

Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). 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 South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund’s portfolio may differ materially from its benchmark. 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 FTSE/JSE All Share Index including income.

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 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. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-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

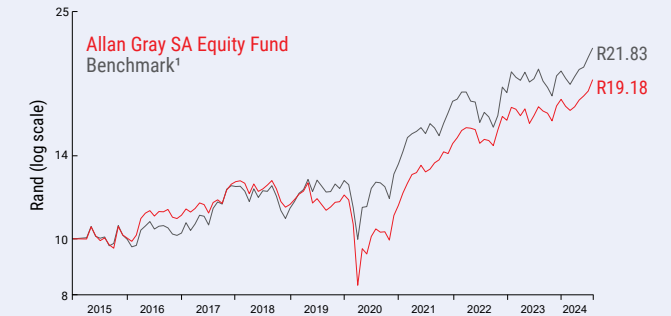
Fund information on 31 July 2024

Fund size	R3.9bn
Number of units	934 913
Price (net asset value per unit)	R474.51
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 July 2024.
2. This is based on the latest available numbers published by IRESS as at 30 June 2024.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 March 2020. 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 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 of the Fund. 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 March 2021 and the benchmark’s occurred during the 12 months ended 31 March 2021. 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 31 March 2020. 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	Benchmark¹	CPI inflation²
Cumulative:			
Since inception (13 March 2015)	91.8	118.3	60.3
Annualised:			
Since inception (13 March 2015)	7.2	8.7	5.2
Latest 5 years	10.8	11.9	5.0
Latest 3 years	13.0	10.9	6.0
Latest 2 years	13.0	14.1	5.2
Latest 1 year	11.7	9.0	5.1
Year-to-date (not annualised)	8.4	9.9	2.4
Risk measures (since inception)			
Maximum drawdown³	-44.3	-35.2	n/a
Percentage positive months⁴	58.4	56.6	n/a
Annualised monthly volatility⁵	14.6	14.7	n/a
Highest annual return⁶	57.3	54.0	n/a
Lowest annual return⁶	-32.0	-18.4	n/a

Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed [here](#).

Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has underperformed its benchmark.

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
Cents per unit	949.678	1187.0242

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. 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 20% of annualised performance relative to the benchmark.

Total expense ratio (TER) and transaction costs

The annual management fee is 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 2024 (updated quarterly)

Company	% of portfolio
Naspers & Prosus	7.7
British American Tobacco	7.3
AB InBev	6.8
Standard Bank	5.4
Mondi	4.7
Glencore	4.7
Nedbank	4.1
Woolworths	4.0
FirstRand	3.5
Sappi	2.7
Total (%)	50.9

Sector allocation on 30 June 2024 (updated quarterly)

Sector	% of equities ⁷	% of ALSI ⁸
Financials	28.0	29.4
Basic materials	22.1	21.4
Consumer staples	20.5	11.6
Consumer discretionary	9.8	7.7
Technology	8.0	14.2
Industrials	7.0	3.9
Telecommunications	2.0	4.1
Healthcare	1.1	4.5
Real estate	0.9	2.1
Energy	0.5	1.0
Total (%)	100.0	100.0

7. Includes listed property.

8. 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 June 2024	1yr %	3yr %
Total expense ratio	0.61	0.83
Fee for benchmark performance	1.00	1.00
Performance fees	-0.48	-0.29
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.11
Transaction costs (including VAT)	0.10	0.10
Total investment charge	0.71	0.93

Asset allocation on 31 July 2024

Asset class	Total
Net equity	95.7
Hedged equity	0.0
Property	0.9
Commodity-linked	0.9
Bonds	0.0
Money market and cash	2.5
Total (%)	100.0

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

Global markets continued to defy macroeconomic warning signs in 2024, with the S&P 500 up 15% year to date, following a 26% run in 2023, and finishing the quarter close to an all-time high. Returns were driven by a few large stocks: just under one-third of the S&P 500's 2024 performance was contributed by Nvidia alone and two-thirds contributed by the magnificent seven stocks. Artificial intelligence mania and a renewed belief in sustainably lower US inflation and interest rates (without necessitating a recession) drove the optimism.

We remain cautious of the consensus view: In the US, financial conditions are easier today than when the Federal Reserve first started raising interest rates in March 2022. Unemployment remains very low, contributing to still-strong growth in wages. There are also spending drivers that we believe could contribute to structurally higher developed market inflation going forward: the fragmentation of supply chains as countries prioritise security of supply over the cost of production, increased defence spending – given heightened geopolitical tensions – and the mandate to transition away from old-world energy to renewables. There are already smoke signals that a return to 2% US inflation may not be as smooth as hoped, given that US services inflation continues to run greater than 5%. As such, we subscribe to the view of higher developed market inflation for longer. Provided central banks stick to their nerve, this will necessitate higher interest rates for longer. Despite the heightened risk this poses to company earnings, the S&P 500 equity risk premium (the additional return the stock market provides above the risk-free rate) is at a 20-year low. Put differently, investors are not being sufficiently compensated to assume the risks discussed above.

Closer to home, South Africa concluded national government elections in late May, with a historic fall in support for the ruling African National Congress. While local assets initially reacted negatively to the uncertainty this posed, the market subsequently cheered at the announcement of a government of national unity (GNU) anchored by the centrist parties. The broader FTSE/JSE All Share Index returned 8% for the quarter, led by outperformance from stocks facing the local economy: banks rallied 20%, insurers 18%, retailers 13% and healthcare stocks

12%. By the end of the quarter, the rand also strengthened 4% versus the US dollar from its post-election trough in early June.

As a nation, we should be proud that the incumbent government has thus far transitioned power peacefully, in line with the will of the people. The GNU outcome also removes some of the extreme left-tail negative risk that presided over South African assets prior to the election and increases the chance of a right-tail positive scenario for the country. However, we are wary of local stock prices running ahead of their fundamentals on hope alone. There are many ideological differences that the GNU needs to work through, and coalition experience at local government level shows outcomes are rarely smooth. South Africa faces significant economic headwinds that need to reverse course for local companies to grow their earnings in real terms (which they have struggled to do over the last decade). Some of these headwinds are out of our control, even with the best-intentioned political dispensation (e.g. our dependence on the Chinese economy).

2024 is a year of heightened risk, where stock returns under different scenarios could be bifurcated. As such, we have positioned the Fund to limit downside risk rather than swinging for the fences by taking strong positions at extremes. The Fund is tilted towards favouring companies that have real pricing power, relatively defensive demand and a healthy proportion of fixed-rate debt (British American Tobacco and AB InBev are good examples here). In addition, we prefer companies with self-help levers to improve their economics rather than being fully reliant on a stronger local economy. Woolworths and Remgro are relevant examples in this category.

During the quarter, the Fund added to its positions in AB InBev and Standard Bank and reduced its holdings in MultiChoice and Sibanye-Stillwater.

Commentary contributed by Jithen Pillay

Fund manager quarterly commentary as at 30 June 2024

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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)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).

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

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MSCI Index

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FTSE Russell Index

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