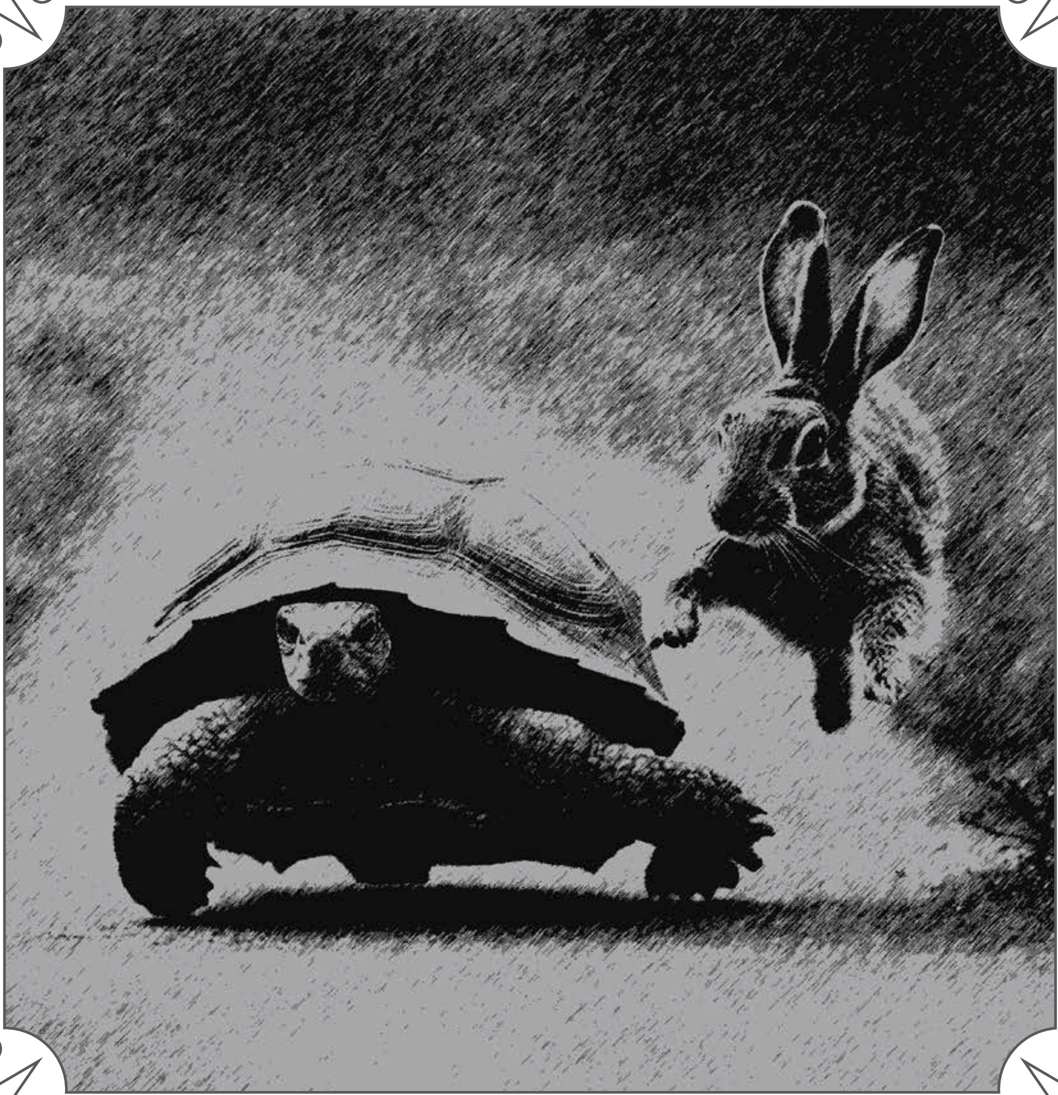
QC
Quarterly Commentary
Vol. 3 30 September 2023

Allan Gray

Adopting a long-term mindset sits at the heart of our investment philosophy.

50 YEARS | Allan Gray SINCE 1973



Slow and steady wins the race

In the words of our founder, Allan W B Gray: "I'm a tortoise, I'm not a hare." He was, of course, referencing one of the famed fables of Aesop – "The Hare and the Tortoise".

In the fable, the nimble hare ridicules the tortoise for its contrasting glacial pace. In a courageous move, the tortoise challenges the hare to a race. At face value, the odds are stacked against the tortoise; surely, the race is lost before it has even started. And indeed, as they set off, the hare quickly achieves a seemingly unbeatable lead. Believing that the job is done, the hare decides to take a nap halfway through. The tortoise, on the other hand, remains dedicated to the end goal and consistent in its efforts. By the time the hare awakes, the tortoise has crossed the finish line and won the race.

The moral of the story is that there is no room for arrogance and complacency in life. Likewise in investing. At Allan Gray, we remain focused on our goal of helping our clients build long-term wealth, as we have for the past 50 years. We are steadfast in our approach and committed to our investment philosophy. Like the tortoise, we know that time is the most valuable currency of all, and we work tirelessly on behalf of our clients to make the most of it.

1973
Allan W B Gray founded Allan Gray Investment Counsel

1974
Opened our office in St Georges Street, Cape Town

1974
First client invested

1977
First institutional client invested

1989
Allan W B Gray founded Orbis

1996
Allan Gray Life Limited formed

1996
Allan Gray Namibia office opened

1997
Moved our office to Granger Bay Court

1997
Changed our name to Allan Gray Limited

1997
Our worst period of underperformance

1998
First Equity Fund clients invested

1999
First Balanced Fund clients invested

2000
First life pooled portfolio client invested

2002
First retail retirement product clients invested

2002
First TV adverts aired

2004
Allan Gray Botswana office opened

2005
Allan Gray Orbis Foundation established

2005
First Investment Platform clients invested

2007
E Squared established

2007
First Offshore Investment Platform clients invested

2008
Opened our office in Portswood Square

2008
"Beautiful" TV advert won a Silver Lion at Cannes Lions

2012
First Africa ex-SA Equity Fund client invested

2013
Moved our offices to 1 Silo Square

2015
Allan & Gill Gray Foundation formed

2017
First Umbrella Fund client invested

2017
First Frontier Markets Equity Fund client invested

2019
Balanced Fund turned 20

2019
"Father's share" TV advert won a Silver Lion at Cannes Lions

2020
Stable Fund turned 20

2020
Orbis Global Equity Fund turned 30

2023
Equity Fund turns 25

2023
50 years of long-term investing

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Ian Liddle

Chairman

Daimler-Benz introduced the Mercedes-Benz S-Class to South Africa in 1973 – the same year that an ambitious 35-year-old with a Harvard MBA and eight years of experience with the renowned Fidelity Investments returned to South Africa from the US and founded our firm. A fortunate few could buy the Mercedes-Benz 280 S Auto for just under R10 000 in 1974, when *Car* magazine described it as a vehicle incorporating the "latest concepts in styling, mechanical and safety engineering, and aerodynamics" of "breath-taking beauty and refinement … in a class of its own".

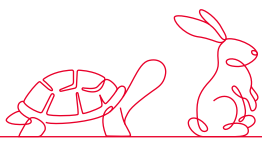
A far better idea would have been to invest that R10 000 in a South African equity portfolio with Allan Gray and not touch it again, in which case you would have been able to buy around 60 to 70 Mercedes-Benz S 500s today (see our long-term investment track record on page 34). Alternatively, R10 000 could have bought 100 Krugerrands in 1974, but if it had instead been invested and compounded in this equity portfolio, it would now buy around 5 000 Krugerrands.

A bumpy ride

Of course, our clients need no introduction to the power of compounding. The maths is simple, and it all looks so easy in hindsight. But, as many of you will know, the path to these exceptional long-term returns has been difficult and bumpy. On six separate occasions, the Allan Gray equity portfolio suffered a major loss in value (between 29% and 43% in inflation-adjusted terms), and it took two to four years to recover the losses. On these occasions, our conviction and our clients' patience were severely tested.

> I believe we are well placed to confront … future challenges with humility and confidence when they do arise.

Although I am reluctant to make forecasts, one I can make with confidence is that we will inevitably have to withstand more trials like this in the future. As the standard investment



industry disclaimers state, the price of equity investments can go both up and down. To make matters more challenging, the market can take a different view from us on any company's valuation for an uncomfortably long time, even if we are ultimately proven right. And, of course, we are not always right – a success rate of just 60% is normally enough to make for exceptional long-term portfolio returns. A success rate of 50% makes you average.

When we suffer through extended periods of poor performance, it is natural for clients to question whether our investment philosophy or process has become outdated, or the quality of our research has declined, or our people are failing to live up to the standards of their predecessors, or we have become complacent and lost our edge. I believe we are well placed to confront these questions and future challenges with humility and confidence when they do arise.

> Our founder, Allan W B Gray, set firm foundations in the form of guiding values and principles and a stable long-term ownership structure …

The roots that hold us steady

Our founder, Allan W B Gray, set firm foundations in the form of guiding values and principles and a stable long-term ownership structure through Allan & Gill Gray Foundation. Some may find this ironic, but one of these principles is an acceptance that our firm should fail if we fail to add value for clients over the long term. Our clients are free to move their funds elsewhere. Allan saw what others may see as a vulnerability, as a source of strength. We cannot afford to become complacent, and each new day we are motivated to serve our clients well.

It is daunting to be a custodian of a firm with a 50-year history of excellence, but I am fortunate to be able to share the responsibility with a strong and supportive board and an excellent leadership team capably led by Mahesh Cooper and Duncan Artus. Mahesh, Duncan and I all joined Allan Gray over 20 years ago in junior roles, and it is encouraging to observe the growth of the many capable young people in our firm who will become its leaders.

When reflecting on the last 50 years, we should remember that the global backdrop for investors has been extraordinarily favourable. The S&P 500 is up 67 times since its low in 1974, the dollar gold price up 12 times over the same time period, and bond yields have declined inexorably for four decades (until recently, that is). I think it would be rash to expect a similar tailwind from global asset market returns starting from today's valuations. There may even be some strong headwinds.

> We hope that we can help to make a positive difference.

Open to possibility

On the other hand, many South Africans have tragically had scant opportunity to reach for their full potential over the last 50 years (and prior to that too). We have such enormous potential as a country, and we waste so much of it. It does not have to be this way, and working effectively together to empower more South Africans could turn this headwind we have been battling into a strong tailwind. We hope that we can help to make a positive difference.

Kind regards

Ian Liddle

Ian Liddle

Ian joined Allan Gray in 2001 as an equity analyst after several years as a management consultant. He managed a portion of client equity and balanced portfolios and was the chief investment officer from 2008 until 2016. He is now chairman of Allan Gray Proprietary Limited and is a CFA® charterholder.

Mahesh Cooper

Chief operating officer

Turning 50 is an incredible milestone for any business. Over the last five decades, South Africa has experienced immense political, economic and societal changes, which we have been fortunate to endure. It is often acceptable at a significant anniversary, like a golden jubilee, to look back with rose-tinted glasses. However, Mahesh Cooper remains firmly focused on the future, drawing on the experiences of the past to navigate the unknown challenges that the company will face going forward.

As I stand on the shoulders of those who have come before me, I think hard about the paths of our future – the obstacles, the challenges, the threats and the opportunities. I have grouped these into four categories, which I call the four Rs:

Returns

Investment returns are what matters most to you, our clients, and, by design, to the long-term sustainability of our business. Delivering long-term outperformance has always been, and continues to be, our core focus. We construct portfolios with the aim of achieving superior long-term returns.

We strive to ensure that our clients understand our investment philosophy and approach and remain invested for long enough to benefit from them.

We have been applying the same investment philosophy since the firm's inception in 1973. This philosophy, along with our investment process, has stood the test of time through investment and economic cycles, and I continue to believe it will stand us in good stead going forward. As the world moves to more passive investment styles, the markets present us with an opportunity to take advantage of price and valuation dislocations for the long-term benefit of our clients.

There is another form of return that I often think about – *return on effort*. By "return on effort" I mean focusing on those things internally that deliver the most value to our clients and the business. I think it is easy to justify any work that we do; I think it is harder and far more important to identify the work that yields the most value. As I consider the next 20, 30, 50 years, I truly believe that we must focus our efforts on what yields the greatest results for our clients.

Reputation

We are in the business of trust. Understanding that our reputation is key to attracting and retaining clients puts our values and our behaviour front and centre of all we do. We need to remember that our reputation is worth fighting for and be prepared to do so.

