it has matched the more than 100% rise in the MSCI World Index, and today it trades at 30 times trailing earnings. That is more expensive than Google (Alphabet), which is still growing by 15% per year, and it's as expensive as Chinese internet giant Tencent, which is growing by 25% per year. Something here doesn't look right.

Sticking to our formula

In an environment where many of the expensive stocks appear risky, we are happy to be hunting for opportunities among cheaper shares. Rather than overpaying for slowing, increasingly leveraged "safe" shares, we'd prefer to underpay for good businesses when investor expectations are nice and low.

We can't predict when expensive stocks will stop getting more expensive, or when our performance will turn, but we are determined to stick to our discipline. We remain convinced that buying quality on the cheap and passing on what's highly valued by others remains a winning formula over the long term.

Alec joined Orbis in 2004 and is a Director of Orbis Holdings Limited. Based in Bermuda, he is responsible for the Orbis Global Balanced Strategy. Previously, he worked at Brandywine Asset Management, Inc. for 10 years, managing the Relative Value strategy, co-managing the Large Cap Value area and co-managing the firm as a member of the Executive Committee. Alec holds a BSc Honours in Naval Architecture from the US Naval Academy and an MBA from the Wharton School of the University of Pennsylvania, and is a Chartered Financial Analyst.

STABLE FUND: ARE WE MEETING OUR OBJECTIVES?

Stephan Bernard and Radhesen Naidoo

The investment environment over the last few years has been particularly challenging, causing the Stable Fund's return to be more volatile than it has been historically. Stephan Bernard and Radhesen Naidoo take a critical look at the Fund's performance, the approach taken to deliver this performance, and assess whether it is meeting its objectives. They also look at how the Fund is positioned today to continue delivering on its objectives.

At Allan Gray, our investment philosophy recognises that to achieve our objectives, we must focus on the longer term, and this approach flows through into the portfolio management of our funds. The Stable Fund is no exception.

The Stable Fund has a dual objective of beating an absolute benchmark of cash plus 2% over the long term, while also minimising the risk of capital loss over any two-year period. A key component of the Stable Fund's return is generated by our bottom-up stock-picking ability and therefore the equity exposure. Typically, a greater equity exposure increases the possible return over the longer term, but also increases volatility over the shorter term. At the same time, though, the Fund must continue to balance the risk of capital loss over a shorter two-year period. It may appear, then, that achieving the objectives of the Fund would be at odds. Addressing each of these objectives in turn by analysing the Fund's history provides us with comfort that we are still on track.

Graph 1 shows the range of annualised *relative returns* (after fees) compared to cash achieved over any given period to 31 March 2019. Measured over most four-year periods, the Fund has been successful in beating cash returns, and since inception has outperformed cash by 4.8% per year. The Fund aims to beat its benchmark, which is cash plus 2%, in order to generate long-term real returns and protect your purchasing power. Measured against the benchmark (illustrated by the dotted blue line) over a four-year period, the Fund has outperformed 87% of the time, and outperformed over any period longer than six years. This is a pleasing outcome, with underperformance expected from time to time.

Achieving this level of outperformance is a good result. However, the Fund still needs to protect against the risk of capital loss over a two-year period. That is, if we adjust **Graph 1** to show the absolute returns only, have we managed to deliver positive returns over two years?

Graph 2 on page 18 adresses this question by showing the range of annualised *absolute returns* (after fees) achieved by the Fund over any given period to 31 March 2019. The red bar highlights the returns achieved over two-year periods. In line with the Fund objective, returns have always been positive, ranging between 5.1% and 21.7% per year. Interestingly, this also holds true over a one-year period, but the range of returns has been wider. Despite recent weaker performance, we are therefore pleased with the outcome achieved: capital preservation over the shorter term, and long-term returns well ahead of the benchmark.

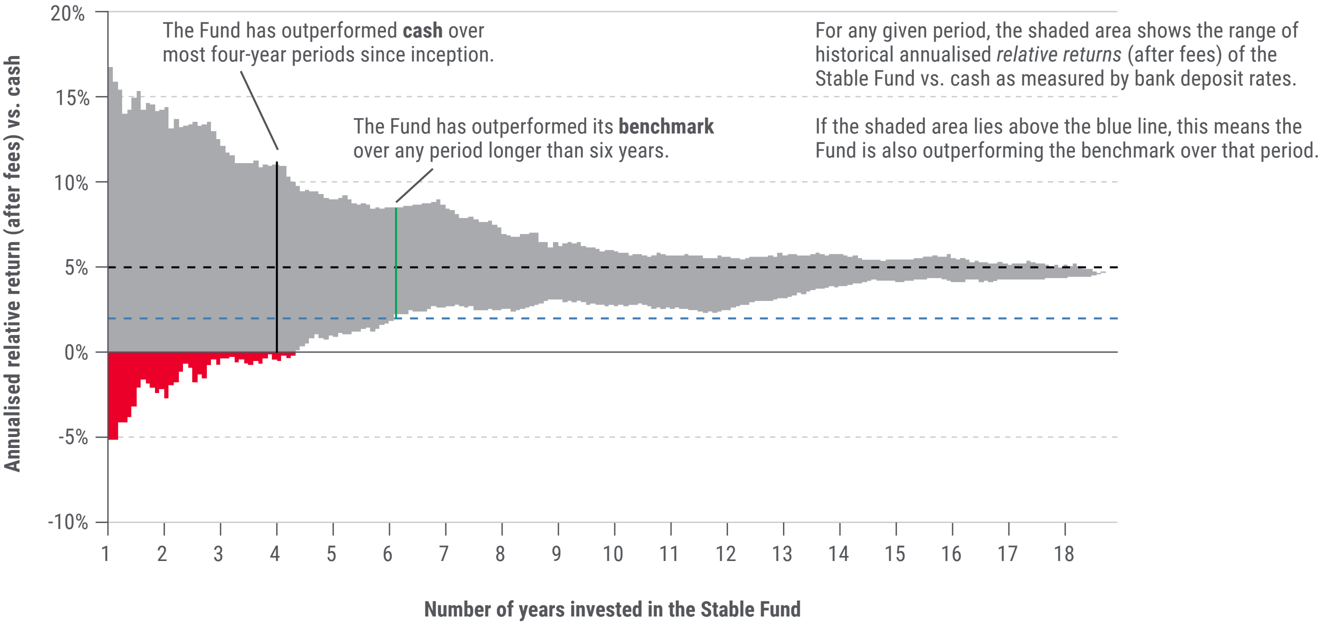
How have we achieved these objectives?

The Stable Fund can invest in the full range of available asset classes, and each investment made is competing for a place in the portfolio. The portfolio managers' job is to assess how these investments add to or detract from achieving the Fund objective when combined, and this informs the Fund's positioning.

A core strength of our investment approach is that we build our asset allocation funds from the bottom up. Simplistically, this means we start by looking at individual shares and compare how attractive they are relative to cash, and investments in other asset classes, such as bonds, property, commodities and foreign investments. We also recognise that equities tend to outperform other asset classes over longer periods of time – but also exhibit higher volatility. Therefore, we may increase the Fund's exposure to equities when we are able to identify many cheap shares through our bottom-up investment process, and vice versa, so that we can put your savings to work at the most opportune times and cut back on risk when shares are expensive, and the risk of loss is high.

