Allan Gray-Orbis Global Fund of Funds

30 April 2021

Fund description and summary of investment policy

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

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

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

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

Suitable for those investors who

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

Fund information on 30 April 2021

Fund size	R14.8bn
Number of units	307 819 987
Price (net asset value per unit)	R48.23
Class	A

Minimum investment amounts

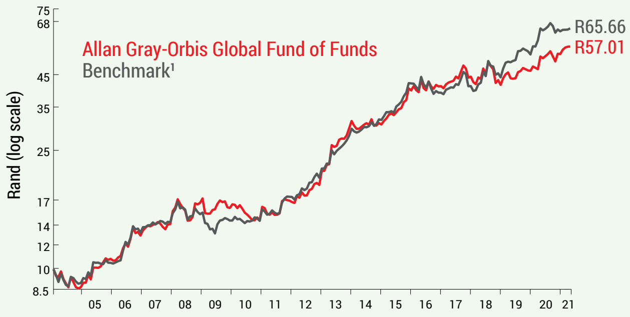
Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

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

1. 60% of the FTSE World Index including income and 40% of the J.P. Morgan GBI Global Index (source: Bloomberg), performance as calculated by Allan Gray as at 30 April 2021.
2. This is based on the latest available numbers published by IRESS as at 31 March 2021.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 October 2010 and the benchmark's occurred during the 12 months ended 30 June 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (3 February 2004)	470.1	177.4	556.6	219.5	146.5	42.1
Annualised:						
Since inception (3 February 2004)	10.6	6.0	11.5	6.9	5.4	2.1
Latest 10 years	14.0	5.4	15.6	6.8	5.0	1.7
Latest 5 years	7.4	7.0	10.1	9.7	4.4	2.1
Latest 3 years	8.4	3.1	15.7	10.1	4.0	2.0
Latest 2 years	10.7	10.1	13.9	13.3	3.7	2.1
Latest 1 year	8.1	36.8	0.1	26.7	3.2	2.6
Year-to-date (not annualised)	6.2	7.8	2.3	3.9	1.9	1.5
Risk measures (since inception)						
Maximum drawdown[3]	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months[4]	57.5	60.4	58.5	63.8	n/a	n/a
Annualised monthly volatility[5]	13.8	11.5	12.8	10.0	n/a	n/a
Highest annual return[6]	55.6	43.8	38.8	37.6	n/a	n/a
Lowest annual return[6]	-13.7	-27.3	-17.0	-31.7	n/a	n/a

Meeting the Fund objective

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2020
Cents per unit	**0.0000**

Annual management fee

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

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

Total expense ratio (TER) and Transaction costs

The annual management fees charged by Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

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

Top 10 holdings on 30 April 2021

Company	% of portfolio
Taiwan Semiconductor Mfg.	4.9
SPDR Gold Trust	4.4
Samsung Electronics	4.4
British American Tobacco	3.9
NetEase	3.9
AbbVie	2.9
Bayerische Motoren Werke	2.6
XPO Logistics	2.6
BP	2.5
ING Groep	2.4
Total (%)	**34.5**

Fund allocation on 30 April 2021

Funds	%
Foreign multi-asset funds	**74.3**
Orbis SICAV Global Balanced Fund	74.3
Foreign equity funds	**16.1**
Orbis Global Equity Fund	12.6
Orbis SICAV Emerging Markets Equity Fund	3.4
Foreign absolute return funds	**9.7**
Orbis Optimal SA Fund (US$)	5.9
Orbis Optimal SA Fund (Euro)	3.8
Total (%)	**100.0**

Asset allocation on 30 April 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	63.2	13.9	23.3	7.1	15.3	3.6
Hedged equities	22.4	9.7	5.9	2.0	3.2	1.5
Fixed interest	8.4	6.5	0.5	0.0	0.2	1.2
Commodity-linked	4.4	0.0	0.0	0.0	0.0	4.4
Net current assets	1.6	0.0	0.0	0.0	0.0	1.6
Total	**100.0**	**30.0**	**29.7**	**9.1**	**18.8**	**12.3**
Currency exposure of the Orbis funds						
Funds	100.0	37.6	34.5	10.7	12.8	4.4
Index	100.0	60.3	24.9	11.9	0.8	2.2

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

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Fund manager quarterly commentary as at 31 March 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Important information for investors

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

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Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA). The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za.

Performance

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

Fund mandate

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

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager, and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

Fund of funds

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

Foreign exposure

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

FTSE Russell Index

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J.P. Morgan Index

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