As our founder, Allan W B Gray, once said:

"Trust takes years, even decades to engender, yet can be lost in a second through a single inappropriate action. Thus, all of our actions must be consistent with engendering trust, and we should studiously avoid anything which increases the chances of mistrust. One trusts people and firms who do what they say they will do or purport to do and vice versa. Thus, it all starts with the reality of our behaviour, hence the vital importance of our ethos as set out in our core values. We have to walk the walk, talk the talk. We must be trustworthy in all we do. Only if we genuinely act with the utmost integrity, not only in all aspects of our clients' affairs but also in our everyday lives, will we succeed in achieving our goals."

Regulation

Regulations are necessary to ensure that clients are protected. Over the last 20 years, the regulatory landscape has changed drastically. We continue to be inundated with local and global regulatory changes and expect that this trend will continue. The implementation of new regulations needs to be clearly planned to ensure that the outcomes match the intentions.

Some of the proposed regulations make sense, others don't. What worries me is that we do not always have the opportunity to engage constructively. Where we are given the opportunity, we do, and we will continue to do so, so that our clients' interests are represented. Even in the face of uncertainty over the details of various imminent regulations, it is important that we stay on top of these changes so that we can implement them with agility.

Relevance

The next 20 years are going to look vastly different from the last 20, with advances in technology making it increasingly difficult to predict the pathways of the evolution.

I firmly believe that our investment philosophy will continue to be as relevant in the future as it has been over the last 50 years. Markets are propelled by human emotions of fear and greed, and human emotions can be very irrational. In an age of machine learning and artificial intelligence, our philosophy will prevail as long as machines continue to struggle to predict human emotions. It is our ability to take advantage of periods of irrationality that will continue to make the way we manage money for our clients relevant. The importance of relevance as a business cannot be emphasised enough. If you are not relevant to your clients, why should you exist?

I think it is harder to predict whether our current ways of interacting and engaging with clients and their advisers will endure. Here, technology will continue to play an ever-increasing role, as it does in all aspects of our lives.

We need to continue differentiating between evolutionary and revolutionary changes and to make bold decisions that will keep us relevant in the face of societal changes and political, economic and regulatory uncertainty. How we do business will naturally evolve; how we interact with clients will change, and things that clients worry about will twist and turn. We must be prepared to respond appropriately.

Maintaining our core focus

Our core goal remains long-term wealth creation for our clients. To achieve our goal, we need to focus on these four Rs. But we can only do so by remembering that we are a business of people; our employees are our greatest asset. We will continue to ensure that we have the right people in the right roles to enable us to both embrace the challenges that lie ahead and continue to play a meaningful role in helping South Africans invest for their futures.

Mahesh is the chief operating officer. He rejoined Allan Gray as an executive director in May 2022, having served as a non-executive director since July 2020. He was previously employed at Allan Gray between 2003 and 2017, serving as an executive director from 2006 to 2017 and heading up the Institutional Clients team for over a decade. Mahesh holds a Bachelor of Business Science degree from the University of Cape Town and a Master of Business Administration from the Institute for Management Development. He is a qualified actuary.

PERSONAL REFLECTIONS ON WHAT MAKES A GREAT ASSET MANAGER OVER THE LONG TERM

Duncan Artus

Chief investment officer

Given that we are in our 50th year of existence, Duncan Artus, who has been working at Allan Gray for over 22 years, reflects on what he believes makes a great asset management firm and considers whether Allan Gray exhibits any of these attributes.

Before going into the details, I must state that there is not only one way to manage money successfully. There are many examples of investors and traders with different philosophies and processes who have been successful. But what you do need is a method that you believe in. Why? Because if there is one guarantee in investing, it is that the market is going to test you, sometimes severely, and often in public. Despite all the financial and human capital that has been invested in the industry over time, investors tend to repeat mistakes. Minimising these mistakes should be high up on the priority list of anyone starting an asset management firm.

These quotes capture the sentiment of my approach:

"We would rather lose half our clients than our clients' money."
– Former Allan Gray portfolio manager and managing director Jack Mitchell (1998 - 2007)

"That is fine for Buffett to say with his private investor hat on, but those of us who have public investors and consultants looking over our shoulders don't have the luxury of letting pitch after pitch go by. We have to swing."
– Global investment strategist Barton Biggs

Following, I discuss the attributes that I think make a *great* asset manager over the long term.

Smart, hard-working people

It seems obvious that you would need smart, hard-working people to be successful, and many of our competitors, for whom we have great respect, would be able to make the same claim: Having the right people gives you the right to compete; a ticket to the game, if you will.

We put a tremendous amount of effort and time into our recruitment and the development of our people. Investment management is a human capital business after all. I have had the privilege of working with some of South Africa's best investment minds, and there is no doubt that having great people increases your chances of attracting more great people.

The firm has successfully navigated multiple generations of investment teams.

The aim is to uncover those hyper-achievers who can generate investment outperformance. But this is much harder than it seems. For example, from the date I started in the Investment team in 2001, we have hired 94 analysts; only 14 have gone on to become portfolio managers across our equity and asset allocation funds.

Given our long-term approach, we spend a lot of time thinking about and planning for succession. The firm has successfully navigated multiple generations of investment teams. I think this is an unappreciated strength of Allan Gray.

A time-tested philosophy

Any asset manager needs an overarching philosophy that guides how they invest; a frame of reference that structures thoughts and actions. While necessary, this again merely affords you the right to compete; it is not a durable competitive advantage. You cannot trademark your philosophy, and plenty of books have been written about investing.

One danger of consistently identifying with a narrow definition of an investment philosophy is being pigeonholed into a certain "investing style" box by clients and making incorrect investment decisions for fear of those decisions being judged through a certain style lens. We actively think about this risk.

Our philosophy can be described as bottom-up, long-term and contrarian. However, we will take views on macroeconomic factors and markets at extremes. Extreme events seem to be occurring with greater regularity! I believe this is down to the increased financialisation[1] and indebtedness of the underlying economy leaving it more vulnerable to shocks.

An enabling ownership structure

In my view, the most important contributing factor to success is the ownership structure of a firm. It is essential that it allow the investment team and the business to take a long-term view and stay the course during the inevitable difficult times.

As Jeff Bezos, the founder of Amazon, said: "If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people, but if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people, because very few companies are willing to do that."

A lot of thought has been put into our ownership. The firm has always had a strong anchor shareholder via the Gray family interests and now through Allan & Gill Gray Foundation (the Foundation). We have remained unlisted, free from the external pressure of having to take short-term investment and business decisions to meet market expectations.

Aside from the Foundation and E Squared[2], a 17.8% owner of Allan Gray, our shareholders include senior current and former employees. They hopefully understand that investment performance goes through cycles and that outperformance is not generated in a straight line. This understanding is a critical part of our success.

... our profits are closely aligned with our clients' investment performance. As they should be.

I believe the ownership philosophy, along with the investment process and incentives discussed on page 8, strongly increases the probability of an average team producing above-average results. Of course, our goal is to have an above-average team operating within the enabling ownership structure.

[1] A process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and economic outcomes.
[2] E Squared provides capital and non-financial support to Allan Gray Fellows, as well as other social entrepreneurs, through various funding programmes. Allan Gray Fellows are graduates of the Allan Gray Orbis Foundation entrepreneurial programme. To learn more about the Allan Gray Orbis Foundation's incredible work, please see Thandolwethu Hlongwane's article on page 28.

A proven investment process

An asset manager should be able to demonstrate an investment process that has worked through a full investment cycle, i.e. through both a bull and bear market. They should be able to explain to an external party how a position entered the portfolio in a simple and concise manner. I am always reminded of something our former chief investment officer, Simon Marais (1998 - 2001), said on the topic: "If you cannot explain why you own a share in less than five minutes, you probably don't know why you own it in the first place."

I believe our process has stood the test of time over the last 50 years through all kinds of investment and economic cycles. Of course, no process remains static over such a long period. We tweak and improve it incrementally, which eventually compounds into an endurable competitive advantage. The ability to adapt has become even more important as technology progresses at an ever-faster rate, generating an ever-increasing amount of data. This has decreased the signal-to-noise ratio for many investors.

I thought the following numbers might illustrate the output of our process: For the decade to the end of 2022, the Investment team had 5 344 company management meetings, wrote 9 375 investment notes and 1 607 fundamental reports. All of these are stored on our systems for input into our current research effort and for reference for future investment teams. This valuable intangible asset is not on our balance sheet.

… our staff's incentives are directly linked to the outcomes we deliver for our clients. This close alignment has been a key part of our culture and success.

Firm and staff incentives that align with client outcomes

Charlie Munger of Berkshire Hathaway famously said: "Show me the incentive and I'll show you the outcome." I have seen very little in my career to contradict this statement. Many of the problems in, and the often-poor reputation of the financial services industry (especially post the global financial crisis of 2007/08) can be traced back to poor incentives. A clear understanding of the incentives of an asset manager and its staff and the alignment of those incentives with client outcomes are key.

The investment industry will look very different in 50 years' time, but with the foundations put in place over the last 50 years, I have confidence that Allan Gray will successfully navigate its way there …

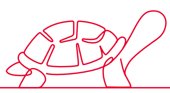
Our founder, Allan W B Gray, held the underlying belief that we should walk in the same shoes as our clients. If our clients are doing poorly, then so should the firm, and vice versa. That is why a significant portion of the client assets we manage is subject to performance fees. There is no perfect fee structure as there are always trade-offs, but our profits are closely aligned with our clients' investment performance. As they should be.

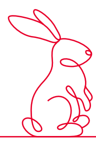
Current and past senior Investment team members and operational executives own a mixture of equity in the business and a share of the firm's profits. Some of these benefits can continue to accrue well past departure. This encourages long-term thinking and succession planning.

We also operate a broader staff scheme across the firm. The fortunes of the firm are linked to the performance of our clients' investments, and those of the staff are linked to that of the firm. The result is that our staff's incentives are directly linked to the outcomes we deliver for our clients. This close alignment has been a key part of our culture and success.

Representing clients' interests

An asset manager should represent its clients when engaging with the management and boards of companies. Allan Gray does not own shares directly in the companies we invest in





– our clients do. They are the beneficial owners, and we represent their interests in meetings.

Allan Gray has a long history of standing up for shareholder rights if the situation demands it, both to grow and protect value, as Raine Adams and Nicole Hamman discuss in their article on page 10. We spend a significant amount of time analysing the governance and incentive structures of the companies held in our portfolios and giving input where appropriate. I believe this has added value to the portfolio over time. Please see our Policy on Ownership Responsibilities and Stewardship reports, available on our website.

Being a responsible corporate citizen

This can mean different things to different people, but investment management is a business inherently built on trust. An asset manager needs to act and be seen to act with the highest integrity and ethics. I believe Allan Gray can make a positive contribution to our industry, the economy, broader society, and therefore the countries in which we do business. For many of our staff, including me, the knowledge that, thanks to our founder, a significant portion of our profits is used for philanthropic purposes makes our jobs feel more purposeful.

Concluding thoughts

History suggests that outperformance over long periods is extremely difficult to achieve, and competition only increases over time. As a result, I believe that each unit of alpha, or outperformance, generated today is more valuable than when I embarked on my investment career. You can only outperform if your portfolio looks different from the market and many of your competitors'. This involves clear career risk. In my opinion, striking the balance between being humble in knowing how difficult it is to outperform, and having the confidence to be contrarian without being arrogant, is perhaps the most important skill an investment manager can have.

I have been fortunate to have worked for Allan Gray, an asset management firm that I believe aligns with the key attributes discussed above. The investment industry will look very different in 50 years' time, but with the foundations put in place over the last 50 years, I have confidence that Allan Gray will successfully navigate its way there – wherever "there" may be.

Duncan was appointed chief investment officer in 2020. He joined Allan Gray in 2001 and was appointed as a portfolio manager in 2005. He manages a portion of the equity, balanced and stable portfolios. He is also a director of Allan Gray Group Proprietary Limited and Allan Gray Proprietary Limited. Duncan holds an Honours degree in Business Science and a Postgraduate Diploma in Accounting from the University of Cape Town and is a CFA® and CMT® charterholder.

Raine Adams

ESG analyst

Nicole Hamman

Governance analyst

ESG analysts Raine Adams and Nicole Hamman describe what responsible investing means to us, and demonstrate how we use a strategy of environmental, social and governance integration and shareholder engagement and action to serve as good stewards of our clients' capital.