So how can we gauge if the Fund has achieved its objectives without exposing our clients to unnecessary risk? There are a number of classical risk measures one could use, but few of them purely focus on the risk of permanent capital loss, which is how we define investment risk.

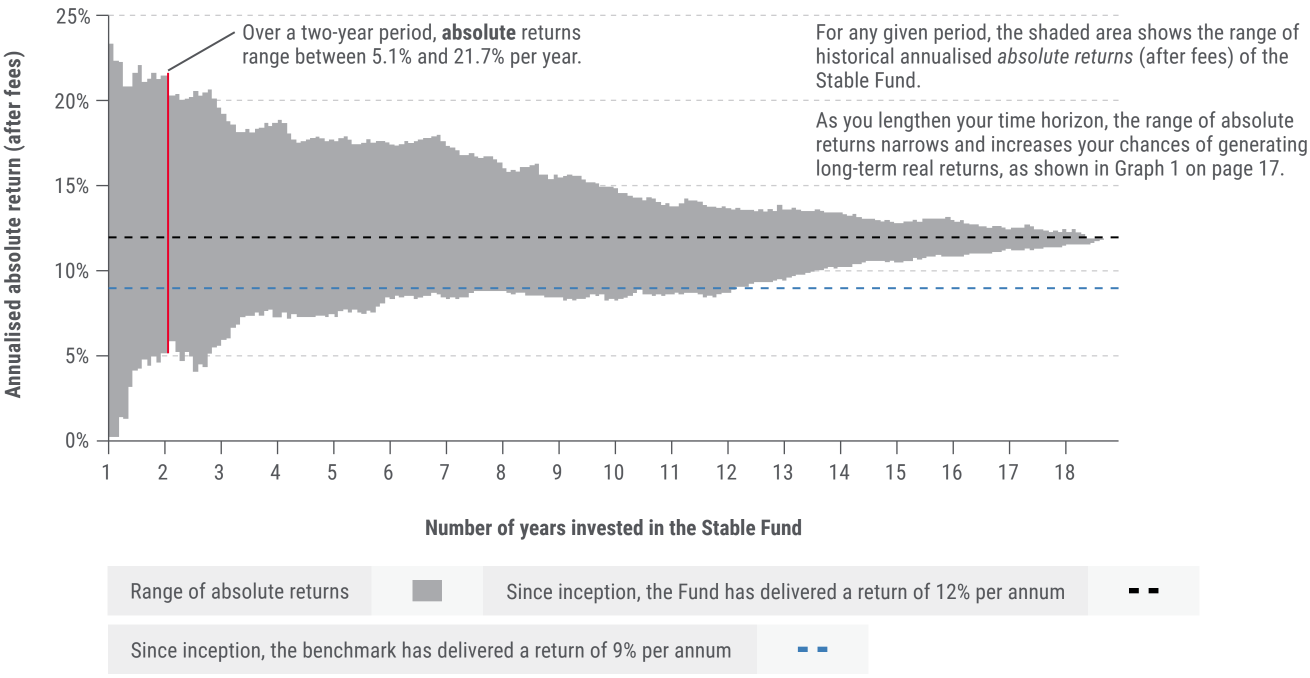
Graph 1: Generating long-term outperformance in the Stable Fund



Range of positive relative returns		Range of negative relative returns	
Since inception, the Fund has outperformed cash by 4.8% per annum		Cash plus 2% benchmark	

Source: Allan Gray research, data to 31 March 2019

Graph 2: Minimising the risk of capital loss over two-year periods



Source: Allan Gray research, data to 31 March 2019

One useful measure to consider is how a fund performs during up and down markets, which we can term as "downside capture" and "upside capture". Downside capture is calculated by looking only at the months when the FTSE/JSE All Share Index (ALSI) delivered negative returns, which we refer to as down months. We then calculate the average return achieved by the fund, divided by the average return achieved by the ALSI during the down months. This produces a percentage that illustrates how much the fund loses on average for every 1% downward move in the ALSI. Upside capture, conversely, is the same measure calculated during the months the ALSI delivered a positive return.

Let's say downside capture was 30%: This simply means that, on average, for every 1% downward move in the ALSI, the fund would have gone down by 0.3%. Plotting the downside capture against the upside capture can help us understand how each fund generates its returns. **Graph 3** plots this for a 10-year period to 31 March 2019 for the Allan Gray Stable Fund and all the funds in its peer group that have 10-year track records.

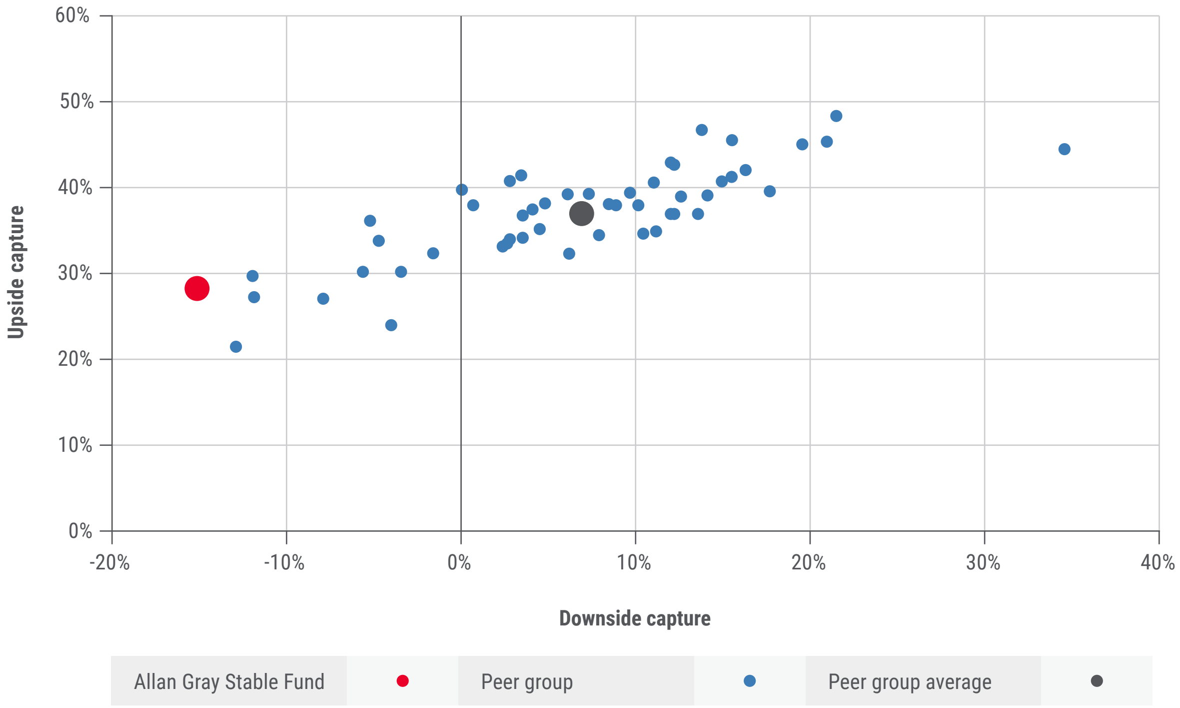
This produces an interesting picture. Over the period, the Stable Fund has the lowest downside capture. The reading is actually negative, which means that, on average, when the ALSI has gone down, the Fund has delivered a positive return (which it in fact has since the Fund's inception). However, to achieve this, the Stable Fund had lower upside capture compared to its peer group, driven primarily by a lower net equity weight over the period. Does this mean we sacrificed returns during this period?

