ALLAN GRAY

Fund managers: Duncan Artus, Jacques Plaut, Jithen Pillay, Rory Kutisker-Jacobson, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 1 October 1998

Allan Gray Equity Fund

C Class 29 February 2024

Fund description and summary of investment policy

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund can invest a maximum of 45% offshore. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the average return of South African General Equity Funds over the long term, without taking on greater risk of loss. To pursue its objective the Fund's portfolio may differ materially from those of its peers. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares from sellers who overreact to short-term difficulties or undervalue long-term potential. We invest in a selection of shares across all sectors of the stock market, and across the range of large-, mid- and smaller-cap shares.

Suitable for those investors who

- Seek exposure to listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio

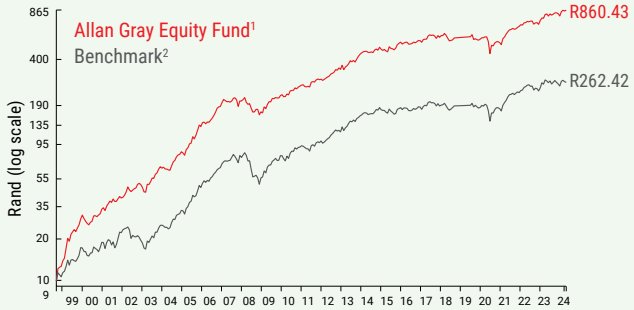
Fund information on 29 February 2024

Fund size	R43.5bn
Number of units	30 649 026
Price (net asset value per unit)	R550.99
Class	C

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

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	8504.3	2524.2	277.3
Annualised:			
Since inception	19.2	13.7	5.4
Latest 10 years	8.4	6.1	5.1
Latest 5 years	9.6	8.0	5.1
Latest 3 years	12.6	8.3	6.0
Latest 2 years	9.7	2.3	6.1
Latest 1 year	6.4	-2.3	5.3
Year-to-date (not annualised)	0.1	-3.4	0.1
Risk measures (since inception)			
Maximum drawdown[4]	-36.9	-45.4	n/a
Percentage positive months[5]	65.9	58.7	n/a
Annualised monthly volatility[6]	15.2	16.5	n/a
Highest annual return[7]	125.8	73.0	n/a
Lowest annual return[7]	-24.2	-37.6	n/a

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 – Equity – General category (excluding Allan Gray funds). Since inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS, performance as calculated by Allan Gray as at 29 February 2024.
3. This is based on the latest available numbers published by IRESS as at 31 January 2024.
4. Maximum percentage decline over any period. The maximum drawdown occurred from 3 September 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
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 September 1999 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Meeting the Fund objective

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2023	31 Dec 2023
Cents per unit	**166.1461**	**405.1307**

Annual management fee

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

Fee for performance equal to the Fund's benchmark: 0.85% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

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

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

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

Top 10 share holdings on 31 December 2023 (SA and Foreign) (updated quarterly)[8]

Company	% of portfolio
British American Tobacco	5.2
AB InBev	4.7
Glencore	3.6
Naspers & Prosus	3.4
Standard Bank	3.3
Mondi	2.9
Woolworths	2.7
Nedbank	2.5
Remgro	2.5
Booking Holdings Inc	1.8
Total (%)	**32.7**

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

9. Includes listed property.

10. FTSE/JSE All Share Index.

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2023	1yr %	3yr %
Total expense ratio	**2.11**	**1.39**
Fee for benchmark performance	0.95	0.98
Performance fees	0.91	0.24
Other costs excluding transaction costs	0.04	0.04
VAT	0.21	0.13
Transaction costs (including VAT)	**0.07**	**0.09**
Total investment charge	**2.18**	**1.48**

Sector allocation on 31 December 2023 (updated quarterly)[8]

Sector	% of equities[9]	% of ALSI[10]
Financials	27.7	26.8
Consumer staples	17.2	10.9
Basic materials	14.8	26.2
Consumer discretionary	14.0	6.7
Industrials	10.5	5.3
Technology	5.5	12.2
Energy	4.3	1.2
Healthcare	2.1	2.0
Telecommunications	1.6	4.7
Utilities	1.3	0.0
Real estate	1.0	4.0
Total (%)	**100.0**	**100.0**

Asset allocation on 29 February 2024[8]

Asset class	Total	South Africa	Foreign
Net equities	96.2	52.5	43.8
Hedged equities	0.0	0.0	0.0
Property	1.0	0.7	0.3
Commodity-linked	0.6	0.6	0.0
Bonds	0.3	0.0	0.2
Money market and bank deposits[11]	1.9	1.3	0.6
Total (%)	**100.0**	**55.1**	**44.9[12]**

11. Including currency hedges.

12. The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

Fund manager quarterly commentary as at 31 December 2023

The Allan Gray Equity Fund had a good 2023. The Fund returned 14% in rands – well ahead of the peer group benchmark of 7%. Things look less impressive from an international perspective, as the Fund only returned 4% in US dollars. While this is still better than the Fund's peers, the MSCI World Index still fared better and was up 24% in dollars.

A year ago I wrote, "It seems like the tide has turned for government bonds, technology stocks and cryptocurrencies." I could not have been more mistaken. The yield on the US 30-year government bond is almost exactly where it started the year 2023, the Nasdaq is up 45% and trading at its all-time high, and the price of Bitcoin went up by 163% over the year. It's a good thing our approach to investing relies more on bottom-up fundamental analysis than on analysing market trends.

Very few of the market fears from a year ago have materialised. Despite the ongoing war in Ukraine and a new conflict in the Middle East, wheat and energy prices are lower than they were a year ago. The US saw some bank failures in March, but the crisis blew over quickly. Aside from China, property prices in most of the world have not fallen as much as we would have expected given higher interest rates. And even when it comes to China, the sharp slowdown in new building has surprisingly not led to a lower price for iron ore.

Turning to South African stocks, there was no dominant theme – though it was a good idea to avoid platinum stocks. We largely managed this, with the exception of Sibanye-Stillwater, which was a detractor from performance.

We often saw a big discrepancy in performance within sectors. For example:

- Gold Fields gave a total return of 63%, but AngloGold gave only 9%.
- Mondi gave 31%, but investors in Sappi lost 5%.
- Investec gave 25%, but investors in Absa lost 9%.
- Fortress A, Fortress B, Shaftesbury and Hammerson all gave a total return of more than 30%, but Growthpoint and MAS PLC were both down more than 10%.
- Shoprite gave a total return of 25%, but Pick n Pay did -57%.

We think the stocks in the portfolio show good value and will provide reasonable returns in a range of macroeconomic outcomes. By way of example, AB InBev, our largest stock, is trading at almost 22 times consensus earnings for 2023. This is not an eye-watering multiple for a well-run company that converts most of its earnings to cash, but if the share price stays where it is, the multiple should come down with strong earnings growth over the next two years.

For the 12 months to the end of December 2023, the contributors to performance were overweight positions in AB InBev and Mondi and underweight positions in platinum stocks and Anglo American. The detractors from performance were overweight positions in British American Tobacco and Sibanye-Stillwater.

In the final quarter of 2023, the Fund returned 6% – in line with the benchmark. The foreign portion gave a return of 6%, lagging the MSCI World Index's 9%.

During the quarter, we bought shares in South32 and AB InBev, and sold shares in Glencore and Standard Bank.

Commentary contributed by Jacques Plaut

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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)11 301 6335 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.

MSCI Index

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Fund mandate

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

Unit price

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

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray. For more information about our annual management fees, refer to the frequently asked questions, available via the Allan Gray website.

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).

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index

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FTSE Russell Index

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