As Allan Gray celebrates its 50-year anniversary, we feel proud to work for a company that has always prioritised the protection of clients' interests, and fortunate to learn from those who came before us. Allan Gray has a very long history of standing up for shareholders' rights when an escalation in action is warranted. While the methods to do so have changed as shareholder rights have evolved, the principles have remained the same.

Responsible investing has grown in prominence over the past decade. However, if you ask 10 people what responsible investing means, you will receive a range of answers. This is because it tends to mean different things to different people, and the confusion has been exacerbated by ambiguity in the investment industry.

Responsible investing is in fact an umbrella term encompassing five approaches, with important distinctions. These are:

1. Environmental, social and governance (ESG) integration
2. Shareholder engagement and action
3. Screening (positive or negative, often known as exclusion strategies)
4. Sustainability-themed investing
5. Impact investing

At Allan Gray, we have always focused on 1 & 2.

ESG integration in fundamental research and investment decision-making

Valuing investments is much more than a numbers game. Take two mining companies as an example: Both are trading on low multiples of their free cash flow, in a net cash position and well placed on their sector cost curves. Which is the better buy?

This question cannot be answered without more *context*. Among other things, research must consider which has a more favourable commodity basket, a better management team, operates in more stable jurisdictions geopolitically and socially, operates its mines more safely, and how each is managing its environmental permits and liabilities. ESG integration is often viewed as a "soft" topic, but the considerations listed above are in fact all environmental, social or governance concerns, and ones that can have a material impact on companies' prospects, cash flows and valuations.

Our views on the above are informed by a combination of quantitative analysis (the number-crunching) and qualitative (non-numerical) research. For example, we evaluate a management team by assessing their capital allocation track record, operational productivity and financial metrics under their leadership, and considering whether their remuneration incentive structures are likely to align them with long-term shareholders such as our clients. We also rely on our meetings with them and using third-party inputs, such as allegations of unethical conduct.

Every valuation must be viewed in context, and ESG factors are important pieces of this puzzle. This is why we considered them as part of our investment process long before responsible investing was fashionable. As an example, the first policy group[1] report we have on file is a typewritten report from 1982. The investment case notes several governance concerns to consider: the controversy of pending litigation, confidence in management, the political landscape and succession risks. Another report produced in the same year opens with: "[The company] is an excellent operation with sound, very conservative management …"

We believe ESG integration can improve investment returns, better manages risk, and assists our clients in acting as responsible owners. In other words, it protects our clients' interests as long-term investors.

But there are complexities: Some ESG issues are systemic, while others are idiosyncratic; they may manifest over different time frames; they may be high-impact, but improbable, and they are often viewed through the lens of people's personal value sets. The most difficult is that there are often trade-offs between E, S, G, and economic factors, or even within them.

An example of the latter is South African gold mining companies, which, in terms of the social pillar, have poorer safety performance than their global peers – due to the deep-level, labour-intensive nature of our mines – but they employ tens of thousands of people in a country with high unemployment and poverty.

Emerging market sovereign debt is another interesting example. While we may disapprove of the relevant government's regime – a "macro" governance issue – the proceeds of this lending go towards infrastructure development, which theoretically leads to necessary social upliftment.

Valuation-based vs. values-based investing

We try to assess ESG factors holistically in our research and form a balanced view. In our opinion, ESG performance can never be adequately conveyed in a condensed ESG "score", as has become popular in the investment industry. One final score or number per company fails to convey the nuances and complexities that are inherent in ESG evaluation. These same complexities are why, despite our best efforts, we will not always get it right.

Our primary job is to distil the factors most material to the investment case, recognising the differing local contexts. And our conclusions are not always what one may expect. A company with a poor governance history may still be a great investment if the market discount placed on the stock is substantial enough to offer a sufficient margin of safety and our research provides enough comfort that prior failures are being tackled.

On the other end of the spectrum, an "ESG leader", such as an offshore wind company, which requires high upfront capital expenditure and associated financing, may result in poor investment returns in an inflationary and high interest rate environment.

In this respect, we are not solely a values-based investor, which is prone to subjectivity when investing on behalf of a broad range of clients. That said, we always encourage companies to operate honestly and to minimise harm

[1] The policy group is the group of investment professionals who meet regularly to discuss the investment case for potential investments.

when they have negative environmental and/or social externalities. For example, at Sasol, we have encouraged a focus on reducing air pollution and formulating country-appropriate strategies for reducing greenhouse gas emissions. At Sibanye-Stillwater, we have met with management to voice our support for their ongoing focus on improving safety outcomes at what are inherently high-risk operations. Apart from it being the right thing to do, it is an important part of a company maintaining its societal licence to operate and should ultimately contribute to long-term sustainability.

Shareholder engagement and action

Our overarching objective has always been to preserve and grow our clients' wealth over the long term. Our clients are shareholders in the companies in which we invest, and we act on their behalf. Considering that companies' operational, financial and ESG performance is dynamic, and that we live in an ever-changing world, we remain active on behalf of our clients once invested.

Historically, Allan Gray has even pushed for the reconstitution of a board of directors when the board and management were failing to adequately unlock shareholder value. This was the case with agribusiness OTK in 2000, when Allan Gray, together with Brait, represented more than 50% of the shares in issue and requested certain directors be replaced with directors with a background in finance. It was also the case in 2017, when Allan Gray, on behalf of its clients, called for an extraordinary meeting of shareholders of construction company Group Five, which led to the reconstitution of the board. Unfortunately, in Group Five's case, our efforts were not enough to save the company. Nevertheless, it set a precedent for the use of the new Companies Act by shareholders and their representatives as an effective lever to replace non-executive directors. Demonstrating our willingness to use these accountability mechanisms when warranted is an important part of our ability to influence change during engagements.

How we consider ESG in our investment philosophy has remained unchanged since 1973, but we strive for ongoing improvements in our research and processes. For example, while investment analysts remain primarily responsible for researching ESG issues related to the companies they cover, specialist governance (G) analysts, and specialist environmental and social (E&S) analysts have been employed since 2013 and 2017 respectively to support the Investment team's ESG integration and engagements. Today, among other sources, we have developed a proprietary "controversies database" to monitor adverse news flow relating to companies in our investment universe, which has been a useful additional data point for uncovering new risks or a growing trend for further investigation.

As touched on, our activities focus largely on the decision-makers – management and the board – given their substantial influence over value creation and destruction. Poor decisions are reflected in the numbers, but they also tell us that the executive remuneration scheme is not disincentivising value-destructive behaviour, and that poor decisions are getting past the board of directors.

> We keep striving to remain responsible stewards of your capital.

Our continued focus on executive remuneration

As long-term shareholders, our clients benefit from corporate governance structures that yield positive decision-making. The objective of our remuneration engagements and related proxy voting is to encourage improvements to companies' existing remuneration schemes to better align them with shareholder outcomes – that is, to discourage short-term thinking that may impact long-term sustainability. We also prefer management to have an equity position, or "skin in the game", alongside our clients.

A good example of this is Mondi: The CEO shareholding requirement is 300% of their total guaranteed pay, which is currently being met. The timeline to meet the requirement is defined at five years from the appointment date, which provides clarity for incoming executives, and the requirement is bolstered by a post-employment holding requirement of two years.

Each company is unique, and the issues are nuanced. We try to get the balance of views right, meaning that our ESG analyst, investment analyst and portfolio manager are present in the engagement to ensure we are not taking an isolated view on any one aspect.

Our approach of ESG integration and shareholder action does not involve two strategies, but the continuation of one. The material risks to the investment case go on to shape our suggestions. For a company such as Life Healthcare, which is focused on patient care, we have encouraged the use of patient outcomes as a key performance indicator (KPI) in remuneration (although our engagement on other necessary improvements to the scheme is ongoing). This is not only socially responsible, but material to the investment case to compete effectively in the private healthcare space. Alternatively, such as in the case of Sasol, where historical cost overruns on the Lake Charles Chemicals Project negatively impacted shareholders, we have scrutinised the remuneration scheme's performance metrics to ensure it encourages value-accretive behaviour.

We have found that the implementation of our suggestions often requires patience; some of our historical engagements on remuneration (and other ESG factors) have spanned many years. In the case of Investec, we went from voting on behalf of our clients against the remuneration policy in 2014 to voting against certain directors in 2016 and 2017 when (in our view) critical improvements did not materialise. We began supporting the policy once significant improvements were made in 2018, and value has since been created for shareholders through the unbundling of Ninety One.

Nevertheless, we respect that it is a tough task for remuneration committees to balance differing shareholder views, and we are mindful that they must build a constructive relationship with management before improvements can get over the line.

The last line of defence: the board of directors

As representatives of our clients' interests as shareholders, we are outsiders to the decision-making process. For example, we do not know what transpires in the boardroom. While concerns are often raised around whether long-serving directors can exercise appropriate independence in their oversight capacity, it may be the longest-serving non-independent director (who, based only on long tenure, attracts the largest shareholder opposition when standing for re-election) who exercises the most independence of mind behind closed doors. Alternatively, the remuneration committee could be just a formality while a dominant CEO is structuring their own pay.

We rely on our engagements and company outcomes under the directors' oversight to inform our voting recommendations for our clients. We have been tracking negative outcomes on our internal "directors database" since 2015.

From then to now

A lot has changed in 50 years. In 1973, the year of Allan Gray's inception, the first mobile phone was developed by Motorola and weighed a hefty 1 kilogram. Two decades later, IBM developed the first smartphone, and 1999 saw the commercial launch of cellphones with internet services – a now ubiquitous part of many of our lives. Disruptions continue across industries. In 2013, only 206 000 electric vehicles were sold, whereas over 14 million are expected to be sold this year.

Even in the past three years, a lot has changed, and we credit company management teams and boards that have shown remarkable resilience in tumultuous times. Since 2020, South African companies have navigated COVID-19, devastating riots and floods in KwaZulu-Natal, crippling national loadshedding and failing infrastructure, and supply chain disruptions due to the Russia-Ukraine war. While some of these were unavoidable, it is a sobering thought that the greatest ESG risks facing "SA Inc" companies today are the (avoidable) consequences of government corruption and mismanagement. It is also why, despite our bottom-up stockpicking strategy, we ensure portfolio earnings diversification to manage these and other risks.

Times are tough in South Africa, and it is easy to feel despondent. But we should keep working towards a better tomorrow. This responsibility is on all of us as South African citizens.

Thank you for being clients of Allan Gray. We keep striving to remain responsible stewards of your capital.

For more details about our stewardship efforts, please see our latest Stewardship Report, available via our website.

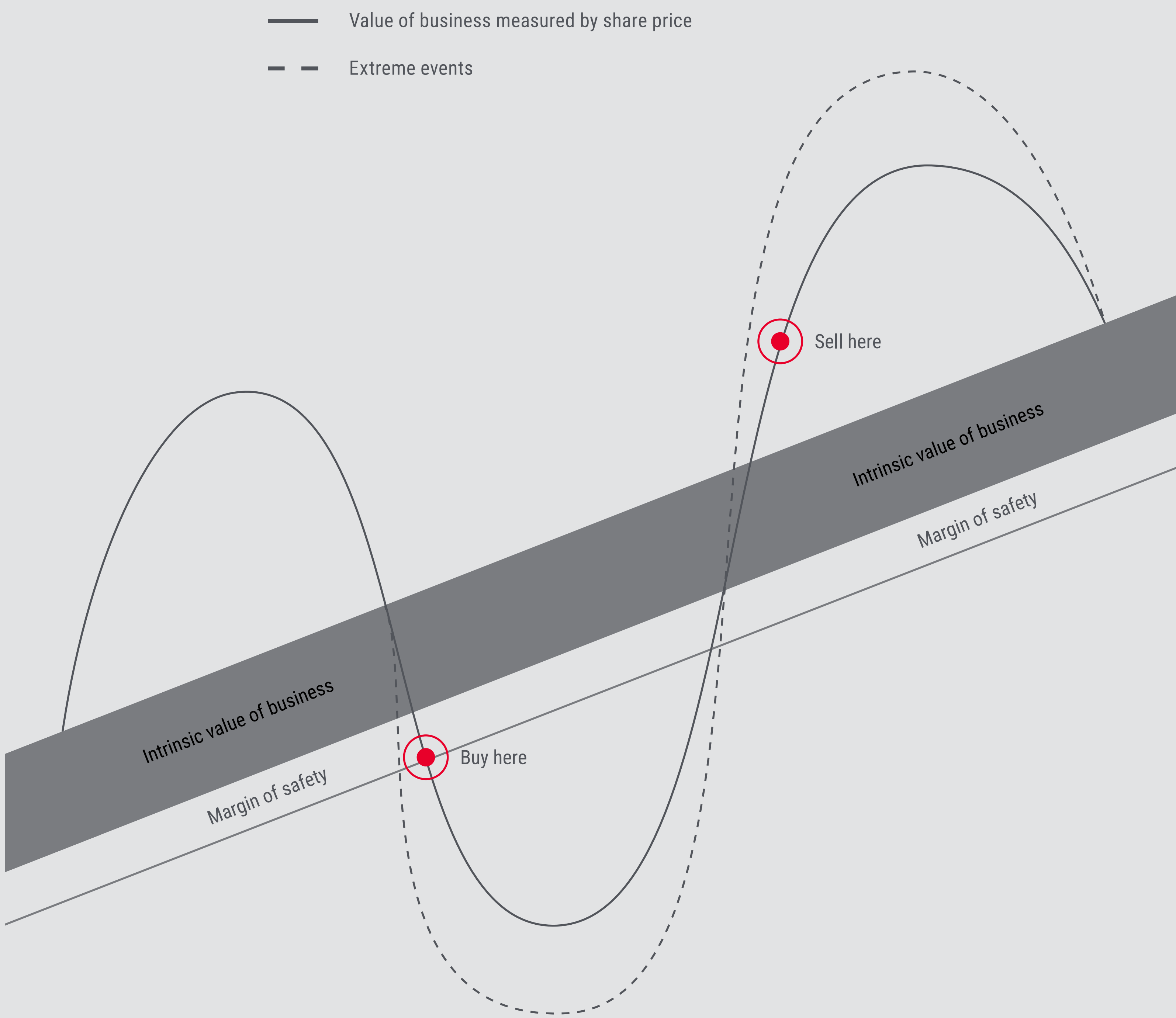
Raine first joined Allan Gray in 2011 as a CA trainee and is currently an ESG analyst in the Investment team. She holds a Bachelor of Business Science (Honours) degree in Finance and a Postgraduate Diploma in Accounting, both from the University of Cape Town. Raine is a qualified Chartered Accountant.

