ALLAN GRAY

Fund manager: Duncan Artus (The underlying Orbis funds are managed by Orbis)
Inception date: 2 March 2010

Allan Gray-Orbis Global Optimal Fund of Funds

28 February 2025

Fund description and summary of investment policy

The Fund may invest in a mix of absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited, and currently invests in the Orbis Optimal SA Fund (US dollar and euro classes). The Orbis Optimal SA Fund invests in a portfolio of global shares and uses exchange-traded derivative contracts on stock market indices to reduce net equity exposure, which typically varies between 0% and 20%. The Fund's returns, when measured in US dollars or euros, are driven mainly by Orbis' stock selection and not by the overall direction of equity markets. Returns are likely to be less volatile than those of a global equity or global balanced fund, but more volatile than those of a global fixed income fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands. Given the Fund's global investment universe, rand returns are likely to be more volatile than those of local funds with similar equity constraints.

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

Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns (when measured in US dollars or euros) from a low-risk global investment portfolio. The Fund's returns are intended to be largely independent of the major asset classes such as cash, bonds or equities. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis Optimal SA Fund classes, namely US dollar and euro bank deposits.

How we aim to achieve the Fund's objective

The Fund invests in the Orbis Optimal SA Fund (US dollar and euro classes). The Orbis Optimal SA Fund is actively managed, invests in a global portfolio of shares and uses hedging to reduce overall exposure to global stock markets. 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. The main risk of investing in shares is that prices will decline if stock markets fall significantly. The Orbis Optimal SA Fund therefore maintains a substantial level of hedging to reduce this risk. The net equity exposure of the Fund typically varies between 0% and 20%. The Fund can therefore retain limited exposure to global stock markets, depending on Orbis' assessment of global stock market valuations. Currency exposure is actively managed, both within the underlying Orbis Optimal SA Fund and through the allocation to the US dollar and euro classes of the Orbis Optimal SA Fund. The Fund's returns are driven mainly by Orbis' ability to select shares which outperform. A portion of the returns are also derived from the low exposure to stock markets and foreign currency cash-equivalent returns earned from hedging. The Fund is therefore able to aim for positive returns (when measured in foreign currency), irrespective of the direction of global stock markets.

Suitable for those investors who

- Seek positive long-term returns, when measured in foreign currency
- Wish to invest in international assets through a rand-denominated fund
- Have a long-term investment horizon and are comfortable with periods of underperformance which may result in capital loss
- Wish to use the Fund as a 'building block' in a diversified multi-asset class portfolio
- Understand that the Fund's returns are largely independent of cash, bonds and equities

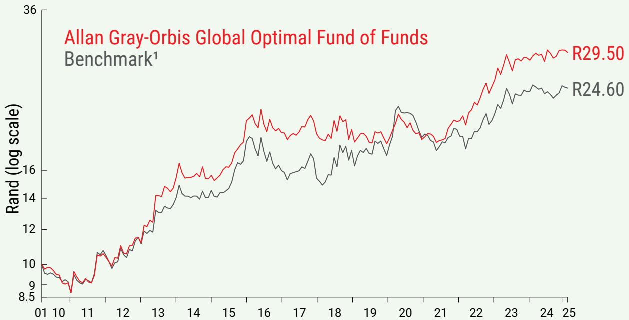
Fund availability: Subject to offshore capacity constraints. Please visit our website or contact our Client Service Centre for further information about any constraints that may apply.

Fund information on 28 February 2025

Fund size	R0.9bn
Number of units	31 782 676
Price (net asset value per unit)	R29.45
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	**ZAR**	**US$**	**ZAR**	**US$**	**ZAR**	**US$**
Since inception (2 March 2010)	195.0	22.7	146.0	2.3	107.2	46.9
Annualised:						
Since inception (2 March 2010)	7.5	1.4	6.2	0.2	5.0	2.6
Latest 10 years	6.6	1.8	5.7	0.9	5.0	3.1
Latest 5 years	8.2	4.6	5.0	1.6	4.8	4.2
Latest 3 years	11.4	4.9	8.6	2.3	5.1	4.1
Latest 2 years	4.0	3.7	4.2	4.0	4.3	3.1
Latest 1 year	1.6	5.8	-1.7	2.3	3.2	3.0
Year-to-date (not annualised)	-1.4	0.4	-1.2	0.6	0.4	0.8
Risk measures (since inception)						
Maximum drawdown[3]	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months[4]	52.2	55.6	47.8	49.4	n/a	n/a
Annualised monthly volatility[5]	13.0	7.2	13.4	4.2	n/a	n/a
Highest annual return[6]	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return[6]	-12.4	-15.3	-19.1	-11.6	n/a	n/a

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 28 February 2025.
2. This data reflects the latest available inflation numbers for South Africa and the United States of America, as at 31 January 2025 (Source: IRESS). South African CPI inflation has been calculated based on the most recent rebased values from Stats SA.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 2018. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
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 January 2016. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 28 February 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. There has been some volatility in the Fund's returns. The underlying funds' maximum drawdowns to date, in their reporting currencies, are 23% for the Orbis Optimal SA Dollar class and 28% for the Orbis Optimal SA Euro class.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2024
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 Orbis Optimal SA Fund factsheets and prospectus, which can be found at www.orbis.com.

