

Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 45% offshore. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

ASISA unit trust category: South African – Multi Asset – High Equity

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

Fund information on 30 June 2023

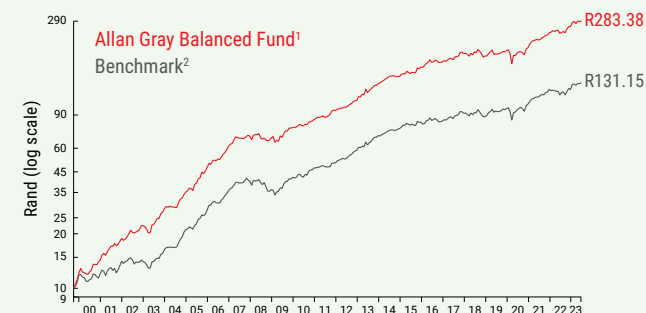
Fund size	R175.0bn
Number of units	618 299 159
Price (net asset value per unit)	R140.79
Class	C

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

1. Prior to the inception of this class of the Fund (1 July 2013) the performance and risk measures are calculated using the A class performance of the Fund.
2. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). From inception to 28 February 2013 the benchmark 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. Source: Morningstar, performance as calculated by Allan Gray as at 30 June 2023.
3. This is based on the latest available numbers published by IRESS as at 31 May 2023.
4. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
5. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
6. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
7. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund ¹	Benchmark ²	CPI inflation ³
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Cumulative:

Since inception	2733.8	1211.5	260.5
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Annualised:

Since inception	15.1	11.4	5.6
Latest 10 years	9.4	8.1	5.2
Latest 5 years	8.0	7.8	4.9
Latest 3 years	14.1	12.0	6.0
Latest 2 years	12.6	9.3	6.4
Latest 1 year	16.7	16.6	6.3
Year-to-date (not annualised)	6.8	8.7	2.6

Risk measures (since inception)			
Maximum drawdown ⁴	-25.4	-23.3	n/a
Percentage positive months ⁵	69.8	67.4	n/a
Annualised monthly volatility ⁶	9.4	9.3	n/a
Highest annual return ⁷	46.1	41.9	n/a
Lowest annual return ⁷	-14.0	-16.7	n/a

Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average balanced fund.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2022	30 Jun 2023
Cents per unit	226.5817	141.7212

Annual management fee

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

Fee for performance equal to the Fund's benchmark: 0.80% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark, we add or deduct 0.1%, subject to the following limits:

Maximum fee: 1.30% p.a. excl. VAT

Minimum fee: 0.30% p.a. excl. VAT

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

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

Total expense ratio (TER) and transaction costs

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

Top 10 share holdings on 30 June 2023 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
British American Tobacco	4.6
AB InBev	3.4
Glencore	3.4
Naspers & Prosus	3.3
Woolworths	2.6
Nedbank	2.3
Mondi	2.0
Standard Bank	1.9
Remgro	1.8
Sasol	1.8
Total (%)	27.2

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2023	1yr %	3yr %
Total expense ratio	1.65	1.08
Fee for benchmark performance	0.87	0.87
Performance fees	0.60	0.09
Other costs excluding transaction costs	0.03	0.03
VAT	0.15	0.09
Transaction costs (including VAT)	0.06	0.07
Total investment charge	1.71	1.15

Asset allocation on 30 June 2023⁸

Asset class	Total	South Africa	Foreign ⁹
Net equities	65.9	41.1	24.8
Hedged equities	10.4	3.9	6.5
Property	1.0	0.8	0.2
Commodity-linked	3.3	2.6	0.7
Bonds	11.9	7.4	4.5
Money market and bank deposits ¹⁰	7.5	7.3	0.2
Total (%)	100.0	63.1	36.9¹¹

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

9. Includes Africa ex-SA exposure following the consolidation of the foreign ex-Africa and Africa ex-SA allowances into a single foreign limit of 45%.

10. Including currency hedges.

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

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(February 2000) 49.3%
Average	63.2%
Maximum	(May 2021) 72.9%

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

The macroeconomic environment in South Africa remained extremely challenging during the quarter, with loadshedding persisting at record levels for the first half of 2023.

Over time, corporates in South Africa have proven remarkably resilient and entrepreneurial, as they have compensated for and circumvented municipal and parastatal failures. However, it becomes increasingly difficult in an environment where you are reliant on the state for the provision of key infrastructure, such as reliable power, railways, roads and ports, and the delivery thereof continues to diminish.