Nicole joined Allan Gray in 2019 and is a governance analyst in the Investment team. She holds a Bachelor of Commerce degree in Financial Accounting and a Postgraduate Diploma in Accounting, both from the University of Cape Town. Nicole is a qualified Chartered Accountant.

Our approach to investing is simple.

We look closely at businesses. We buy shares we think are undervalued and sell them when we think they have reached their worth, regardless of popular opinion.

Our investment philosophy



"Investing is most intelligent when it is most businesslike."
– Benjamin Graham

Tamryn Lamb

Head of Retail

The asset management industry plays a key role in society, channelling capital from savers to where it is needed in the real economy, and in so doing, creating returns on this capital that will help sustain these investors in retirement. Achieving this goal is not possible without healthy competition, a supportive regulatory environment and continuous improvement and professionalisation. Tamryn Lamb outlines the trends that shape the industry.

Over the past 50 years, the South African asset management industry has evolved substantially. When Allan Gray was founded in 1973, the industry was grappling with increasing prescribed asset requirements as the government sought to fund budget deficits, the aftermath of a stock market crash in 1969 and rising inflation and interest rates. Today, and despite not growing in US dollar terms over the last decade, the South African pension market is ranked 11th largest in the world[1]. Excluding the Public Investment Corporation (PIC), and the life insurers, we estimate that the total size of the private asset management industry is c. R6tn[2].

A great quote (often incorrectly attributed to Darwin) states that it is not the strongest of the species that will survive, nor the most intelligent, but the one most responsive to change. The same can be said for our industry. Despite a changing, often tumultuous backdrop, the industry has adapted and is more robust as a result. That said, while adaptability is indeed critical to survival, so, too, is having an approach and organisational structure that endure and evolve, but ultimately prove resilient, as Duncan Artus discusses in his article on page 6.

Following, I discuss four key trends that have moulded the industry over time – and will likely continue to do so.

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[1] Source: Organisation for Economic Co-operation and Development (OECD) Global Pension Statistics, 2023. According to the South African Reserve Bank (SARB) Quarterly Bulletin Statistics, 2023, the SA pension market is estimated at US$326bn.

[2] According to the SARB's quarterly bulletins. The size of the industry is determined by adding net unit trust holdings, private pensions and non-life insurers.

1. Investment paradigms and the impact on investor preference

One way of thinking about the investment landscape is that it is characterised by different paradigms, and that each paradigm has a different regime or set of rules that is influenced by a number of factors, including political and social factors.

Allan Gray was founded in a period when the paradigm rules were not too dissimilar to today: rising inflation and an uncertain political backdrop. We subsequently shifted into periods of low interest rates and low inflation, followed more recently by a return to higher inflation and interest rates, and a rise in geopolitical conflict. We have also witnessed multiple bubbles and crashes, including the Japanese bubble of the late 1980s, the emerging market crisis in 1998, the dotcom bubble in 2000 and the global financial crisis in 2008.

Changes to these paradigms can be sudden and dramatic, but are usually slow and hard to predict. While we don't focus our attention on making macroeconomic predictions, understanding the rules of each time is important for two reasons. Firstly, because the environment dictates the available opportunity set, both what to buy and what not to buy. A perfect illustration of this is that the top 10 global stocks at the top of each market cycle over the past four bubbles have been different – and typically the ones not to invest in over the following decade!

Secondly, the rules of the paradigm tend to have a meaningful – but often underappreciated – impact on investor behaviour. We often anchor to what prevailed in the last regime, and risk appetite fluctuates alongside broader market pessimism or optimism.

As an illustration of this, analysis from the Allan Gray platform shows that investors who started investing with us in 2005 have a higher allocation to South African equities than those who started in 2019, despite having similar risk profiles and objectives. This is likely due to the much better equity performance in the early 2000s than in the five-year period pre COVID-19.

This on-off appetite to invest in equities is also evidenced in the overall industry flows. Our analysis shows that an investor contributing 15% of their salary for 40 years needs to maintain at least 60% exposure to equities to have a greater than 80% chance of sustaining their income in retirement. Yet, investors have gravitated to lower-risk solutions, like income funds, over the past 10 years.

It is not just the investment backdrop that has changed over time; exchange controls have also been changed and liberalised. Over the last 30 years, the allowance to invest offshore in a Regulation 28-compliant[3], multi-asset or equity portfolio has increased from 5% in 1995 to 45% today. As we have outlined previously, we welcome this additional opportunity to diversify our clients' portfolios, but as with any investment decision, it should be carefully scrutinised and considered as part of a holistic portfolio construction process.

> … regulation can help influence better investor behaviour – which ultimately influences outcomes.

2. Regulation: Transitioning from rule- to principle-based

The South African regulator has been focused on mitigating risk (preventing failures), strengthening consumer protection and keeping in line with global best practice. Regulation, when designed well and implemented effectively, should boost confidence in the overall sector and is therefore a critical component of our industry. Of course, effective design and implementation are key, and sometimes there is a disconnect between the impact of the regulation and the intended outcome.

In an economy with high levels of unemployment and wide income disparities, the problems are multifaceted and cannot be fixed by regulation alone. However, regulation can help influence better investor behaviour – which ultimately influences outcomes.

Over the past two decades, there have been two shifts in the South African regulatory landscape that are important to be aware of as they will likely shape the market and behaviour for many years to come.

Firstly, South Africa has followed global peers in adopting the so-called Twin Peaks model of regulation, which divides

[3] Regulation 28 of the Pension Funds Act governs retirement funds and limits exposure to certain asset classes.

regulatory duties between two separate regulators, namely the Prudential Authority (under the South African Reserve Bank) and the Financial Sector Conduct Authority (FSCA). The Prudential Authority regulates institutions like banks and insurers and is tasked with ensuring and promoting safety and soundness and financial stability. The FSCA regulates institutions like pension fund administrators and pension funds and is responsible for ensuring the efficiency and integrity of financial markets and promoting fair treatment of consumers by financial institutions.

The second major shift is retirement reform: Since 2012, the South African retirement fund regime has been undergoing fundamental reforms with the goal of promoting savings and increasing preservation, harmonising treatment across products to minimise complexity and improve overall governance. Despite being the 11th largest pension system globally, we are ranked one of the lowest in terms of the level of benefits and outcomes provided by our pension system for our retirees, according to the 2023 Mercer CFA Institute Global Pension Index[4].

… the role of advisers will – in our view – continue to be instrumental in ensuring a healthy overall savings environment.

While some reforms have already been implemented (e.g. harmonisation and defaults), one topical change lies ahead in the implementation of the so-called two-pot retirement system. With this change, the regulator is trying to solve two problems: allowing individuals in financial distress some flexibility to access their savings without forcing them to resign or retire, and promoting preservation of retirement savings. Balancing the need for short-term flexibility, if required in an emergency, and the need to promote better long-term outcomes is tough to get right. However, it will be critical for these reforms to have their intended positive impact.

It will be incumbent on all industry players to understand the implications of the new rules, design solutions that not only comply with the new rules, but also continue to promote long-term retirement savings, and communicate accordingly to investors, who will need to remain focused on their long-term objectives.

Although there are over 5 000 active private pension and provident funds in South Africa, the 100 largest private retirement funds hold approximately 80% of pension assets. The increase in regulation has played a role in driving the migration of funds to umbrella solutions, which now comprise c. 46% of private retirement funds, compared to 39% in 2015. We expect this trend to continue, which will amplify the need for greater transparency across umbrella providers and simply designed default solutions.

3. Competitive dynamics across the industry

Our founder, Allan W B Gray, used to say that "complacency and arrogance are our worst enemies". While this mindset is embedded in how we run Allan Gray, operating in a highly competitive environment helps. For investors, a healthy degree of competition is positive as it helps raise the bar for all participants, promotes transparency and tends to drive down overall costs.

The asset management industry was initially dominated by the life insurers in the 1970s, who were largely managing on-balance sheet pension and endowment products. This slowly changed as independent asset managers, such as Allan Gray, built trust and confidence with clients. This picture does not stay static, and the industry has continued to become more competitive and less concentrated over time.

According to an Alexander Forbes survey, the top 10 asset managers in 2006 (ranked by assets under management) managed 89% of assets, compared to c. 72% at the end of 2022. In addition, not every manager survives the test of time. Of the 23 managers listed on the Alexander Forbes Survey in 1992, only six remain in their original form.

A discussion about competition would be incomplete without referring to the rise of passive investing, which enables investors to track specific index investments. Globally, passives have been a significant disruptor, increasing to c. 46%[5] of long-only assets under management. Growth in passives in South Africa has been slower, currently comprising roughly 8% of unit trust assets under management. While we expect this to increase, the slower growth to date is perhaps

[4] Ranked 38 out of 47 countries studied in terms of adequacy, sustainability and integrity of retirement benefits.
[5] Morgan Stanley and Oliver Wyman: Global wealth and asset management report 2023.

unsurprising when considering that the FTSE/JSE All Share Index is highly concentrated, with the top 10 shares equating to just under 50% of the index.

A hallmark of healthy competition is greater transparency over time, particularly regarding cost disclosure. This has been evidenced through developments such as the standardisation of voluntary, but well-supported disclosure standards like the effective annual cost (EAC) standard[6], which allows advisers and clients to compare charges across retail investment products. Investment management fees and platform administration charges have also declined over time.

We commit to continuing to act responsibly through promoting transparency and a long-term orientation, and by firmly keeping client interests at the centre of all we do.

We expect the environment to continue to evolve, with technology playing an important role in both enabling and disrupting business models. Historically, one could derive a competitive edge in investing by simply uncovering information that was not readily available. In today's environment, that edge is arguably derived by cutting through the noise created by the sea of information that is all too readily available, to focus only on what is relevant for long-term decision-making.

4. The role of intermediaries, advice, and distribution

We operate as part of a financial ecosystem, with market players interacting, competing, and collaborating to offer services to clients. A critical link in this ecosystem is the role of advice. In the retail savings market, growth in the investment platform market has supported the growth in the advice market, as more fund and product choice has been made available, alongside the ability to blend these funds into solutions that meet specific client needs.

The advice industry continues to evolve from being product-led to making the client's life the centre of the conversation. While disruptive technologies and continued regulatory change present challenges, the role of advisers will – in our view – continue to be instrumental in ensuring a healthy overall savings environment.

The role we play

As we reflect on our 50-year milestone, I am reminded of the saying that "the more things change, the more they stay the same" (French writer Jean-Baptiste Alphonse Karr). Our job is to navigate this changing environment, and to evolve and improve alongside it, but at the same time to remain true to the principles and fundamentals on which the firm is built.