Graph 4 plots downside capture against the annualised return achieved over the period. This shows that the Stable Fund delivered an annualised return of 8.9%, slightly outperforming the peer group average of 8.7%. The returns over this period in the peer group range from 6.5% to 10.4%.

Importantly, the Fund never aimed to be a top-performing fund every year in its category, and we pay little attention to how our peers are positioned or to benchmarks. We believe that focusing on those metrics could undermine our approach and result in worse outcomes for our clients. Yet, the Fund has still outperformed its benchmark and peers, and did so with significantly reduced risk and a lower equity exposure, illustrating the benefit of a bottom-up approach. This is uncommon. If you consider the green block on the graph, there are only a few funds that have managed to outperform in this way.

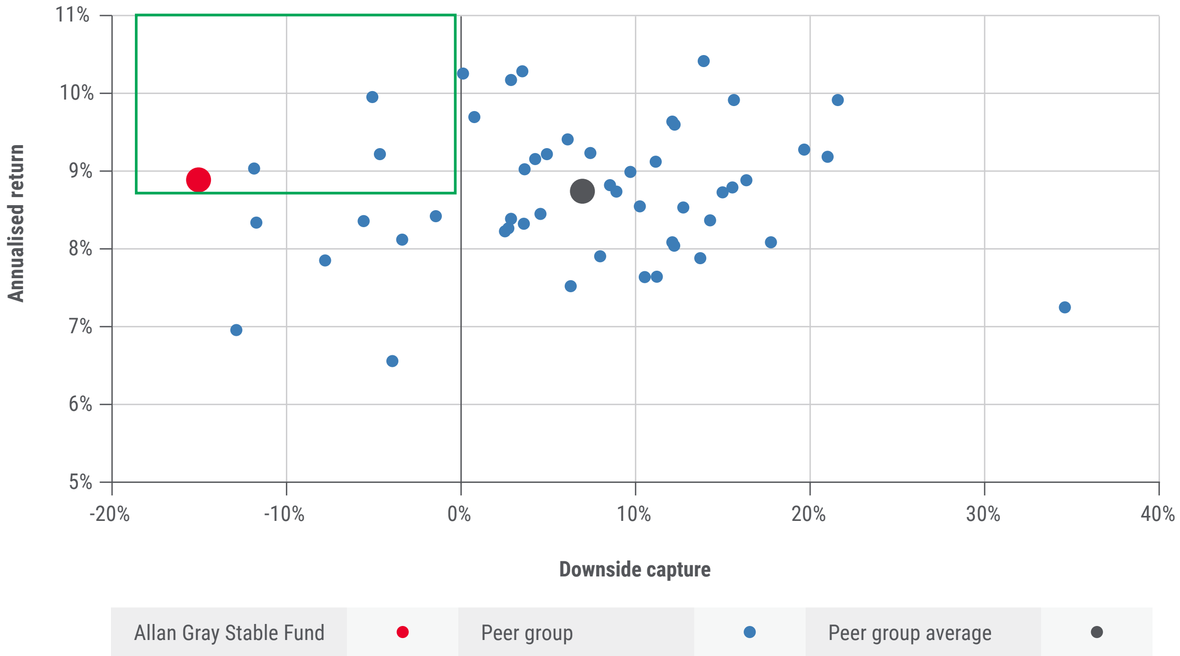
Most funds which have outperformed peers had above-average upside and downside captures, allowing for a greater short-term risk of capital loss. In hindsight,

Graph 3: Downside capture vs. upside capture for the 10-year period ending 31 March 2019



Source: Allan Gray research, Morningstar data to 31 March 2019

Graph 4: Downside capture vs. annualised return for the 10-year period ending 31 March 2019



Source: Allan Gray research, Morningstar data to 31 March 2019 as the ALSI delivered an annualised return of 14% over the period, higher upside capture may have been desirable. Conversely, there are many funds that underperformed peers due to higher-than-average downside capture, which is an outcome that we guard against. The next 10 years may look considerably different, but we remain optimistic that our focus on the downside positions us well to navigate future investment environments.

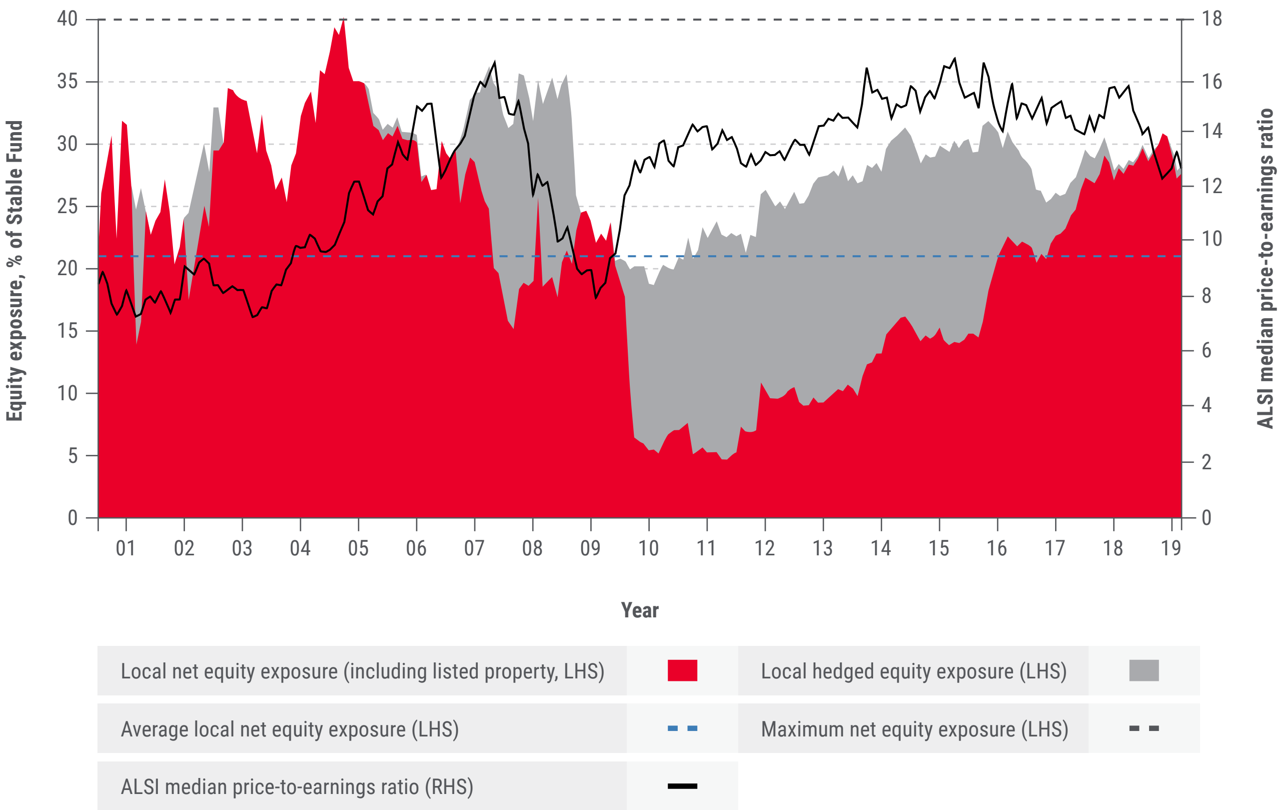
How is the Fund positioned today?

