

**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 over-react 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

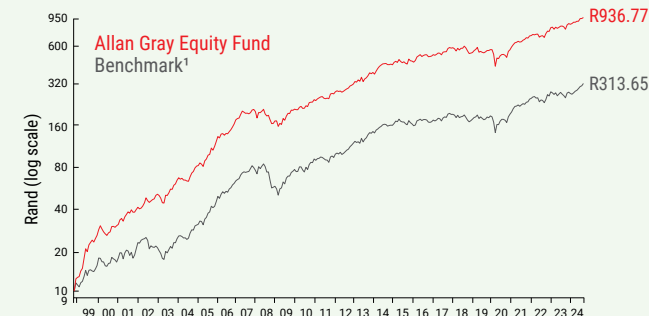
**Fund information on 30 September 2024**

<b>Fund size</b>	R46.4bn
<b>Number of units</b>	46 427 633
<b>Price (net asset value per unit)</b>	R601.52
<b>Class</b>	A

1. The market value-weighted average return of funds in the South African – Equity – General category, excluding Allan Gray funds. (Effective 1 October 2024, this category started excluding funds that can only invest in South African equities.). Source: Morningstar, performance as calculated by Allan Gray as at 30 September 2024. From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS.
2. This is based on the latest available numbers published by IRESS as at 31 August 2024.
3. 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).
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 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.

**Performance net of all fees and expenses**

Value of R10 invested at inception with all distributions reinvested



<b>% Returns</b>	<b>Fund</b>	<b>Benchmark<sup>1</sup></b>	<b>CPI inflation<sup>2</sup></b>
<b>Cumulative:</b>			
Since inception (1 October 1998)	9267.7	3036.5	288.0
<b>Annualised:</b>			
Since inception (1 October 1998)	19.1	14.2	5.4
Latest 10 years	8.1	7.3	4.9
Latest 5 years	12.1	12.5	4.9
Latest 3 years	12.8	12.2	5.6
Latest 2 years	17.9	17.3	4.6
Latest 1 year	16.8	22.4	4.4
Year-to-date (not annualised)	10.6	15.5	2.9
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-37.0	-45.4	n/a
Percentage positive months <sup>4</sup>	66.0	59.6	n/a
Annualised monthly volatility <sup>5</sup>	15.1	16.4	n/a
Highest annual return <sup>6</sup>	125.8	73.0	n/a
Lowest annual return <sup>6</sup>	-24.3	-37.6	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 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.	31 Dec 2023	30 Jun 2024
<b>Cents per unit</b>	<b>366.6592</b>	<b>583.3035</b>

### 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:** 1.00% 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 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 September 2024 (SA and Foreign) (updated quarterly)<sup>7</sup>

Company	% of portfolio
Naspers & Prosus	5.0
British American Tobacco	4.6
AB InBev	4.4
Standard Bank	3.2
Woolworths	2.8
Nedbank	2.5
Glencore	2.4
Remgro	2.3
Mondi	2.2
The Walt Disney Company	2.1
<b>Total (%)</b>	<b>31.4</b>

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

8. Includes listed property.

9. 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 30 September 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.29</b>	<b>1.72</b>
Fee for benchmark performance	1.03	1.07
Performance fees	0.10	0.45
Other costs excluding transaction costs	0.04	0.04
VAT	0.12	0.16
<b>Transaction costs (including VAT)</b>	<b>0.08</b>	<b>0.08</b>
<b>Total investment charge</b>	<b>1.37</b>	<b>1.80</b>

### Sector allocation on 30 September 2024 (updated quarterly)<sup>7</sup>

Sector	% of equities <sup>8</sup>	% of ALSI <sup>9</sup>
Financials	24.5	30.6
Consumer staples	17.7	11.9
Consumer discretionary	14.6	7.9
Basic materials	14.2	19.3
Industrials	9.9	3.7
Technology	8.6	14.7
Energy	4.1	0.9
Healthcare	3.0	1.9
Telecommunications	2.0	4.1
Real estate	0.8	5.0
Utilities	0.7	0.0
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

### Asset allocation on 30 September 2024<sup>7</sup>

Asset class	Total	South Africa	Foreign
Net equities	94.5	54.4	40.1
Hedged equities	0.0	0.0	0.0
Property	0.9	0.6	0.3
Commodity-linked	0.4	0.4	0.0
Bonds	0.3	0.0	0.3
Money market and cash <sup>10</sup>	4.0	2.3	1.7
<b>Total (%)</b>	<b>100.0</b>	<b>57.6</b>	<b>42.4<sup>11</sup></b>

10. Including currency hedges.

11. 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.