We operate within the investment ecosystem, which needs to be in sound health if we are to deliver on our goal of creating wealth on behalf of our clients. We recognise the important role that each member of this industry plays in pursuit of that goal. We commit to continuing to act responsibly through promoting transparency and a long-term orientation, and by firmly keeping client interests at the centre of all we do.

[6] The effective annual cost standard was one of the initiatives pioneered by the Association for Savings & Investment South Africa (ASISA) with a specific focus on improving transparency and disclosure for clients.

Tamryn is the head of Retail. She joined Orbis in London in 2006 as an investment analyst, covering European equities. After spending several years in both investment and client-facing roles, she joined Allan Gray in the Institutional Clients team in 2013 and became the head of Retail Distribution in 2018. Tamryn holds a Bachelor of Business Science degree from the University of Cape Town and is a qualified Chartered Accountant and CFA® charterholder.

Zwelethu Nkosi

Head of Marketing

At Allan Gray, we believe that the future counts and is worth investing in. We understand the value of time and the importance of keeping our eyes firmly fixed on tomorrow. We work hard at freeing ourselves from the constraints of the short term by looking beyond the distractions of the day. We are galvanised by our purpose: creating long-term wealth for our clients.

In our 50 years of existence, we have grown from a little-known brand to one of South Africa's most recognisable investment managers, servicing a wide cross section of Southern African clients. Zwelethu Nkosi guides us through the chapters of the brand's advertising history, revealing consistency and a true commitment to our values.

Since our founding in 1973, the Allan Gray brand has been diligently built on three distinct pillars: superior investment performance, excellent service and administration, and an enviable reputation earned by continuously doing hard things well and always putting our clients' interests first.

Excellence in all our endeavours, big and small, is something we continuously strive towards. Our obsession with excellence is a badge of honour, and one we wear proudly. It has always been the cornerstone of our business, and by extension, our brand.

Over the last five decades, we have learnt that trust is built every single second of the day, with each investment and business decision and through every interaction with our clients, both directly and through our digital platform, Allan Gray Online. We understand that trust and confidence are hard-won, but easily lost.

In applying our business values, we are challenged to be long-term in our approach and thinking, client-focused in our decision-making, individually accountable in our day-to-day execution, independent-minded in our engagements, performance-driven in our quest to add value for our clients, and to act with integrity at all times.

Our brand remains true to our essence

Our brand, which is outwardly experienced by our clients and prospective investors, reflects who we are internally and how we operate as a business. It is the culmination of our business values, investment philosophy, approach and beliefs. Collectively, these elements act as a lighthouse, guiding us through our interactions with each other, our stakeholders, clients, prospective clients, and broader society. They instruct and inform how we are organised as a business, how we achieve our goals, how we communicate and how we deliver on our promise to our clients.

Our obsession with excellence is a badge of honour, and one we wear proudly. It has always been the cornerstone of our business …

Our marketing approach

Our marketing ethos is informed by the following words of our founder, Allan W B Gray, which constitute one of our founding principles: "I believe that financial services should be bought by the client, not sold by us." This statement is the bedrock of everything we do: It guides our educational approach to marketing communication, and informs how we measure our success.

To ensure that investors and advisers gravitate towards our brand and actively choose to partner with us on their investing journey, our marketing efforts are geared towards building an understanding of who we are in an insightful, honest, and compelling manner. In so doing, we hope to attract individuals who share our beliefs and approach.

It is our strongly held view that the best client is a well-informed client. We therefore focus our efforts on providing our clients and prospective clients with information that will empower them to make considered and well-informed investment decisions.

As the business, and by extension our brand, has grown in stature over the last 50 years, we have been encouraged by the diversification of our retail client base, which has evolved as we continue to attract a wider cross section of South Africans, making our services and products accessible to an increasing number of investors.

Our advertising journey

Our advertising journey began in 2002, not long after the launch of our flagship unit trusts – the Allan Gray Equity Fund, Allan Gray Balanced Fund and Allan Gray Stable Fund.

In our quest to make our services available to more South African investors, our advertising objective was simple: to increase Allan Gray's public profile, broaden brand awareness beyond the institutional market, and educate the retail investor and adviser market about our firm. We adopted a simple, yet powerful advertising strategy designed around the characteristics of the company – an approach we still follow today. We continue to use advertising to build brand awareness and to deepen understanding of our approach to investing.

Our advertising communication has grown to become a rich tapestry of stories, representing a textured catalogue of work that is based on universal human truths, and conveys who we are as a business, our brand purpose, our investment philosophy, our beliefs, and our approach. In true contrarian style, we avoid typical investment-speak, industry jargon, and advertising our investment performance.

While the business of investing remains rational, we believe it is important to connect with our clients and prospective clients on an emotional level. We understand that investment management is complex, and we have borrowed from the age-old art of storytelling to demystify investment concepts by making them understandable, universal, inclusive and accessible. We believe in the magnetic power of stories to capture the minds and imagination of our audience. We continuously strive to deliver meaningful messages, in a memorable way, that resonate with investors and transcend generations.

It is our strongly held view that the best client is a well-informed client.

While our advertising messages have evolved over the years, our tone of voice has remained insightful and thought-provoking, with an unassuming sense of warmth. We have kept the black-and-white visual language, tone, and style across television, airport billboard, magazine and newspaper adverts, making them instantly recognisable as Allan Gray.

Over the past two decades, black-and-white television adverts have become synonymous with our brand. With a slight deviation from emotive storytelling, our radio advertising communicates our investment pillars in a more rational manner. Our advertising style has, to a large extent, played a role in defining financial services advertising for the past 20 years.

Following is a compilation of some of the messages we have explored through our television adverts.

Our investment decisions are the output of meticulous research and the consistent application of our investment philosophy.

Focus is key (2002)

Our first television adverts, "Mirsada", "Ballet" and "Shackleton", which launched in 2002 under the campaign banner "Single-minded is good", highlighted our firm's single-minded focus on investments since 1973, which we believe is a key ingredient of our success. To quote from an article we published when we launched the adverts: "We are a serious investment firm for serious investors."

Commitment counts (2003, 2015)

Our commitment to our investment philosophy is what sets us apart. Over the past 50 years, we have applied the same investment philosophy, regardless of market conditions – the theme we explored in our "Commitment" television advert in 2003. It highlighted the scarcity of commitment in the modern world, and contrasted this with Allan Gray's long-standing commitment to our investment philosophy.

Twelve years later, in 2015, we revisited the commitment theme in our television advert "The letter", under the campaign banner "When you truly value something, stay committed". The advert told a simple story of two people in love who endured a forced separation brought on by historic events, putting to the test their commitment to each other. It recognised that commitment takes courage, both in life and in investing.

Given the contrarian nature of our approach, we often make investment decisions that are unconventional and unpopular, resulting in losing favour with our clients when our short-term relative performance looks disappointing. It is during these times that our commitment to our investment philosophy is tested, which requires us to show courage in the face of adversity.

Rationality matters (2004)

Our investment decisions are the output of meticulous research and the consistent application of our investment philosophy. However, it is commonly accepted that the stock market is largely influenced by two human emotions: greed and fear. In investing, setting aside your emotions to remain rational and calm is a key ingredient of success.

We acknowledged the role that emotions play in our lives in our 2004 television advert, "Emotions", reinforcing the importance of remaining rational when investing. We believe that the most intelligent way of investing is to base investment decisions on research, disregarding emotions.

Patience is our virtue (2006)

Our 2006 advert, "The chase", explored a theme that is poignantly relevant in modern times: Financial scams and get-rich-quick schemes are the order of the day, often with disastrous consequences for unsuspecting investors.

Through a metaphorical tale that drew on the popular piece of folklore that there is a pot of gold at the end of the rainbow, our advert depicted two types of investors: those who chase the quick buck, and those who know that good things come to those who wait. The advert was a reminder of the adage, "if something sounds too good to be true, it probably is".

… the advert reinforced a pivotal aspect of our investment philosophy: Time is an essential ingredient in the recipe for wealth creation.

Identifying potential (2008)

It was not until 2008 that South Africa and the rest of the world took notice of our advertising, with the launch of our breakthrough television advert, "Beautiful". It catapulted Allan Gray into the mainstream as it went on to win the coveted Grand Prix award, considered the pinnacle of creative excellence, at the Loeries, an advertising awards ceremony for brand communications in Africa and the Middle East. This recognition was swiftly followed by a silver award at the Cannes Lions International Festival of Creativity, the largest gathering in the creative marketing industry.

The advert was beautifully crafted, with a quiet intelligence, while also being refreshingly charming and witty. The story is the perfect analogy of our investment philosophy, which is rooted in our ability to identify potential and exercise patience throughout market cycles.

The value of time (2009, 2011, 2018)

In 2009, we introduced the rich territory of *time* to our advertising communication catalogue with the launch of "Legend". The advert went on to win the Grand Prix award at the 2010 Loeries, and bronze at Cannes in the same year, cementing our reputation as great storytellers.

With the campaign line "Given more time, imagine the possibilities", the advert reinforced a pivotal aspect of our investment philosophy: Time is an essential ingredient in the recipe for wealth creation.

The second in our *time* trilogy of television adverts, "Time flies", followed in 2011 under the campaign line "Time is valuable, make it count", winning a silver at the 2012 Loeries. The advert emphasised the value of time in the investing process.

Our third *time* television advert, launched in 2018, was "Father's share", which followed in the footsteps of our "Beautiful" and "Legend" adverts to win at Cannes, achieving silver in 2019. This advert reflected the essence of Allan Gray's philosophy and our focus on the long term: Driven by the insight that we live in a world of instant gratification, the message focused on the benefits of delayed gratification – a message that fits perfectly into Allan Gray's brand positioning of long-term investing, and that is a classic illustration of the discipline, patience and commitment that are required for this pursuit.

Thank you for your trust

As we celebrate 50 years of existence, we recognise that we would not have achieved this milestone had it not been for you, our clients, entrusting us with your hard-earned money, hopes and dreams. Thank you for staying the course with us.

Rest assured that we continue to work hard every day to earn and retain your trust. As our founder said: "Although the firm has evolved over the years, it has always been – and always must be – focused on doing what is right for its clients."

Mirsada (2002)

Ballet (2002)

Shackleton (2002)

Commitment (2003)

Emotions (2004)

The chase (2006)

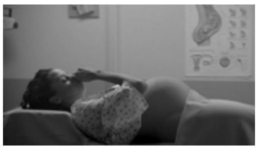
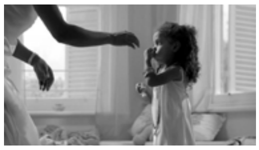
Beautiful (2008)

Legend (2009)

Time flies (2011)

The letter (2015)

Father's share (2018)

Zwelethu was appointed head of Marketing in 2021. She joined Allan Gray in 2010 and was promoted to head of Brand and Advertising in 2018. Before that, she fulfilled Marketing and Brand manager roles, responsible for the management of the brand, including advertising and media. She has experience across multiple marketing disciplines, including business development, trade, consumer and relationship marketing. Zwelethu holds a Bachelor of Commerce degree and a Postgraduate Diploma in Management: Marketing, both from the University of Cape Town.

Edgar Loxton

Director of Allan Gray Group Limited

Taking a long-term approach goes beyond our investment philosophy – it extends to our relationships with our clients and our employees. Edgar Loxton, who joined the company in 1988, officially retired in 2017, but remains involved today – as a board member, chair of various entities and committees and a trustee of the retirement funds – shares some stories from decades past.

I joined Allan Gray in 1988 on the advice of a university friend who thought I was exactly what the company was looking for at the time – a nerdy IT guy. She rated the company highly, and I rated her opinion highly. I had recently gotten married in Pretoria and really wanted to go back to Cape Town. I missed the sea and was looking for somewhere to settle.

First impressions

I joined as a computer software developer. I knew nothing about investing. I was young, happy to receive a salary, and had no inkling that I was getting in early with a company that would ultimately grow phenomenally and make a big difference in people's lives. I had no idea that I would land up being a lifer.

My first impression of the firm was that it employed very smart people, but they were reserved, introverted and not very friendly. The environment was formal – suits, separate offices with closed doors. Portfolio managers, who were the partners, were called "Mister so-and-so". Meetings started on time, and once the door closed, which happened at the start, you did not dare enter.