The Fund currently holds an above-average local net equity exposure relative to its history, as illustrated in **Graph 5**. This does not imply a change in the Fund's mandate. The Fund's track record has been achieved through dynamic asset allocation and stock selection decisions over time, with equity exposure fluctuating as the market moves. In addition, the share selection in the Stable Fund has historically been more conservative than those in our Balanced and Equity funds, given the objectives.

South African shares have performed no better than cash over the past five years – well below the average 8% per year historic outperformance. Similarly, emerging markets (including South Africa) have underperformed against developed markets and are out of favour with global money managers. It should therefore be no surprise that we are currently finding value in the local market. **Graph 5** depicts the median price-to-earnings (PE) ratio[1] of the constituents of the ALSI versus the local equity weighting. Unsurprisingly, as the median PE has declined, our equity weight has increased, and the hedged equity position has been reduced. Put differently, as the prices of our favoured shares move further below intrinsic value, the risk of permanent capital loss decreases and the benefit of being invested in equities subsequently increases.

Similarly, in terms of foreign investments, the Fund's exposure is also higher than over its history. As foreign exchange control regulations were relaxed last year,

Graph 5: ALSI median PE ratio[1] vs. the local equity weighting of the Stable Fund



Source: Allan Gray research, IRESS data to 31 March 2019

[1] The median is simply the midpoint, which means half of the shares in the ALSI have a higher PE and the other half have a lower PE.

we have been able to allocate a more sizeable portion of the Fund to offshore assets. This adds the benefit of further diversification to the portfolio as it expands the universe of assets we can include in the Fund. In addition, it can protect investors against potential rand weakness – a long-term risk, in our opinion, in light of the prevailing economic, political and social risks in South Africa. We are particularly excited about the opportunities identified in the Orbis SICAV Global Balanced Fund (as Alec Cutler discusses on page 12), which represents over 70% of the Stable Fund's foreign exposure.

The portfolio managers of the Stable Fund think about the risks to the Fund as much as they do about prospective returns.

We recognise that a higher net equity weight and foreign exposure may increase short-term volatility, but believe that in the current environment, this positioning is still consistent with the Fund's objectives. If we measure risk in terms of short-term return volatility, it may appear higher than in the past. However, measuring risk in terms of protecting your investment against long-term loss of purchasing power, it is quite the opposite in our view. Achieving the objectives of the Stable Fund requires us to be mindful of both these risks, as we have done historically, and will continue to do.

Stephan joined Allan Gray in 2013 and is a business analyst in the Institutional Client Services team. He holds a BCom Honours in Actuarial Science from Stellenbosch University and is a qualified actuary.

Radhesen joined Allan Gray in 2012 and is a business analyst in the Institutional Client Services team. He has a BSc Honours in Actuarial Science from Wits.

DIMINISHED MENTAL CAPACITY: WHAT HAPPENS TO A PERSON'S INVESTMENTS?

Jaya Leibowitz

... a person cannot dictate who should manage their affairs should their mental capacity become diminished or impaired.

Investors are generally unaware of the consequences of impaired mental capacity, resulting from neurocognitive disorders such as Alzheimer's disease, when it comes to managing their investments. Jaya Leibowitz explains.

A common mistake people make is thinking that granting a power of attorney to a loved one or a professional adviser will enable that person to manage investments on their behalf, should they lose the ability to manage their own affairs due to diminished mental capacity.

A power of attorney is a useful tool for people who are outside the country, too busy to manage their own investments or too frail or injured to physically sign documents. However, a power of attorney cannot be granted if a person is suffering from a mental impairment. This is because the South African law of agency dictates that a power of attorney ceases to be valid when the grantor becomes mentally incapacitated. Acting pursuant to an invalid power of attorney can amount to fraud.

So what does this mean for investors who lose their mental capacity?

Once it has been determined that a person lacks sufficient mental capacity to manage their own affairs, that person's family or adviser can follow one of two processes: apply to the High Court to be appointed as curator, or apply to the Master of the High Court to be appointed as administrator of the incapacitated person's affairs.

Curatorship

In terms of common law and the Administration of Estates Act of 1965, an application for the appointment of a curator may be made to the High Court by any interested party (usually a loved one). The process is lengthy and cumbersome and is usually undertaken at considerable expense to the applicant, who requires legal representation.

The application needs to be accompanied by a comprehensive affidavit, setting out the details of the incapacitated person's mental impairment and financial circumstances. In addition, the affidavit has to be supported by two medical reports, one by a general practitioner and the other by a psychiatrist, psychologist or neurologist.

First, the court will appoint a *curator ad litem* (usually an advocate) on a temporary basis. The *curator ad litem* is appointed to confirm that the incapacitated person is indeed unable to manage their own affairs and that the appointment of a curator would be in their best interest. Once the court is satisfied, it will appoint a *curator bonis* to permanently manage that person's affairs. However, before the curator may begin, the Master of the High Court must issue letters of curatorship, which provide the curator with the necessary powers and authority to manage the incapacitated person's affairs.

The duties of the curator are cumbersome and particular. For example, a complete account, in a prescribed format, of the curator's administration, supported by vouchers and receipts, together with a statement of all the property under the curator's control, must be submitted to the Master annually. For this reason, the person appointed as the curator will often be an admitted attorney.

In terms of the Administration of Estates Act, curators are entitled to charge fees based on a prescribed tariff. Currently, curators are entitled to an annual fee amounting to 6% of the income collected on the incapacitated person's behalf (for example, annuity income), as well as a fee amounting to 2% of the value of any capital assets that are distributed, delivered or paid by the curator.

... a power of attorney cannot be granted if a person is suffering from a mental impairment.

Administratorship

The Mental Health Care Act of 2002 sought to address some of the difficulties presented by curatorship. It entitles any interested person (usually a family member or loved one) to apply directly to the Master of the High Court to be appointed as an administrator to manage the affairs of a person with a "severe or profound intellectual disability" (which includes persons suffering from Alzheimer's and other forms of dementia). This process is quicker and far less expensive than appointing a curator as there is no formal court application that requires legal representation.

The written application to the Master must be signed in front of a Commissioner of Oaths, and must include all medical certificates and/or reports relevant to the incapacitated person's mental health status. If their property is valued at more than R200 000, or their annual income is more than R24 000, the Master will appoint an interim administrator and order an investigation into the merits of the application.

Another option is to create a trust in which investments may be placed prior to a person losing their mental capacity.