Volatility was a key characteristic of equity returns this quarter. Despite the MSCI World Index recording new highs at quarter end, this performance did not come in a straight line. The US, which accounts for more than 70% of the MSCI World Index, was largely responsible for the rocky ride. The S&P 500 rose by 4% in the two weeks to mid-July, before falling by 8% over the next three weeks on weaker-than-expected July US employment data, which triggered fears of a looming recession. Thereafter, it rose by 9% over the next month on strong US GDP growth and weaker inflation versus expectations, before falling by 4% over the next week on another US employment data release. The US Federal Reserve (the Fed) cut interest rates by 50 basis points (bps) in late September (for the first time since the COVID-19 pandemic), serving as the quarter's defining gambit. Investors cheered the prospects of easing US inflation into a soft economic landing, resulting in the S&P 500 rising 6% overall for the quarter and bringing 2024 year-to-date gains to 22%.

The outsized moves above highlight an adage by the pioneer of value investing, Benjamin Graham, who said that the stock market is a voting machine over the short term. In a period of heightened uncertainty and low visibility, investors are severely punishing asset prices where outcomes miss expectations even slightly and, conversely, are excessively rewarding stocks that slightly beat consensus estimates. The current "vote" is that US inflation is structurally heading back to the 2% average it enjoyed in the 20 years to 2021, with a terminal interest rate 2% lower than current levels, and without the US falling into a deep recession. However, we take a more conservative view, acknowledging that we have little edge in predicting macroeconomic outcomes. If indeed the US consumer remains robust, which is likely given still-low unemployment and still-strong wage growth, then cutting interest rates prematurely should see another rise in inflation down the road and the need to tighten conditions once more. On the other hand, deep interest rate cuts may be a leading indicator of a weak US economy. Either scenario will be bad for global stock prices.

Benefiting from positive global sentiment, local stocks were further buoyed by improving investor confidence in South Africa following the formation of the government of national unity. The FTSE/JSE All Share Index returned 10% for the quarter and 16% year to date. Companies that predominantly

face the South African economy boosted performance: Over the quarter, local retailers rallied 23%, property 19%, life insurers 16%, food producers 14% and banks 13%. The rand also strengthened by 9% versus the US dollar from its post-election trough in early June to quarter end.

Short-term prospects for the South African consumer are looking better than a year ago. Following the Fed's lead, the South African Reserve Bank cut interest rates by 25 bps during the quarter, with more cuts likely. Lower oil prices and proceeds from the two-pot retirement reform will also put more money into the hands of consumers. A reprieve in loadshedding will reduce non-productive expenditure and improve revenue opportunities for local companies. However, we remain concerned about growth prospects beyond these temporary tailwinds. South African capital investment is contracting, policy reform is painfully slow and state-owned enterprise performance remains broadly woeful. South Africa's position as a resource economy is also precarious given a slowdown in China, which consumes more than 50% of most industrial commodities. The impact of the recently announced Chinese policy stimulus is still untested.

A useful rule of thumb is that good equity returns follow periods when expectations are low and outcomes are better than anticipated. Expectations, as represented by equity valuations, are currently elevated versus history, and we would contend that outcomes, represented by company earnings, could be worse for the reasons discussed earlier. As such, the Fund is positioned to minimise downside risk and protect absolute returns. The Fund is tilted towards rand-hedged local shares, particularly those with relatively defensive economics, such as British American Tobacco and Anheuser-Busch InBev (AB InBev). The Fund also has a healthy allocation to precious metal miners, which tend to outperform in times of global chaos. Lastly, the Fund's local stock exposure is also skewed to those companies with self-help levers to grow their earnings, even if the South African economy is weaker than we would have hoped.

During the quarter, the Fund added to its positions in AB InBev and select miners, and reduced its holdings in several banking shares.

**Commentary contributed by Jithen Pillay**

## **Fund manager quarterly commentary as at 30 September 2024**

© 2024 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

**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 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, you should consult a qualified financial adviser. 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 is an authorised financial services provider.

**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)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**

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

**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**

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index vests in FTSE and the JSE jointly. All their rights are reserved.

**FTSE Russell Index**

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

**© 2024 Morningstar**

All Rights Reserved. The information, data, analyses and opinions ("Information") contained herein: (1) include the proprietary information of Morningstar and Morningstar's content providers; (2) may not be copied or redistributed except as specifically authorised; (3) do not constitute investment advice; (4) are provided solely for informational purposes; (5) are not warranted to be complete, accurate or timely; and (6) may be drawn from fund data published on various dates. Morningstar is not responsible for any trading decisions, damages or other losses related to the Information or its use. Please verify all of the Information before using it and don't make any investment decision except upon the advice of a professional financial adviser. Past performance is no guarantee of future results. The value and income derived from investments may go down as well as up.

**Important information for investors**

**Need more information?**

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website [www.allangray.co.za](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**