Formalities have relaxed a lot since then, thanks in part to the growth in the Retail business and the take-on of more extroverted, client-facing individuals. However, the most important aspects of the culture have endured. Allan Gray was, and still is, focused on investment management and the servicing of the clients. It was, and still is, a demanding environment; the company's values and your colleagues require you to stretch and challenge yourself. It is a highly ethical and moral place where there is no cognitive dissonance between what is right for clients, one's own ethics and the business's ethics.

No such thing as a free lunch

Lunch revealed the culture of the business in a different way:

Even back in 1988, the company served a meal to staff – Allan believed that this was much more productive than everyone doing their own thing, and would also present an opportunity for connection and conversation. Ellen Jacobs was the cook at the time.

Allan had a consultative leadership style; he enjoyed canvassing everyone for their opinions. It was his idea for the Investment team to meet over lunch every day and discuss investment matters. This was no relaxing lunch, though. I remember the Investment team members telling me that they had to prepare for lunch by getting up to date on the latest investment news and data, as Allan would ask for their opinion on things like the gold price.

The Investment team always ate separately in the boardroom, and I realised that a growing number of staff felt excluded, so I worked to end these separate lunches when we moved to Granger Bay Court. The rest is history, so to speak, with lunch seemingly being as important to the culture of the business today as back then – and still free.

Allan's lunchtime antics extended to clients. I loved how, at client lunches in the boardroom (at 101 St Georges), Allan would secretly press a call button mounted underneath the table, which would result in Ellen arriving with the next course, apparently summoned by telepathy.

Growth opportunities

At the time I came on board, Allan was pursuing his idea of developing a retirement product in a life licence with investment pooling and payroll deductions. I was employed to develop systems for this business. As it turned out, we only managed to get a life licence 12 years later! In the interim, I maintained and developed the code for the fund accounting/trading/manager system.

Despite being very new and largely unheard of at the time, we developed the system on early PCs using a so-called third-generation database and coding tool called dBase III. We had very little of the technology we take for granted today – no email, for instance. Not being content with software development, I had a lot of fun installing new technology and basically took responsibility for anything related to computers – from crawling under people's desks connecting plugs to building networks.

By 1992 I was managing the IT and Portfolio Administration teams, and later became part of the management team, first as a partner, then as a director. The company was growing and there was lots of opportunity to grow with it. We were still dominated by investment professionals, which meant any non-investment roles were fair game. I started taking on more responsibilities – from looking after the Legal, Compliance and Facilities teams to managing the building. Over the years, I have managed pretty much every department, except for the Investment team!

I had the opportunity to work with and learn from true industry legends. Although Allan was already moving overseas to set up Orbis when I joined, the high standards he set for himself raised the bar for everyone. His knowledge was awe-inspiring.

I also gained a huge amount from working with Jack Mitchell, a gracious man of massive intellect, who was managing director after Francois van der Merwe. Jack had a big presence and a fiery temper – but was also very good with people. He taught me how to take minutes properly, and his sharp-mindedness challenged me to always try find something valuable to say.

Allan had a unique approach to running the business, and his founding principles and values endure today.

An enduring approach

Allan had a unique approach to running the business, and his founding principles and values endure today. Allan used to say: "Underpromise and overachieve." I have tried to apply this in all aspects of my life. I also learnt from him that if you want people to succeed, you need to motivate them, then empower them, then trust them to get on with it.

I witnessed this first-hand in the early '90s when Allan effectively handed the business over to two young but very promising individuals: chief operating officer Mark Herdman, and exceptionally talented chief investment officer Simon Marais. From that point in time, the investment and business sides of the business were run separately. Following this model that had been successful elsewhere in the world, Allan rightly believed that investment decisions should not be subject to operational and other pressures.

He wanted the investment professionals to be 100% focused on managing investments. Allan also used to say that if you look after the clients (investment performance and client service), i.e. look after the revenues, the costs will look after themselves.

It is a highly ethical and moral place where there is no cognitive dissonance between what is right for clients, one's own ethics and the business's ethics.

Aligning business and client interests was always top of mind. This was achieved by remaining unlisted, with staff as shareholders. These two aspects combine to give staff a long-term view, and the business the ability to make decisions with long-term impact and to stay the course during periods of underperformance and low fees. One example of this in practice is performance fees, where the business and client interests are aligned in that the business does well if clients do well.

Client needs (rather than wants) have always been considered first and foremost in developing products and services. The first product of the business was segregated portfolio management, initially intended for high net worth individuals and later for retirement funds. This was not really by design; there were no other investment vehicles available at the time. The second-generation product we developed was pooled portfolio management. We did this first in the form of unit trusts (the Allan Gray Equity Fund was launched in 1998) and a few years later in pooled portfolios in a life company.

There were lots of examples of innovation along the way. One is our portfolio management system, which has enabled us to manage the assets of many client portfolios using a small number of managers, while ensuring that each client benefits from the investment views of all the managers.

Looking back; looking forward

In my view, the quality of the people employed has contributed to the success of the business, along with the clear and unchanged investment philosophy that we have stuck to for 50 years through multiple investment cycles, and our focus on excellent client service across the Institutional and Retail businesses.

Looking into the future, the biggest risk is the political, governmental and economic deterioration of South Africa. This deterioration will continue to have a massive impact on the savings industry, the economic welfare of our current and future client base, the quality of education, the talent pool of future employees, and so on. There are many other key risks, but they are all a lot more manageable than this one.

To be successful in the future, we need to continue to follow the same business philosophy as we have over the past 50 years, namely putting clients' interests at the core of everything we do. This may sound trite and pretentious, but it has worked well for this business. We must also continue to employ top people, and we must continue to meet their needs.

Allan Gray's legacy lives on in philanthropy and the firm. Long-term wealth creation remains the purpose of the company, unchanged.

Edgar is a non-executive director of Allan Gray Group Limited, among other entities in the group. He is also the chairperson of several of the group entities, chair of the Group Audit Committee and a trustee of the Allan Gray retirement funds. Edgar holds a Bachelor of Commerce degree in Computer Science and Financial Accounting, as well as an Honours in Computer Science, both from Stellenbosch University. He also holds a Master of Business Administration from the University of Stellenbosch Business School.

Thandolwethu Hlongwane

Allan Gray Fellow

"In the coming years, there will emerge from diverse communities a new generation of high-impact, responsible entrepreneurs; individuals of passion, integrity, and innovation who will be at the forefront of the continuing economic and social transformation of this region. These individuals will be ambassadors of the power of initiative, determination, and excellence, acting as role models that many more will follow in their pioneering footsteps." – Allan W B Gray

The power of Mr. Gray's vision is best illustrated by the impact on its participants. Thandolwethu Hlongwane, the founder of payment software solutions company Lipa Payments, coding education platform Zaio and small business financing platform Nisa Finance, shares his remarkable journey. Thandolwethu is one of nearly 1 400 programme participants who have launched ventures with an aggregate value of over R60bn.

I first heard about the Allan Gray Orbis Foundation[1] (AGOF) when I was in Grade 6. My older cousin had received a sport scholarship to attend a prestigious high school. I wanted the same for myself – but lacked the sporting ability. I started to look around for something similar that rewarded academics or leadership.

At the time, my teacher dissuaded me from applying for the coveted Allan Gray Scholarship. She didn't believe I had much of a chance, given the number of applicants each year. Despite the discouragement, by the end of high school, I was brave enough to take matters into my own hands and apply for the Allan Gray Fellowship Programme, aimed at school-leavers with entrepreneurial potential heading to university.

AGOF's selection process is gruelling. The first hurdle is a lengthy, intense application form that asks all sorts of intricate questions. Successful applicants are invited to an equally challenging interview, and finally a selection camp, which is a weekend of high-pressure activities, including case studies, presentations and psychometric assessments.

[1] The Allan Gray Orbis Foundation was established in 2005 as part of Mr. Gray's vision of making a sustainable, long-term contribution to Southern Africa by nurturing the entrepreneurial potential in the region. It is funded by an arrangement that Mr. Gray put in place for Allan Gray to annually donate 7.5% of its after-tax profits.

As someone who loves solving problems, I found the weekend intense but energising.

The shortlisted candidates were all amazing, which was intimidating, but throughout the selection process, it was repeated that it wasn't a competition as such, because there wasn't a fixed number of available slots; rather, it was about each individual bringing their best self to every assessment and pushing themself beyond their comfort zone. I made it through, making university a reality – something my family would not have been able to afford.

In time, I learnt that this "ticket to the game" was so much more than just someone picking up the bill; I was to get academic, emotional and professional support that would go on to change the trajectory of my life.

Driven by curiosity

As a child, I always wanted to be a scientist. Inventing things and tinkering with stuff brought me much joy. However, I came from a family of educators and entrepreneurs, and they had bigger plans for me. They felt that scientists didn't make money, and that I needed to pursue a "well-paying" profession. With my ticket to university secured, my parents encouraged me to become an accountant. I succumbed to their pressure and registered for an accountancy degree at the University of Cape Town, waving KwaZulu-Natal goodbye and embarking on my new life.

Accountancy was OK, but some of my new friends were studying computer science, and that intrigued me more. My older cousin was a techie. We had spent our childhood playing around on our aunt's computer, and I had in fact written my first computer programme at 16. I had not considered computer science as an option for academic study, but once I discovered it, AGOF, which funds degrees in most disciplines, helped me to restructure my course to focus on my area of interest and expertise.

This is just one example of the incredible support we received as "Candidate Fellows" – the term used to describe those of us who were invited to join AGOF's university programme. We were not just looked after financially, but holistically. In fact, each of us was appointed a Personal Leadership Development Officer to help us navigate the challenges we were bound to encounter on our academic and entrepreneurial journeys. But there was also phenomenal entrepreneurial training, coaching and mentorship throughout the Fellowship. I now realise that if you have the drive to create and make a difference, you can be taught the mechanics of entrepreneurship and running a business.

Becoming a Candidate Fellow exposed me to Mr. Gray's values, and AGOF played a big role in changing my mindset from needing to find a job on completing my studies, to creating jobs for others.

> [Mr. Gray] chose to … invest in a small group of high-impact individuals who had the potential to make a big difference. He was intentional about building this community to grow the economy.

Thankfully, AGOF's support doesn't end with your degree. On graduating from the University of Cape Town, I became a fully fledged Allan Gray Fellow, joining a community of like-minded entrepreneurs committed to not just making money, but making a difference. This community is known as the Association of Allan Gray Fellows, and boasts members who are now doing amazing things all over the world. As lifelong members of the Association, we are able to tap into this network for support and inspiration. This is the key factor that sets AGOF apart from other organisations I am part of. It all stems from Mr. Gray's phenomenal vision of responsible entrepreneurship that is focused on profit and impact.

While I was hugely inspired by Mr. Gray, I sadly never got to meet him in person. But his mission was eloquently imparted by Mr. Anthony Farr, who is currently chief executive officer of Allan & Gill Gray Philanthropy Africa[2].

Mr. Farr explained that AGOF aspires for Allan Gray Fellows to do for entrepreneurship in South Africa what Jamaica has done for sprinting. Just as it seems unlikely that a small island with less than three million people could completely dominate sprinting, the most competitive sporting event

[2] Allan & Gill Gray Philanthropy Africa is the umbrella group for Allan & Gill Gray Foundation's philanthropic initiatives in Africa.

on the planet, so, too, it seems unlikely that a small group of entrepreneurs could make a big impact on the country. Mr. Farr noted that what AGOF had learnt from the Jamaican sprinters in pursuit of cultivating responsible entrepreneurs for the common good was: 1. start early, 2. develop a powerful sense of community, and 3. be motivated by a bigger vision.

… I became a fully fledged Allan Gray Fellow, joining a community of like-minded entrepreneurs committed to not just making money, but making a difference.

This helped me understand why Mr. Gray never cast his net wide to fund as many students as possible: He chose to rather invest in a small group of high-impact individuals who had the potential to make a big difference. He was intentional about building this community to grow the economy. Mr. Gray's vision focused on the power and potential of high-impact entrepreneurship.

Seeing opportunities within the challenges

I founded three businesses while I was still at university. I had witnessed the struggles of the entrepreneurial members of my family who were unable to find financing for their business ventures. My first business, Nisa Finance, aimed to provide a platform for small businesses that automated the necessary steps to apply for funding from multiple sources.

My idea was given legs at AGOF's annual Jamboree – a three-day event attended by Candidate Fellows from across the country to pitch their ideas. It was both intimidating and inspiring to be among some of South Africa's brightest young minds.

