

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

Fund information on 31 August 2021

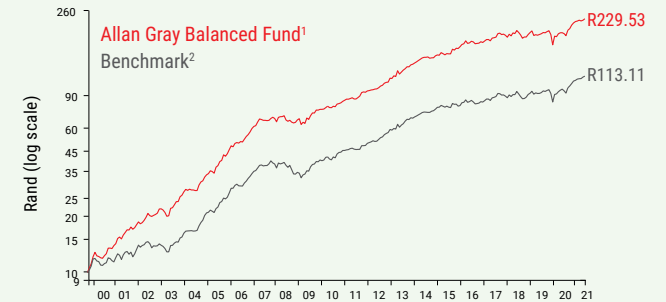
Fund size	R148.2bn
Number of units	645 078 260
Price (net asset value per unit)	R118.74
Class	C

This class of the Fund is not available directly from Allan Gray.

1. Prior to the inception of this class of the Fund (1 July 2013) the performance and risk measures are calculated using the A class performance of the Fund.
2. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). From inception to 28 February 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Morningstar, performance as calculated by Allan Gray as at 31 August 2021.
3. This is based on the latest available numbers published by IRESS as at 31 July 2021.
4. 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).
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 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 ¹	Benchmark ²	CPI inflation ³
Cumulative:			
Since inception	2195.3	1031.1	222.2
Annualised:			
Since inception	15.4	11.7	5.5
Latest 10 years	10.2	9.5	5.0
Latest 5 years	5.7	6.2	4.3
Latest 3 years	5.0	6.5	3.9
Latest 2 years	10.2	11.2	3.9
Latest 1 year	18.8	17.4	4.6
Year-to-date (not annualised)	13.0	12.9	4.0
Risk measures (since inception)			
Maximum drawdown ⁴	-25.4	-23.3	n/a
Percentage positive months ⁵	69.2	68.4	n/a
Annualised monthly volatility ⁶	9.6	9.4	n/a
Highest annual return ⁷	46.1	41.9	n/a
Lowest annual return ⁷	-14.0	-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	114.3382	103.3181

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: 0.80% 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: 1.30% p.a. excl. VAT

Minimum fee: 0.30% 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 June 2021 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
Naspers ⁸	6.9
British American Tobacco	6.4
Glencore	4.2
Woolworths	2.6
Sibanye-Stillwater	2.0
Remgro	1.9
Standard Bank	1.9
Old Mutual	1.8
Sasol	1.8
FirstRand	1.8
Total (%)	31.2

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	0.57	0.84
Fee for benchmark performance	0.87	0.92
Performance fees	-0.38	-0.18
Other costs excluding transaction costs	0.03	0.03
VAT	0.05	0.07
Transaction costs (including VAT)	0.08	0.09
Total investment charge	0.65	0.93

Asset allocation on 31 August 2021⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net Equity	72.4	52.3	3.1	17.0
Hedged Equity	5.4	0.5	0.0	4.9
Property	1.0	0.7	0.0	0.3
Commodity-linked	3.0	2.3	0.0	0.7
Bonds	12.9	9.6	1.5	1.8
Money market and bank deposits	5.2	3.1	0.2	2.0
Total (%)	100.0	68.5	4.8	26.7⁹

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

8. Includes holding in stub certificates or Prosus NV, 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	62.7%
Maximum	(May 2021) 72.9%

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

The Fund returned 0.8% for the quarter. The local equity market traded sideways, following a very strong Q4 (10%) and Q1 (13%). Fixed income has contributed to returns, while the foreign portion of the Fund marginally detracted from returns, given the strength of the rand.

Despite the recent sell-off, rand strength has surprised many people. Compared to the US dollar, the local currency has strengthened 3% since the start of 2021 and 25% since its weakest point in 2020. These moves are partly due to dollar weakness, but the rand has also been one of the best-performing emerging market currencies over the past year. It may seem hard to reconcile the strength of the local currency with the very real economic problems SA is facing, such as low economic growth and a high debt burden. Two specific contributors to its strength have been strong SA exports and foreign capital returning to the country. Exports have been boosted by significantly higher prices across most commodities, resulting in large trade surpluses for South Africa. Foreign capital has gradually been returning to the local market as SA shares and bonds were simply too cheap last year.

A useful maxim in investing is that at a low enough price, almost any asset can be a good investment, and at a high enough price, any asset can be a poor investment. The former was true for most South African shares last year. The FTSE/JSE All Share Index (ALSI) has now appreciated by 52% in US dollars over the last 12 months. Many domestic businesses have been very good investments over the past year, despite facing a tough economic outlook. Share prices of these businesses were depressed following the initial COVID-19 market turmoil and were in many cases discounting a worst-case scenario.

A good example would be South African banks. For most of the last year, share prices of SA banks have implied expected credit losses much worse than the 2008-2009 recession – an unlikely outcome, in our view. The SA banks index is up 48% over the last year, but still lower than before the pandemic. Banks remain a significant holding in the Fund. A similar example is the domestic clothing retailers, which have enjoyed an even sharper recovery. Many of these shares, such as Mr Price and Foschini, are now at higher levels than before COVID-19. The Fund has sold a large portion of its position in these shares.

The ALSI is now significantly higher than it was before the pandemic – 21% up from the start of 2020. Is this not a sign that it is time to reduce local equity exposure? Not necessarily. The Fund has been trimming local equity exposure, but our bottom-up stockpicking is still finding many attractively priced opportunities. It is important to remember that the strength of the ALSI has largely been driven by mining companies and some large dual-listed industrials, such as Richemont. This has masked the relative weakness of other areas of the market. High commodity prices have been a significant tailwind to mining shares.

The Fund's holding of government bonds is higher than it has been in recent years, taking advantage of the steep yield curve. However, the fixed income portion remains conservatively managed, with low duration and modest exposure to credit risk.

During the quarter the Fund bought more Naspers and platinum miners and sold down some banks, retailers and Glencore.

Commentary contributed by Tim Acker.

Fund manager quarterly commentary as at 30 June 2021

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Management Company

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

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

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place

at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

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

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MSCI Index

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Important information for investors

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