The applicant or the incapacitated person's estate will have to bear the costs of the investigation, which must be completed within a 60-day period. If the investigation provides a satisfactory outcome, the Master will issue an official notice of appointment to the administrator, following which the administrator will have all the powers necessary to manage the incapacitated person's affairs.

A trust

Both of the above processes have obvious drawbacks. For one thing, a person cannot dictate who should manage their affairs should their mental capacity become diminished or impaired.

Another option is to create a trust in which investments may be placed prior to a person losing their mental capacity. This would allow such a person to select trustees and dictate, in a formal trust deed, how they must administer the investments. Trusts, however, can be complex structures and often lead to complicated tax implications. If this solution is considered, we recommend that an experienced financial adviser and/or attorney is consulted to establish whether this is the best option under the circumstances and, if so, to ensure that the trust is structured optimally.

Enduring power of attorney

Some countries, such as Australia and the US, have developed their laws to include an enduring power of attorney, which, as the name suggests, allows a person to grant a power of attorney that continues to be valid after the grantor can no longer manage their own affairs.

Unfortunately, South African law is still lagging behind in this regard. As far back as 2004, the South African Law Reform Commission published a report recommending the passing of legislation to introduce the concept of an enduring power of attorney, which will hopefully address issues relating to persons with diminished mental capacity and provide a simpler process. Although a bill was drafted, it has not been published for comment due to delays caused by various complications.

Jaya joined Allan Gray in 2016 and is a legal adviser in the Retail Legal team. She holds a Bachelor of Arts and a Bachelor of Laws, both from Wits, and a postgraduate diploma in Financial Planning from the University of Stellenbosch Business School. Jaya is an admitted attorney and a certified financial planner.

HAVE YOU CHOSEN THE RIGHT UNIT TRUST?

Lettie Mzwinila

Doing your homework will go a long way in setting you up for investment success.

It's a good idea to review your investments about once a year to make sure that things are on track. But what if they aren't? How can you tell if "this, too, shall pass" or if you are invested in the wrong unit trust? And what should you do? Lettie Mzwinila explains.

Before investing in a unit trust, it is important to research your options carefully and make sure you understand what you are getting yourself into. It pays to gather as much information as possible upfront. Start by looking for an investment manager whose ethics and investment approach resonate with you, and who has a proven track record. As with any long-term relationship, trust is at the centre: If you trust your chosen manager, you will be less tempted to run for the hills if things go poorly temporarily.

Once you have chosen a manager, familiarise yourself with their offering before making any decisions. Carefully "read the label" of your chosen unit trust, making sure that your investment objectives and timeframes match those of the unit trust. Doing your homework will go a long way in setting you up for investment success. (We will go into more detail of how to do this a bit later.)

Periods of uncertainty are to be expected when investing, especially in the short term. Investors are often tempted to switch during these volatile periods – i.e. to sell out of a unit trust that is doing poorly and move their investment to a unit trust that is doing better at the time. The problem with this behaviour is that you end up locking in losses. You should only make changes to your unit trust selection if your goals or circumstances have changed – not in response to short-term market movements. The key is to distinguish between this scenario and when you have selected a unit trust that is not appropriate for your needs and are now being caught off guard by the ups and downs.

How do you determine which it is?

Wrong decision vs. short-term blip

Let's consider Jack and Thandi, who invest in the same unit trust. The unit trust is mandated to have up to 75% exposure to equities, which have the potential for higher returns, but come with significant volatility over the short term. Jack chose this unit trust based on an around-the-braai discussion with a friend about its recent good performance. He is saving for an overseas holiday next year.

You should only make changes to your unit trust selection if your goals or circumstances have changed ...

Thandi, on the other hand, is saving for her daughter's tertiary education in 10 years' time and did thorough research to ensure that she chose an appropriate unit trust. She made her selection after learning that the unit trust is suitable for investors who seek long-term capital growth and have at least three years to invest, are comfortable with market fluctuations and prepared to accept the risk of capital loss.

A year later, both Jack and Thandi are disappointed to see that the unit trust has fallen in value – i.e. it has earned a negative return. But their reaction to this is very different. Can you guess who decides to switch to a different unit trust?

The answer is Jack. Panicking that his holiday is in jeopardy, he cuts his losses and cashes in his investment in reaction to this poor short-term performance. Sadly, his behaviour is not uncommon: Research shows that this type of investor behaviour is one of the biggest detractors of returns.

Thandi, however, does not switch her money into a different, winning unit trust, despite the temptation. She is more confident in her initial choice and has a longer time horizon for her investment. She also selected the investment manager carefully and decides to give them the benefit of the doubt.

Fast-forward another four years and Thandi has experienced inflation-beating returns. These returns didn't come in a straight line; there were a few down periods, but they averaged out to provide a satisfying overall return. Jack is still licking his wounds after that initial loss and prefers to steer clear of investments.

The key difference between Jack and Thandi is that Thandi took the time to appropriately match her investment choice to her needs, and the timing of those needs. Jack skipped the upfront research, landing himself in the wrong unit trust, and was ultimately left disappointed and out of pocket.

How to choose a unit trust or review your decision

In the above example, the unit trust was being managed according to its mandate and, despite poor short-term performance, was performing as expected. Jack was simply invested in the wrong unit trust. So, how can you be more like Thandi when choosing a unit trust? Investment managers are required to publish minimum disclosure documents for all the unit trusts they manage. These are usually called factsheets and are designed to give you an overview of the characteristics of the unit trust, its objectives and how it aims to achieve them, along with up-to-date performance, risk and fee figures. By carefully studying the information provided – with the help of an independent financial adviser if you need guidance – you should be able to gain a good understanding of how a unit trust is managed and what you can expect.

... before you make any changes, thoroughly research all your options.

These are key things to look out for on the factsheet:

1. Time horizon: The factsheet will usually tell you what the ideal investment period is, or it may tell you whether the unit trust is suitable for a long- or short-term investment. Make sure the ideal investment period and the number of years for which you intend to invest are aligned.

2. Highest and lowest annual returns: Decide whether you'll be able to stomach the expected ups and downs. The highest and lowest annual returns will give you an idea of the range of returns you might experience while invested.

3. Maximum drawdown: Assess how likely you are to permanently lose money if you invest in the unit trust by looking at its maximum drawdown. This is the unit trust's maximum percentage decline over any period. You then need to determine whether you can afford to take the risk.

If these figures are not on the factsheet, you can request them directly from the investment manager.

If you are reviewing your selection and you find a mismatch between your ideas of the unit trust and what the factsheet outlines, you may have chosen an inappropriate unit trust, just like Jack. In this case, it may be best to switch to a different unit trust that is more appropriate for your needs. However, before you make any changes, thoroughly research all your options. It's also important to be aware that you may incur capital gains tax.

Being confident that you have a well-thought-through strategy and are invested in the appropriate unit trust(s) will help you stay the course when there are periods of volatility or temporary underperformance. This has been shown to allow for better returns over time.

If you need some help navigating these decisions, it's a good idea to consult an independent financial adviser.