While working on Nisa, I encountered another challenge. I was a lone software developer and needed help. My classmates were all hustling, trying to make money on the side by waitering and bartending. In typical AGOF style – we are encouraged to see opportunities where there are challenges – solving this problem presented another business idea: I needed to find a way to link student developers with start-ups desperate for their skills. And so, Zaio was born.

Zaio has since grown into a platform that helps people who want to learn how to code, and then connects them with opportunities. Creating jobs and making an impact are such big drivers for me, and this platform is doing exactly that – having trained more than 1 000 software developers so far.

I have always been passionate about financial inclusion, and through my interactions with various businesses, another problem came into focus: Many small businesses transact only in cash and therefore have no track record. There was a desperate need for a solution that removed the need for cash.

I had travelled to Kenya and was so inspired by their "mobile money" and the ability to transact using a mobile phone that I wanted to bring this back to South Africa in a bid to start creating a cashless society. The key challenge: how to make things as simple as transacting in cash. A card payment that could be actioned simply using a smartphone would remove various barriers.

I launched Lipa Payments in the final year of my degree. It was thanks to the support of AGOF that I could run a business and graduate. AGOF helped me with tutoring and mentoring. It was tempting to follow in Mark Zuckerberg's footsteps and throw in the academic towel, but the supportive team around me helped me to see it all through. After all, one of AGOF's key values is "courageous commitment".

It all stems from Mr. Gray's phenomenal vision of responsible entrepreneurship that is focused on profit and impact.

Being a Candidate Fellow not only gave me access to AGOF's support, and an amazing community, but also access to E Squared, which provides capital and non-financial support to Allan Gray Fellows, as well as other social entrepreneurs, through various funding programmes. Although I did not draw on its financial support, E Squared's team advised and assisted me in a number of pivotal moments in Lipa's journey.

Lipa is one of fewer than 20 companies globally whose payment technology is certified by Visa and Mastercard –

an achievement unlikely to have been realised by a team with an average age of 26 who had no experience in digital payments. Since launching in 2019, Lipa has already grown beyond South Africa's borders to include clients in Botswana and Tanzania.

Lipa was recently acquired by a large JSE-listed group that has an even greater geographic presence in Southern Africa. I hope that the Lipa story will give hope to investors wondering if they should bet on young South Africans. I also hope that it inspires other young aspiring entrepreneurs to take a chance.

We should all aim to be constantly growing, learning and paying it forward.

I am who I am thanks to my family, and I am where I am thanks to AGOF

I am who I am because of my family – educators and entrepreneurs who did everything they could to support me on my journey. My father ran a math tutoring business, while my mother sold Pres Les bedding and Tupperware to put us through high school.

It is through the generosity of Mr. Gray and AGOF's investment in me, which made university a reality and gave me lifelong access to a network of like-minded entrepreneurs, that I am where I am today.

I remember reading an article by the Bill & Melinda Gates Foundation that spoke about how we often underestimate the impact of one's demographics at birth on the odds of success. Things such as where you live, your family, socioeconomic status, gender and race all influence those odds. AGOF aims to level the playing field for many young South Africans.

I am grateful to now have the opportunity to pay it forward by creating jobs and making an impact where it is much needed. I am proud to have created 17 full-time and nine part-time jobs across the various businesses so far.

Within my businesses, I have built a culture of continuous learning – a habit instilled in me by AGOF. We should all aim to be constantly growing, learning and paying it forward. I have stood on the shoulders of others, and now I remain committed to paying it forward.

Allan Gray Orbis Foundation

Thandolwethu is an Allan Gray Fellow, having joined the Allan Gray Orbis Foundation Fellowship as a Candidate Fellow in 2016. He is the founder of payment software solutions company Lipa Payments, coding education platform Zaio and small business financing platform Nisa Finance. Outside of his entrepreneurial pursuits, Thandolwethu spends his spare time writing and advising start-ups through Akro, a start-up incubator and accelerator. He holds a Bachelor of Science (Honours) degree in Computer Science from the University of Cape Town.

Allan Gray Balanced and Stable Fund asset allocation as at 30 September 2023

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	**SA**	**Foreign***	**Total**	**SA**	**Foreign***
Net equities	64.5	40.5	24.0	24.4	13.1	11.3
Hedged equities	9.6	3.4	6.2	19.6	9.4	10.2
Property	0.9	0.6	0.3	1.0	0.8	0.2
Commodity-linked	3.2	2.7	0.6	2.2	1.8	0.4
Bonds	12.2	7.6	4.7	31.4	24.2	7.3
Money market and bank deposits	9.5	8.2	1.4	21.4	22.5	−1.1
Total	**100.0**	**62.9**	**37.1**	**100.0**	**71.7**	**28.3**

Note: There may be slight discrepancies in the totals due to rounding. *This includes African ex-SA assets.

Allan Gray Equity Fund net assets as at 30 September 2023

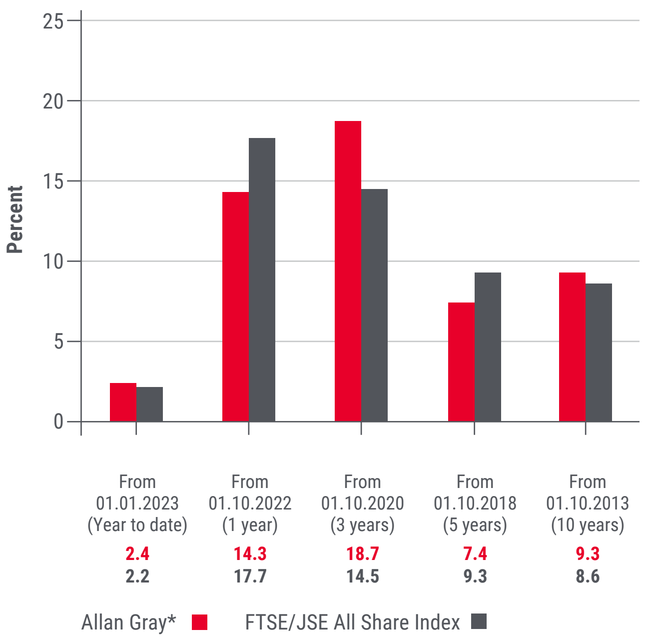
Security	Market value (R million)	% of Fund
South Africa	**24 812**	**59.0**
Equities	**23 842**	**56.7**
Resources	**5 689**	**13.5**
Glencore	1 748	4.2
Sasol	1 021	2.4
Sibanye-Stillwater	578	1.4
Sappi	544	1.3
Gold Fields	460	1.1
Positions individually less than 1% of the Fund	1 339	3.2
Financials	**6 873**	**16.4**
Standard Bank	1 376	3.3
Nedbank	1 038	2.5
Remgro	1 006	2.4
FirstRand	606	1.4
Investec	431	1.0
Positions individually less than 1% of the Fund	2 416	5.7
Industrials	**11 280**	**26.8**
British American Tobacco	2 045	4.9
AB InBev	1 703	4.1
Naspers & Prosus	1 476	3.5
Mondi	1 213	2.9
Woolworths	1 151	2.7
Positions individually less than 1% of the Fund	3 693	8.8
Commodity-linked securities	**257**	**0.6**
Positions individually less than 1% of the Fund	257	0.6
Bonds	**12**	**0.0**
Positions individually less than 1% of the Fund	12	0.0
Cash	**701**	**1.7**
Foreign	**17 201**	**41.0**
Equities	**1 618**	**3.8**
Booking Holdings Inc	691	1.6
Walt Disney Company	663	1.6
Positions individually less than 1% of the Fund	264	0.6
Equity funds	**15 438**	**36.7**
Orbis Global Equity Fund	6 674	15.9
Orbis SICAV International Equity Fund	4 295	10.2
Allan Gray Frontier Markets Equity Fund	2 382	5.7
Allan Gray Africa ex-SA Equity Fund	1 011	2.4
Orbis SICAV Japan Equity (Yen) Fund	704	1.7
Orbis SICAV Emerging Markets Equity Fund	371	0.9
Cash	**154**	**0.4**
Totals	**42 022**	**100.0**

Note: There may be slight discrepancies in the totals due to rounding. For other fund-specific information, please refer to the monthly factsheets.

Investment track record – share returns

Period	Allan Gray*	FTSE/JSE All Share Index	Out-/Under-performance
Allan Gray Proprietary Limited global mandate share returns vs. FTSE/JSE All Share Index			
1974 (from 15.6)	−0.8	−0.8	0.0
1975	23.7	−18.9	42.6
1976	2.7	−10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	−0.3
1979	86.9	94.4	−7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	−4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	−4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	−5.1	9.6
1991	30.0	31.1	−1.1
1992	−13.0	−2.0	−11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	−17.4	−4.5	−12.9
1998	1.5	−10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	−8.1	33.7
2003	29.4	16.1	13.3
2004	31.8	25.4	6.4
2005	56.5	47.3	9.2
2006	49.7	41.2	8.5
2007	17.6	19.2	−1.6
2008	−13.7	−23.2	9.5
2009	27.0	32.1	−5.1
2010	20.3	19.0	1.3
2011	9.9	2.6	7.3
2012	20.6	26.7	−6.1
2013	24.3	21.4	2.9
2014	16.2	10.9	5.3
2015	7.8	5.1	2.7
2016	12.2	2.6	9.6
2017	15.6	21.0	−5.4
2018	−8.0	−8.5	0.5
2019	6.2	12.0	−5.8
2020	−3.5	7.0	−10.5
2021	28.9	29.2	−0.3
2022	13.1	3.6	9.5
2023 (to 30.09)	**2.4**	**2.2**	**0.2**

Returns annualised to 30.09.2023



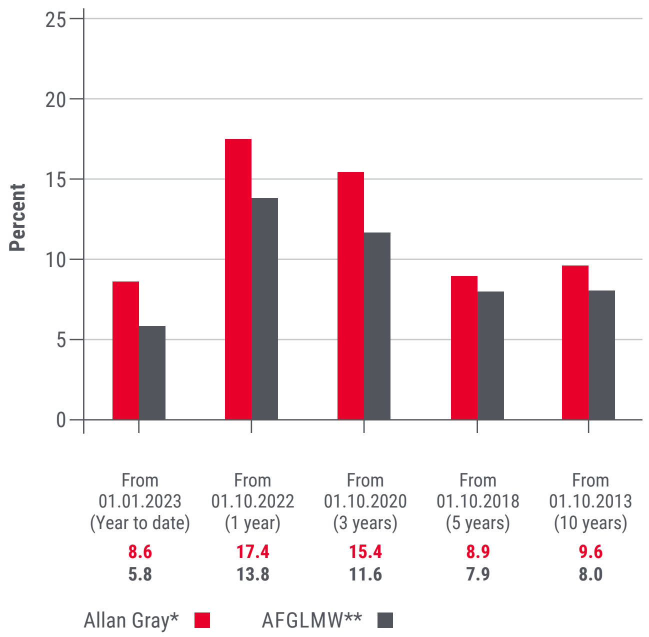
An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R325 265 299 by 30 September 2023. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R14 550 878. Returns are before fees. Year-to-date returns are not annualised.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Investment track record – balanced returns

Period	Allan Gray*	AFGLMW**	Out-/Under-performance
Allan Gray Proprietary Limited global mandate total returns vs. Alexander Forbes Global Large Manager Watch			
1974	–	–	–
1975	–	–	–
1976	–	–	–
1977	–	–	–
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	−0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	−5.5
1992	1.2	7.6	−6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	−1.8	9.5	−11.3
1998	6.9	−1.0	7.9
1999	80.0	46.8	33.1
2000	21.7	7.6	14.1
2001	44.0	23.5	20.5
2002	13.4	−3.6	17.1
2003	21.5	17.8	3.7
2004	21.8	28.1	−6.3
2005	40.0	31.9	8.1
2006	35.6	31.7	3.9
2007	14.5	15.1	−0.6
2008	−1.1	−12.3	11.2
2009	15.6	20.3	−4.7
2010	11.7	14.5	−2.8
2011	12.6	8.8	3.8
2012	15.1	20.0	−4.9
2013	25.0	23.3	1.7
2014	10.3	10.3	0.0
2015	12.8	6.9	5.9
2016	7.5	3.7	3.8
2017	11.9	11.5	0.4
2018	−1.4	−2.1	0.7
2019	6.5	10.9	−4.4
2020	5.3	6.3	−1.0
2021	20.4	21.9	−1.5
2022	9.9	1.2	8.7
2023 (to 30.09)	**8.6**	**5.8**	**2.8**