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

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 December 2024	1yr %	3yr %
Total expense ratio	**1.09**	**1.07**
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	-0.01
Other costs excluding transaction costs	0.09	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	**0.09**	**0.12**
Total investment charge	**1.18**	**1.19**

Top 10 share holdings on 28 February 2025

Company	% of portfolio
Corpay	4.2
QXO	3.6
Elevance Health	3.4
FirstService	2.6
Leonardo	2.5
B&M European Value Retail	2.4
RXO	2.3
Taiwan Semiconductor Mfg	2.2
Mitsubishi Estate	2.1
Motorola Solutions	2.0
Total (%)	**27.3**

Fund allocation on 28 February 2025

Foreign absolute return funds	%
Orbis Optimal SA (US$)	62.1
Orbis Optimal SA (Euro)	37.9
Total (%)	**100.0**

Asset allocation on 28 February 2025

	Total	United States	UK	Europe ex-UK[7]	Japan	Other[7]	Emerging markets
Net equities	4.9	-1.2	4.1	-1.4	1.5	1.7	0.2
Hedged equities	74.6	34.3	4.5	12.5	16.9	2.6	3.7
Property	4.7	0.0	0.0	0.0	2.1	2.6	0.0
Money market and cash	15.8	12.2	0.4	1.8	0.7	0.2	0.4
Total (%)	**100.0**	**45.3**	**9.0**	**12.9**	**21.3**	**7.1**	**4.3**
Currency exposure	100.0	55.0	0.0	36.3	6.4	1.6	0.7

7. Refers to developed markets only.

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

Fund manager quarterly commentary as at 31 December 2024

It has been three years since we wrote about an imaginary digital yacht that sold for US$650 000 in the metaverse. It was a fun little anecdote that captured the spirit of the "Everything Bubble", and one that we thought would be hard to beat. So much for that. Our new favourite is Fartcoin – a cryptocurrency that did not even exist in early October. Fartcoin's total market value recently traded above US$1bn!

Returns on more traditional asset classes haven't been quite as sensational, but they have been robust. The S&P 500 closed 2024 with a 25% return, a calendar year performance that has only been topped in 10 of the past 35 years. While not exactly a bubble, stock market returns have been running above normal for some time, valuations are lofty, and the Fartcoin craze is a reminder that animal spirits are alive and well.

At times like these, the Orbis Optimal SA Fund can play a valuable role. By design, the Fund's hedging policy eliminates broad stock market exposure. This can be painful to watch in years like 2024, but it also cushions the blow in years like 2022, when the average global equity fund[1] lost almost 20% of its value.

The Fund's greatest opportunity to distinguish itself may lie ahead. The period since the global financial crisis (GFC) has been an unusually rewarding time to be an equity investor, but the starting point explains a lot. Amid the wreckage of the GFC, investors' expectations were low, which set the stage for many years of pleasant surprises as growth continued to deliver year after year.

The picture looks quite different today. While fundamentals are still impressive, expectations and valuations are now higher, and capital has increasingly crowded into a few large correlated bets – wagering that a small number of existing winners will continue to perform. Historically, this setup hasn't boded well for future returns. It's entirely possible that this time might be different; but fair to say that from this starting point, it will be much tougher for broad stock markets to beat expectations over the next decade than the previous one.

At the same time, we also see reasons to be cautious about some underappreciated risks brewing in the US, where many of these large correlated bets reside. Investors may cheer the potential benefits of improving government efficiency but appear to be ignoring the pain that may be necessary to get there. They may also cheer the "America first" policies that reshore industrial jobs, perhaps ignoring the likely impact on productivity, which has mainly improved thanks to global trade over the past few decades. And investors may be forgetting that other countries may take steps of their own in response, which is especially worrying given US dependence on excess capital from overseas.

All that simply to say, we believe it's time to be careful. As we have noted in previous commentaries, markets are reflexive in both directions. The same forces that can conspire to push Fartcoin to a billion-dollar valuation out of thin air can also wipe out billions of stock market value in a self-reinforcing downward spiral.

In this environment, we believe the Fund is a valuable complement to other assets in a portfolio. By focusing on our highest-conviction bottom-up stock selections – and hedging broad stock market exposure – the Fund has the potential to deliver positive real returns over the long term without relying on the continued performance of highly valued and increasingly correlated assets. We couldn't ask for a better environment in which to let our stockpickers do what they do best.

While we won't get all of our stock selection decisions right, it's safe to say that their returns will be idiosyncratic. The Fund's holdings include an eclectic range of businesses from movie theatres to health insurance to discount retailers to corporate payment systems. The extent to which these investments add or detract value relative to their respective benchmarks should have little correlation with major asset classes – and very little with one another. Their commonality being our strong conviction that they are priced well below their intrinsic values.

The Fund's overall net equity exposure fell over the quarter. Among individual positions, we initiated a position in a leading US credit bureau. We exited the position in Shell in order to rotate capital into higher-conviction ideas.

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

1. Sourced from Morningstar Inc. and comprising global large-cap blend equity funds which invest principally in the equities of large-cap companies from around the globe (as defined by Morningstar).

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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.

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).

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.

FTSE Russell Index

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MSCI Index

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