Lettie joined Allan Gray in 2013 and is currently a business development manager in retail distribution, having previously filled the role of client relationship manager in the direct private clients channel. She holds a BCom in Financial Planning and a BCom Honours in Business Management focusing on Investment Management, both from NMMU.

NOTES

Allan Gray Balanced and Stable Fund asset allocation as at 31 March 2019

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign*	Total	SA	Foreign*
Net equities	65.7	46.9	18.8	38.4	23.9	14.5
Hedged equities	7.3	0.9	6.4	6.3	0.6	5.7
Property	1.7	1.4	0.4	4.2	3.8	0.4
Commodity-linked	3.5	2.8	0.7	2.6	1.7	0.9
Bonds	14.0	9.7	4.3	28.2	19.1	9.0
Money market and bank deposits	7.7	6.1	1.7	20.4	17.5	3.0
Total	**100.0**	**67.9**	**32.2**	**100.0**	**66.5**	**33.4**

Note: There might be slight discrepancies in the totals due to rounding. *This includes African ex-SA assets.

Allan Gray Equity Fund net assets as at 31 March 2019

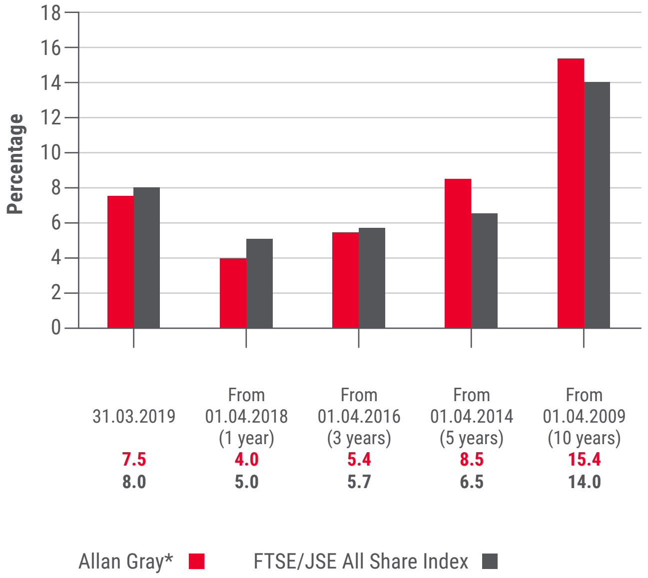
Security (Ranked by sector)	Market value (R million)	% of Fund	FTSE/JSE ALSI weight (%)
South Africa	**27 929**	**68.7**	
South African equities	**26 856**	**66.0**	
Resources	**5 944**	**14.6**	**27.2**
Sasol	2 404	5.9	
Glencore	1 304	3.2	
BHP Billiton	557	1.4	
Impala Platinum	388	1.0	
Sappi	361	0.9	
Positions less than 1%[1]	928	2.3	
Financials	**8 083**	**19.9**	**24.2**
Standard Bank	1 817	4.5	
Investec	1 266	3.1	
Old Mutual	947	2.3	
Reinet	822	2.0	
Nedbank	507	1.2	
Quilter PLC	457	1.1	
Rand Merchant Investment[2]	434	1.1	
MMI	287	0.7	
Positions less than 1%[1]	1 546	3.8	
Industrials	**12 592**	**31.0**	**48.6**
Naspers[2]	2 906	7.1	
British American Tobacco	2 018	5.0	
Remgro	1 411	3.5	
Life Healthcare	846	2.1	
Woolworths	776	1.9	
KAP Industrial	718	1.8	
Netcare	548	1.3	
Super Group	472	1.2	
MultiChoice Group	430	1.1	
Positions less than 1%[1]	2 468	6.1	
Other securities	**237**	**0.6**	
Positions less than 1%[1]	237	0.6	
Commodity-linked securities	**267**	**0.7**	
Positions less than 1%[1]	267	0.7	
Money market and bank deposits	**806**	**2.0**	
Foreign ex-Africa	**11 853**	**29.1**	
Equity Funds	**11 694**	**28.8**	
Orbis Global Equity Fund	7 677	18.9	
Orbis SICAV International Equity Fund[3]	2 936	7.2	
Orbis SICAV Emerging Markets Equity Fund	717	1.8	
Allan Gray Frontier Markets Equity Fund[3]	363	0.9	
Money market and bank deposits	**160**	**0.4**	
Africa ex-SA	**884**	**2.2**	
Equity funds	**884**	**2.2**	
Allan Gray Africa ex-SA Equity Fund	884	2.2	
Totals	**40 666**	**100.0**	

[1] JSE-listed securities include equities, property and commodity-linked instruments.
[2] Including stub certificates.
[3] This fund is not approved for marketing in South Africa. Reference to this fund is solely for disclosure purposes and is not intended for, nor does it constitute, solicitation for investment. **Note:** There may be slight discrepancies in the totals due to rounding. For other fund-specific information, please refer to the monthly factsheets.

Investment track record – share returns

Allan Gray Proprietary Limited global mandate share returns vs FTSE/JSE All Share Index			
Period	**Allan Gray***	**FTSE/JSE All Share Index**	**Out-/Under-performance**
1974 (from 15.06)	−0.8	−0.8	0.0
1975	23.7	−18.9	42.6
1976	2.7	−10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	−0.3
1979	86.9	94.4	−7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	−4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	−4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	−5.1	9.6
1991	30.0	31.1	−1.1
1992	−13.0	−2.0	−11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	−17.4	−4.5	−12.9
1998	1.5	−10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	−8.1	33.7
2003	29.4	16.1	13.3
2004	31.8	25.4	6.4
2005	56.5	47.3	9.2
2006	49.7	41.2	8.5
2007	17.6	19.2	−1.6
2008	−13.7	−23.2	9.5
2009	27.0	32.1	−5.1
2010	20.3	19.0	1.3
2011	9.9	2.6	7.3
2012	20.6	26.7	−6.1
2013	24.3	21.4	2.9
2014	16.2	10.9	5.3
2015	7.8	5.1	2.7
2016	12.2	2.6	9.6
2017	15.6	21.0	−5.4
2018	−8.0	−8.5	0.5
2019 (to 31.03)	**7.5**	**8.0**	**−0.5**

Returns annualised to 31.03.2019



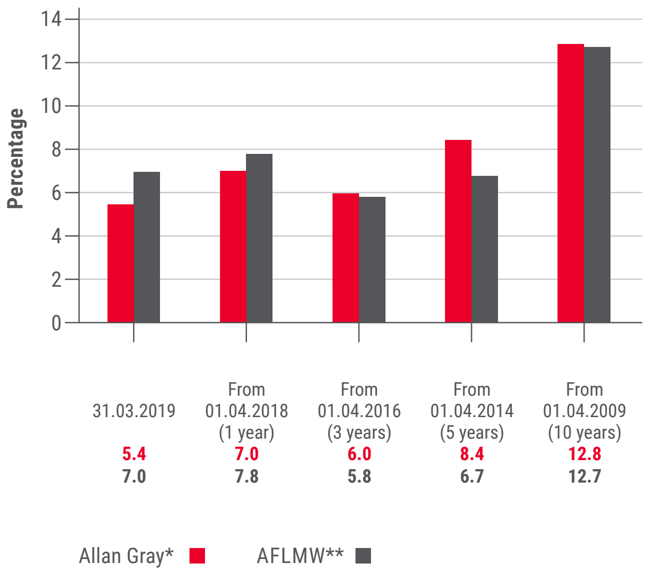
An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R228 438 124 by 31 March 2019. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R9 582 274. Returns are before fees.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Investment track record – balanced returns