Returns annualised to 30.09.2023



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R37 736 068 by 30 September 2023. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R7 740 009. Returns are before fees. Year-to-date returns are not annualised.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
**Consulting Actuaries Survey returns used up to December 1997. The return for September 2023 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexander Forbes Global Large Manager Watch.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Allan Gray South African unit trusts annualised performance (rand) in percentage per annum to 30 September 2023 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[6]	Lowest annual return[6]
High net equity exposure (100%)									
Allan Gray Equity Fund (AGEF)	**42.0**	**01.10.1998**	**19.2**	**8.4**	**7.2**	**17.1**	**19.1**	**125.8**	**−24.3**
Average of South African - Equity - General category (excl. Allan Gray funds)[1]			13.9	6.7	7.5	14.6	12.4	73.0	−37.6
Allan Gray SA Equity Fund (AGDE)	**3.5**	**13.03.2015**	**6.2**	**–**	**6.4**	**17.6**	**14.2**	**57.3**	**−32.0**
FTSE/JSE All Share Index, including income			7.5	–	9.3	14.5	17.7	54.0	−18.4
Allan Gray-Orbis Global Equity Feeder Fund (AGOE)	**27.3**	**01.04.2005**	**14.1**	**12.7**	**10.5**	**12.5**	**32.4**	**78.2**	**−29.7**
MSCI World Index, including income, after withholding taxes[2]			14.2	15.5	13.8	12.6	28.4	54.2	−32.7
Medium net equity exposure (40% - 75%)									
Allan Gray Balanced Fund (AGBF)	**176.5**	**01.10.1999**	**14.9**	**8.6**	**8.0**	**14.3**	**16.8**	**46.1**	**−14.2**
Allan Gray Tax-Free Balanced Fund (AGTB)	**2.6**	**01.02.2016**	**8.0**	**–**	**7.9**	**14.1**	**17.1**	**31.7**	**−13.4**
Average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[3]			11.2/6.7	7.1	7.1	10.8	13.8	41.9/30.7	−16.7/−10.3
Allan Gray-Orbis Global Balanced Feeder Fund (AGGF)[4]	**16.3**	**03.02.2004**	**11.0**	**10.9**	**9.7**	**13.9**	**25.5**	**55.6**	**−13.7**
60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index[4]			11.0	11.6	9.9	5.4	18.3	38.8	−17.0
Low net equity exposure (0% - 40%)									
Allan Gray Stable Fund (AGSF)	**51.0**	**01.07.2000**	**11.1**	**8.0**	**7.1**	**11.0**	**11.7**	**23.3**	**−7.4**
Daily interest rate of FirstRand Bank Limited plus 2%			8.5	7.1	6.6	6.3	8.8	14.6	4.6
Very low net equity exposure (0% - 20%)									
Allan Gray Optimal Fund (AGOF)	**0.8**	**01.10.2002**	**6.8**	**5.7**	**2.8**	**6.0**	**1.7**	**18.1**	**−8.2**
Daily interest rate of FirstRand Bank Limited			6.0	5.0	4.5	4.2	6.7	11.9	2.5
Allan Gray-Orbis Global Optimal Fund of Funds (AGOO)	**1.7**	**02.03.2010**	**8.0**	**6.8**	**6.6**	**13.0**	**16.8**	**39.6**	**−12.4**
Average of US$ bank deposits and euro bank deposits			6.6	5.9	6.0	3.5	13.2	35.6	−19.1
No equity exposure									
Allan Gray Bond Fund (AGBD)	**6.9**	**01.10.2004**	**8.5**	**7.6**	**7.0**	**6.8**	**7.7**	**18.0**	**−2.6**
FTSE/JSE All Bond Index (Total return)			8.1	7.2	7.1	7.0	7.2	21.2	−5.6
Allan Gray Money Market Fund (AGMF)	**27.3**	**03.07.2001**	**7.6**	**6.7**	**6.3**	**5.7**	**7.8**	**12.8**	**4.3**
Alexander Forbes Short-Term Fixed Interest (STeFI) Composite Index[5]			7.4	6.3	5.9	5.3	7.5	13.3	3.8

[1] From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index including income (source: IRESS).
[2] From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
[3] From inception to 31 January 2013, the benchmark of the Allan Gray Balanced Fund was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund.
[4] From inception to 31 May 2021, this Fund was called the Allan Gray-Orbis Global Fund of Funds and its benchmark was 60% of the FTSE World Index and 40% of the J.P. Morgan Global Government Bond Index. From 1 June 2021, the Fund's investment mandate was changed from a fund of funds structure to a feeder fund structure investing solely into the Orbis SICAV Global Balanced Fund. To reflect this, the Fund was renamed and the benchmark was changed.
[5] From inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011, the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
[6] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Allan Gray total expense ratios and transaction costs for the 3-year period ending 30 September 2023

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.10%	0.24%	0.04%	0.14%	1.52%	0.09%	1.61%
Allan Gray SA Equity Fund	1.00%	−0.47%	0.01%	0.08%	0.62%	0.12%	0.74%
Allan Gray Balanced Fund	1.02%	0.18%	0.03%	0.13%	1.36%	0.07%	1.43%
Allan Gray Tax-Free Balanced Fund	1.31%	N/A	0.04%	0.15%	1.50%	0.08%	1.58%
Allan Gray Stable Fund	1.01%	0.32%	0.03%	0.16%	1.52%	0.05%	1.57%
Allan Gray Optimal Fund	1.00%	0.00%	0.03%	0.15%	1.18%	0.12%	1.30%
Allan Gray Bond Fund	0.40%	0.00%	0.01%	0.06%	0.47%	0.00%	0.47%
Allan Gray Money Market Fund	0.25%	N/A	0.00%	0.04%	0.29%	0.00%	0.29%
Allan Gray-Orbis Global Equity Feeder Fund	1.44%	−0.18%	0.05%	0.00%	1.31%	0.10%	1.41%
Allan Gray-Orbis Global Balanced Feeder Fund	1.35%	0.42%	0.06%	0.00%	1.83%	0.08%	1.91%
Allan Gray-Orbis Global Optimal Fund of Funds	0.99%	−0.01%	0.08%	0.00%	1.06%	0.13%	1.19%

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 three years. 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).

Foreign domiciled funds annualised performance (rand) in percentage per annum to 30 September 2023 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[6]	Lowest annual return[6]
High net equity exposure								
Orbis Global Equity Fund	**01.01.1990**	**17.3**	**12.8**	**10.7**	**12.8**	**32.5**	**87.6**	**−47.5**
MSCI World Index, including income, after withholding taxes[7]		13.8	15.5	13.9	12.9	28.6	54.2	−46.2
Orbis SICAV Japan Equity (Yen) Fund	**01.01.1998**	**14.3**	**12.0**	**9.9**	**12.2**	**40.1**	**94.9**	**−40.1**
Tokyo Stock Price Index		9.5	11.5	7.7	6.7	31.5	91.0	−46.4
Orbis SICAV Emerging Markets Equity Fund (US$)[8]	**01.01.2006**	**12.8**	**8.9**	**8.9**	**8.2**	**34.6**	**58.6**	**−34.2**
MSCI Emerging Markets (Net) (US$) Index[8]		11.9	9.8	6.5	2.4	17.1	60.1	−39.7
Allan Gray Africa ex-SA Equity Fund (C class)	**01.01.2012**	**11.4**	**6.6**	**6.8**	**17.5**	**15.9**	**65.6**	**−24.3**
Standard Bank Africa Total Return Index		8.0	5.8	12.5	12.5	12.2	42.2	−29.4
Allan Gray Australia Equity Fund	**04.05.2006**	**13.9**	**11.7**	**9.2**	**17.7**	**21.7**	**99.5**	**−55.4**
S&P/ASX 300 Accumulation Index		12.1	10.3	10.3	11.4	18.9	55.6	−45.1
Allan Gray Frontier Markets Equity Fund (C class)	**03.04.2017**	**11.9**	**–**	**13.6**	**19.3**	**40.6**	**45.2**	**−11.0**
MSCI Frontier Emerging Markets Index		5.3	–	4.7	5.6	19.1	20.0	−12.8
Medium net equity exposure								
Orbis SICAV Global Balanced Fund	**01.01.2013**	**14.4**	**11.6**	**10.0**	**14.6**	**25.5**	**54.4**	**−9.8**
60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index		13.3	11.5	9.7	5.5	18.4	40.2	−12.1
Allan Gray Australia Balanced Fund	**01.03.2017**	**9.9**	**–**	**9.0**	**12.2**	**20.3**	**29.1**	**−5.3**
The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and J.P. Morgan Global Government Bond Index expressed in AUD (16%).		9.3	–	8.7	5.1	15.5	25.1	−8.3
Low net equity exposure								
Allan Gray Australia Stable Fund	**01.07.2011**	**10.2**	**7.9**	**7.3**	**6.8**	**12.7**	**32.7**	**−8.9**
Reserve Bank of Australia cash rate		6.4	4.3	4.8	2.0	9.1	28.8	−15.5
Very low net equity exposure								
Orbis Optimal SA Fund (US$)	**01.01.2005**	**10.0**	**8.4**	**8.7**	**15.7**	**14.6**	**48.6**	**−15.7**
US$ Bank deposits		8.5	7.9	7.9	6.2	10.1	57.9	−25.6
Orbis Optimal SA Fund (Euro)	**01.01.2005**	**7.6**	**4.6**	**4.9**	**10.6**	**21.1**	**44.1**	**−19.3**
Euro Bank deposits		6.1	3.9	4.2	1.3	16.5	40.2	−20.9
No equity exposure								
Allan Gray Africa Bond Fund (C class)[9]	**27.03.2013**	**12.5**	**12.1**	**9.3**	**6.2**	**22.5**	**28.9**	**−7.4**
FTSE 3-Month US T Bill + 4% Index[9]		8.7	9.1	13.2	13.2	14.0	36.5	−12.3

Performance as calculated by Allan Gray

[6] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

[7] From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.

[8] From inception to 31 October 2016, this Fund was called the Orbis SICAV Asia ex-Japan Equity Fund and its benchmark was the MSCI Asia ex-Japan Index. From 1 November 2016, the Fund's investment mandate was broadened to include all emerging markets. To reflect this, the Fund was renamed and the benchmark was changed.

[9] From inception to 31 December 2020, this Fund was called the Allan Gray Africa ex-SA Bond Fund and its benchmark was the J.P. Morgan GBI-EM Global Diversified Index. From 1 January 2021, the Fund's investment mandate was broadened to include South African investments. To reflect this, the Fund was renamed and the benchmark was changed.

IMPORTANT INFORMATION FOR INVESTORS

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Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, this refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes. Movements in exchange rates may also cause the value of underlying international investments to go up or down. Certain unit trusts have more than one class of units and these are subject to different fees and charges. 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 11:00 each business day for the Allan Gray Money Market Fund, and by 14:00 each business day for any other Allan Gray unit trust to receive that day's price. Unit trust prices are available daily on www.allangray.co.za. 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, see the frequently asked questions, available on our website.

Benchmarks

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

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

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Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the fund(s) they select.

A feeder fund is a unit trust that invests in another single unit trust, which charges its own fees. 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 feeder funds or fund of funds.

The Allan Gray Money Market Fund is not a bank deposit account. The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event, investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens, withdrawals may be ring-fenced and managed over a period of time.

Additional information for retirement fund members and investors in the tax-free investment account, living annuity and endowment

The Allan Gray Retirement Annuity Fund, Allan Gray Pension Preservation Fund, Allan Gray Provident Preservation Fund and Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider and approved pension funds administrator under section 13B of the Pension Funds Act 24 of 1956. Allan Gray (Pty) Ltd, also an authorised financial services provider, is the sponsor of the Allan Gray retirement funds. The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and Allan Gray Endowment are administered by Allan Gray

Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Limited, an insurer licensed to conduct investment-linked life insurance business as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual life and retirement products are portfolios of collective investment schemes in securities (unit trusts or funds) and life-pooled investments.

Tax note

In accordance with section 11(i) of the Botswana Income Tax Act (Chapter 52;01), an amount accrued to any person shall be deemed to have accrued from a source situated in Botswana where it has accrued to such person in respect of any investment made outside Botswana by a resident of Botswana, provided that section 11(i) shall not apply to foreign investment income of non-citizens resident in Botswana. Botswana residents who have invested in the shares of the Fund are therefore requested to declare income earned from this Fund when preparing their annual tax returns. The Facilities Agent for the Fund in Botswana is Allan Gray Botswana (Pty) Ltd at 2nd Floor, Building 2, Central Square, New CBD, Gaborone, where investors can obtain a prospectus and financial reports.

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