Dependent on their individual needs, businesses can mitigate service delivery failure to some degree, but without exception, it has a considerable impact on their costs and productivity. Shoprite, the largest food retailer in South Africa, spent R560m on diesel in the last 26 weeks of calendar year 2022 to keep stores open and food fresh in light of loadshedding. In the first six months of 2023, loadshedding has been materially worse, and if it persists at current levels for the balance of calendar year 2023, the costs borne by Shoprite are likely to exceed R1bn. Astral, the largest chicken producer in the country, estimates that loadshedding cost its business some R741m in the six months to 31 March 2023. This pushed the company into a heavily loss-making position. These are just two examples – the impact across the economy is widespread. Ultimately, these costs will have to be borne by the consumer, and the poorest in our country are likely to be the most impacted.

One should also not underestimate the impact loadshedding is likely to have on government finances and our ability to fund a growing deficit in an environment of rising interest rates. Reduced profitability for corporations means reduced tax payments to the fiscus. During the COVID-19 pandemic, our government was arguably bailed out by buoyant commodity prices, in particular high palladium and rhodium prices, which allowed the platinum group metals (PGMs) sector to generate record revenues and pay record taxes. Year to date, the average rand PGM basket price is roughly 19% lower than it was last year. Combine this with reduced volumes and materially higher costs as a result of loadshedding, and the tax contribution from the PGMs sector is likely to be materially lower. We expect the budget deficit for February 2024 to be materially worse than National Treasury's guidance earlier this year.

Sentiment on and in South Africa has been low during the quarter, and it certainly wasn't helped by the US ambassador's accusation that the South African government provided weapons and ammunition to Russia – an allegation around which much remains uncertain. June also marked one year since the final report on State Capture by the Zondo Commission was handed to President Cyril Ramaphosa. There have been seemingly little to no developments since, despite the damning evidence therein.

The rand briefly breached R20 to the US dollar during the quarter, before ending at R18.85/US\$. Just one year ago, the rand was at R16.28/US\$. Ten years ago, it was at less than R10/US\$.

There is a lot to be pessimistic and despondent about.

The million-dollar question is to what degree assets in South Africa are already discounting a dire economic future. As Warren Buffett famously quipped: "You want to be greedy when others are fearful". There is no shortage of fear at the moment, and many South Africa-centric assets are trading at very attractive prices relative to history. However, this needs to be balanced against the risks, which we also believe are growing.

As such, while we are looking to capitalise on some of the more attractive opportunities in South Africa, we are diversifying the Fund to remove single-factor risk. Given the range of potential outcomes, it would be remiss of us to bet the farm on one particular outcome prevailing.

Some examples of how we look to balance the risks with the rewards include:

- The 10-year SA government bond is yielding 11.5%. This is attractive relative to history and inflation, and we own a collection of SA government bonds in the Fund. However, as mentioned, the fiscal situation in South Africa is deteriorating, and globally interest rates have been rising. To complement the bonds, we also own some high-quality companies like British American Tobacco (BAT), which trade on attractive dividend yields relative to history. At quarter end, the yield on BAT was 8.6%. BAT is a globally diversified business, has a relatively predictable earnings base, has real pricing power and earns less than 10% of its income in South Africa. This is optically lower than the yield on the government bond, but importantly, the yield on BAT is in hard currency and real (likely to increase with inflation), whereas the government bond yield is in rands and nominal.
- South Africa is not the only country that has been a poor place to invest in over the last decade. Many other emerging and developed markets have generated paltry returns. Through our offshore partner, Orbis, we are finding many companies in global markets that trade at similar multiples to those in South Africa without the South Africa-centric risk. The direct offshore exposure in the Fund now sits at 36.9%.
- Within the domestic equity slice, we have been skewing our exposure to two broad buckets. Bucket one is focused on domestic companies. These are companies that are either trading on very depressed multiples and have compelling self-help stories; are companies that are relatively insulated from the impact of loadshedding; or are companies we believe are better positioned than their peers and likely to grow market share in an environment where absolute economic growth may be minimal. Bucket two consists of multinational companies which happen to be listed in South Africa but earn the vast majority, if not all, of their profits offshore. Beyond BAT, this list includes, but is not limited to, AB InBev, Naspers, Prosus, Glencore and Mondi. On a look-through basis, the offshore exposure of the Fund is north of 50%. The individual drivers of these businesses are different, but the common theme is that they trade at attractive prices.

For the quarter, the Fund returned 3.0% versus 3.2% for the benchmark. We believe we have achieved this return despite taking on considerably less risk. We are optimistic about the Fund's long-term return potential, irrespective of how the economic environment in South Africa unfolds.

During the quarter, we bought Standard Bank and Capitec and sold Reinet and Gold Fields.

Commentary contributed by Rory Kutisker-Jacobson

Fund manager quarterly commentary as at 30 June 2023

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Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

Fund mandate

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

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place

at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager, and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

FTSE/JSE All Share Index

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MSCI Index

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Important information for investors

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