Allan Gray Proprietary Limited global mandate total returns vs Alexander Forbes Global Manager Watch			
Period	**Allan Gray***	**AFLMW****	**Out-/Under-performance**
1974	–	–	–
1975	–	–	–
1976	–	–	–
1977	–	–	–
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	−0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	−5.5
1992	1.2	7.6	−6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	−1.8	9.5	−11.3
1998	6.9	−1.0	7.9
1999	80.0	46.8	33.1
2000	21.7	7.6	14.1
2001	44.0	23.5	20.5
2002	13.4	−3.6	17.1
2003	21.5	17.8	3.7
2004	21.8	28.1	−6.3
2005	40.0	31.9	8.1
2006	35.6	31.7	3.9
2007	14.5	15.1	−0.6
2008	−1.1	−12.3	11.2
2009	15.6	20.3	−4.7
2010	11.7	14.5	−2.8
2011	12.6	8.8	3.8
2012	15.1	20.0	−4.9
2013	25.0	23.3	1.7
2014	10.3	10.3	0.0
2015	12.8	6.9	5.9
2016	7.5	3.7	3.8
2017	11.9	11.5	0.4
2018	−1.4	−2.1	0.7
2019 (to 31.03)	**5.4**	**7.0**	**−1.6**

Returns annualised to 31.03.2019



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R24 712 021 by 31 March 2019. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R5 383 310. Returns are before fees.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
**Consulting Actuaries Survey returns used up to December 1997. The return for March 2019 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexander Forbes Large Manager Watch.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Allan Gray South African unit trusts annualised performance (rand) in percentage per annum to 31 March 2019 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure (100%)									
Allan Gray Equity Fund (AGEF)	**40.7**	**01.10.1998**	**21.6**	**13.1**	**6.5**	**4.3**	**2.6**	**125.8**	**−20.7**
Average of South African - Equity - General category (excl. Allan Gray funds)[1]			15.1	12.7	4.1	2.2	1.1	73.0	−37.6
Allan Gray SA Equity Fund (AGDE)	**3.1**	**13.03.2015**	**4.9**	**–**	**–**	**3.8**	**1.1**	**17.2**	**−9.0**
FTSE/JSE All Share Index including income			5.1	–	–	5.7	5.0	22.5	−12.6
Allan Gray-Orbis Global Equity Feeder Fund (AGOE)	**18.0**	**01.04.2005**	**14.1**	**16.4**	**10.5**	**7.4**	**6.0**	**78.2**	**−29.7**
FTSE World Index			13.9	17.6	14.0	10.6	25.8	54.2	−32.7
Medium net equity exposure (40% - 75%)									
Allan Gray Balanced Fund (AGBF)	**155.5**	**01.10.1999**	**16.4**	**11.6**	**7.3**	**4.9**	**5.7**	**46.1**	**−8.3**
Allan Gray Tax-Free Balanced Fund (AGTB)	**0.9**	**01.02.2016**	**6.6**	**–**	**–**	**5.3**	**5.6**	**13.3**	**−5.4**
Average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[2]			12.0/5.2	10.6	5.8	4.0	5.7	41.9/13.7	−16.7/−6.0
Allan Gray-Orbis Global Fund of Funds (AGGF)	**13.1**	**03.02.2004**	**10.6**	**11.5**	**8.9**	**4.2**	**8.0**	**55.6**	**−13.7**
60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index			11.2	13.4	11.5	6.5	24.0	38.8	−17.0
Low net equity exposure (0% - 40%)									
Allan Gray Stable Fund (AGSF)	**51.9**	**01.07.2000**	**12.0**	**8.9**	**8.2**	**6.7**	**7.5**	**23.3**	**0.2**
Daily interest rate of FirstRand Bank Limited plus 2%			9.0	7.4	7.7	8.1	7.9	14.6	6.2
Very low net equity exposure (0% - 20%)									
Allan Gray Optimal Fund (AGOF)	**1.3**	**01.10.2002**	**8.0**	**6.5**	**8.5**	**6.0**	**11.8**	**18.1**	**−1.5**
Daily interest rate of FirstRand Bank Limited			6.4	5.3	5.6	6.0	5.7	11.9	4.1
Allan Gray-Orbis Global Optimal Fund of Funds (AGOO)	**1.0**	**02.03.2010**	**7.6**	**–**	**4.6**	**−1.7**	**3.5**	**39.6**	**−12.4**
Average of US$ bank deposits and euro bank deposits			6.6	–	4.8	−0.2	17.5	35.6	−19.1
No equity exposure									
Allan Gray Bond Fund (AGBD)	**1.7**	**01.10.2004**	**9.2**	**9.1**	**9.1**	**11.0**	**6.1**	**18.0**	**−2.6**
JSE All Bond Index (Total return)			8.7	8.7	8.3	10.1	3.5	21.2	−5.6
Allan Gray Money Market Fund (AGMF)	**19.1**	**03.07.2001**	**8.0**	**6.8**	**7.3**	**7.9**	**7.8**	**12.8**	**5.2**
Alexander Forbes Short-Term Fixed Interest (STeFI) Composite Index[3]			7.9	6.6	7.0	7.4	7.3	13.3	5.2

[1] From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index including income (source: IRESS).
[2] From inception to 31 January 2013, the benchmark of the Allan Gray Balanced Fund 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.
[3] From 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.
[4] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Allan Gray total expense ratios and transaction costs for the 3-year period ending 31 March 2019

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.11%	0.43%	0.02%	0.17%	1.73%	0.08%	1.81%
Allan Gray SA Equity Fund	1.00%	−0.08%	0.01%	0.13%	1.06%	0.20%	1.26%
Allan Gray Balanced Fund	1.10%	0.40%	0.02%	0.15%	1.67%	0.09%	1.76%
Allan Gray Tax-Free Balanced Fund	1.37%	N/A	0.05%	0.14%	1.56%	0.16%	1.72%
Allan Gray Stable Fund	1.08%	0.27%	0.02%	0.13%	1.50%	0.08%	1.58%
Allan Gray Optimal Fund	1.00%	0.22%	0.01%	0.18%	1.41%	0.13%	1.54%
Allan Gray Bond Fund	0.25%	0.38%	0.02%	0.09%	0.74%	0.00%	0.74%
Allan Gray Money Market Fund	0.25%	N/A	0.00%	0.04%	0.29%	0.00%	0.29%
Allan Gray-Orbis Global Equity Feeder Fund	1.49%	0.33%	0.05%	0.00%	1.87%	0.13%	2.00%
Allan Gray-Orbis Global Fund of Funds	1.43%	0.47%	0.06%	0.00%	1.96%	0.12%	2.08%
Allan Gray-Orbis Global Optimal Fund of Funds	1.00%	0.76%	0.07%	0.00%	1.83%	0.13%	1.96%

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 three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax (STT), STRATE and Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER 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.

Foreign domiciled funds annualised performance (rand) in percentage per annum to 31 March 2019 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure								
Orbis Global Equity Fund[5]	**01.01.1990**	**17.9**	**16.4**	**10.7**	**7.8**	**6.1**	**87.6**	**−47.5**
FTSE World Index		13.5	17.5	14.1	10.5	26.1	54.2	−46.2
Orbis SICAV Japan Equity (Yen) Fund	**01.01.1998**	**14.6**	**14.9**	**12.4**	**8.4**	**4.5**	**94.9**	**−40.1**
Tokyo Stock Price Index		9.4	13.1	13.4	8.0	11.3	91.0	−46.4
Orbis SICAV Emerging Markets Equity Fund (US$)[6]	**01.01.2006**	**14.3**	**15.8**	**8.3**	**5.1**	**10.2**	**58.6**	**−34.2**
MSCI Emerging Markets Index (Net) (US$)[6]		14.0	15.5	12.6	9.7	13.2	60.1	−39.7
Allan Gray Africa ex-SA Equity Fund	**01.01.2012**	**13.8**	**–**	**3.3**	**13.3**	**8.4**	**65.6**	**−24.3**
Standard Bank Africa Total Return Index		5.3	–	−1.6	3.7	13.9	33.6	−29.4
Allan Gray Australia Equity Fund	**04.05.2006**	**15.1**	**20.2**	**11.5**	**12.3**	**23.2**	**99.5**	**−55.4**
S&P/ASX 300 Accumulation Index		12.6	15.3	8.5	7.8	26.1	55.6	−45.1
Medium net equity exposure								
Orbis SICAV Global Balanced Fund	**01.01.2013**	**15.4**	**–**	**9.6**	**5.0**	**9.4**	**54.4**	**−9.8**
60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index		15.5	–	11.5	6.3	25.0	40.2	−8.4
Allan Gray Australia Balanced Fund	**01.03.2017**	**8.4**	**–**	**–**	**–**	**16.2**	**16.2**	**−5.3**
The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and JP Morgan Global Government Bond Index expressed in AUD (16%).		10.1	–	–	–	24.8	24.8	−5.8
Low net equity exposure								
Allan Gray Australia Stable Fund	**01.07.2011**	**11.7**	**–**	**7.3**	**3.5**	**17.9**	**32.7**	**−7.4**
Reserve Bank of Australia cash rate		7.1	–	2.8	−1.7	14.6	28.8	−12.6
Very low net equity exposure								
Orbis Optimal SA Fund-US$ Class	**01.01.2005**	**9.7**	**6.4**	**6.4**	**−0.5**	**8.1**	**48.6**	**−15.7**
US$ Bank deposits		8.5	4.9	7.7	0.9	25.0	57.9	−25.5
Orbis Optimal SA Fund-Euro Class	**01.01.2005**	**7.6**	**4.0**	**1.4**	**−3.1**	**-3.4**	**44.1**	**−19.3**
Euro Bank deposits		6.6	2.7	2.1	−1.4	11.2	40.2	−20.9
No equity exposure								
Allan Gray Africa ex-SA Bond Fund	**27.03.2013**	**15.6**	**–**	**15.1**	**15.3**	**28.9**	**28.9**	**2.4**
JP Morgan GBI EM Global Diversified Index		5.8	–	5.7	2.8	12.9	23.5	−7.7

Performance as calculated by Allan Gray

[4] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

[5] The total assets under management for the Fund are shown, which include institutional and retail clients that invest directly with Orbis.

[6] From inception to 31 October 2016, this Fund was called the Orbis SICAV Asia ex-Japan Equity Fund and its benchmark was the MSCI Asia ex-Japan Index. From 1 November 2016, the Fund's investment mandate was broadened to include all emerging markets. To reflect this, the Fund was renamed and the benchmark was changed.

IMPORTANT INFORMATION FOR INVESTORS

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. ("Allan Gray" means Allan Gray Proprietary Limited and all of its subsidiaries and associate companies, and "the company" includes all of those entities.) Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, it is recommended that you consult an independent, qualified financial adviser regarding your specific situation. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

Allan Gray Unit Trust Management (RF) Proprietary Limited (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). Allan Gray Proprietary Limited (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA). Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. Except for the Allan Gray Money Market Fund, where the Investment Manager aims to maintain a constant unit price, the value of units may go down as well as up.

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 its unit trusts. Funds may be closed to new investments at any time in order for them to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending.

Performance

Performance figures are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, it refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax. Movements in exchange rates may also be the cause of the value of underlying international investments going up or down. The Equity, Balanced, Stable and Optimal funds each have more than one class of units and these are subject to different fees and charges. 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 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za. Permissible deductions 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 the Management Company.

Benchmarks

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. FTSE is a trademark of the London Stock Exchange Group of Companies. The FTSE World Index is calculated by FTSE in accordance with standard criteria and is the proprietary information of FTSE. All copyright subsisting in the FTSE World Index values and constituent lists vests in FTSE. All its rights are reserved.

Understanding the funds

Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the fund(s) they select. The Allan Gray Equity, Balanced, Stable and rand-denominated offshore funds may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. 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 fee in its feeder fund or fund of funds.

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 the 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.

Additional information for retirement fund members and investors in the tax-free investment account, living annuity and endowment

The Allan Gray Retirement Annuity Fund, Allan Gray Pension Preservation Fund, Allan Gray Provident Preservation Fund and Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment Services Proprietary Limited, an authorised administrative financial services provider and approved under section 13B of the Pension Funds Act as a benefits administrator. Allan Gray Proprietary Limited, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund. The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and Allan Gray Endowment are underwritten by Allan Gray Life Limited, also an authorised financial services provider and a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual life and retirement products are portfolios of collective investment schemes in securities (unit trusts or funds).

Tax note

In accordance with section 11(i) of the Botswana Income Tax Act (Chapter 52;01), an amount accrued to any person shall be deemed to have accrued from a source situated in Botswana where it has accrued to such person in respect of any investment made outside Botswana by a resident of Botswana, provided that section 11(i) shall not apply to foreign investment income of non-citizens resident in Botswana. Botswana residents who have invested in the shares of the Fund are therefore requested to declare income earned from this Fund when preparing their annual tax returns. The Facilities Agent for the Fund in Botswana is Allan Gray (Botswana) (Proprietary) Limited at 2nd Floor, Building 2, Central Square, New CBD, Gaborone, where investors can obtain a prospectus and financial reports.

About the paper

The Allan Gray Quarterly Commentary is printed on LumiSilk, a paper made from trees grown specifically for paper manufacturing.
The paper is certified by the Forest Stewardship Council (FSC), an organisation which promotes responsible management of the world's forests.

NOTES

Registration number

2005/002576/07

Business address

1 Silo Square
V&A Waterfront
Cape Town
8001

P O Box 51318
V&A Waterfront
Cape Town
8002
South Africa

Client Service Centre

T 0860 000 654 or +27 (0)21 415 2301
F 0860 000 655 or +27 (0)21 415 2492
E info@allangray.co.za
www.allangray.co.za


ALLAN GRAY