

Fund description and summary of investment policy

The Fund invests in a mix of absolute return funds managed by Allan Gray’s offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 0% and 20%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis’ skills in delivering returns above or below the market. Returns are likely to be less volatile than those of a foreign equity or balanced fund. Although the Fund’s investment universe is global, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.

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

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund’s benchmark is the simple average of the benchmarks of the underlying Orbis funds.

How we aim to achieve the Fund’s objective

The Fund invests only in the Optimal SA absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within the Optimal funds, Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis’ assessment of their long-term intrinsic value. This long-term perspective enables them to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally. The Orbis Optimal SA funds reduce most of their stock market risk by the use of exchange-traded derivative futures contracts. The Orbis Optimal SA funds will typically retain a small portion of their exposure to equity markets, but the level of exposure may be varied depending on Orbis’ assessment of the potential returns on global stock markets relative to their risk of capital loss. The underlying funds’ returns are therefore derived partly from their relatively low exposure to stock markets, partly from Orbis’ selected share returns relative to those markets, and partly from foreign currency cash-equivalent returns. The Fund’s currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

Suitable for those investors who

- Seek steady absolute returns ahead of those of cash measured in global currencies
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk
- Wish to use the Fund as a foreign absolute return ‘building block’ in a diversified multi-asset class portfolio

Note: The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

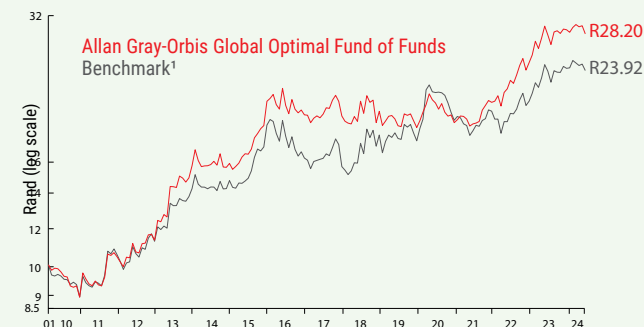
Fund information on 30 June 2024

Fund size	R1.1bn
Number of units	37 778 575
Price (net asset value per unit)	R28.15
Class	A

- The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 30 June 2024.
- This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 31 May 2024.
- Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 2018. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund’s highest annual return occurred during the 12 months ended 31 December 2013 and the benchmark’s occurred during the 12 months ended 31 January 2016. The Fund’s lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark’s occurred during the 12 months ended 28 February 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark¹		CPI inflation²	
Cumulative:	ZAR	US\$	ZAR	US\$	ZAR	US\$
Since inception (2 March 2010)	182.0	19.0	139.2	0.9	105.2	44.2
Annualised:						
Since inception (2 March 2010)	7.5	1.2	6.3	0.1	5.2	2.6
Latest 10 years	6.0	0.5	5.4	-0.2	5.0	2.8
Latest 5 years	8.6	3.2	6.3	1.0	5.0	4.2
Latest 3 years	14.4	5.4	9.4	0.8	6.0	5.3
Latest 2 years	11.0	5.4	10.1	4.6	5.7	3.7
Latest 1 year	0.5	3.9	0.3	3.7	5.2	3.3
Year-to-date (not annualised)	-1.8	-0.2	-1.0	0.6	2.3	1.7
Risk measures (since inception)						
Maximum drawdown³	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months⁴	52.3	55.2	47.7	48.8	n/a	n/a
Annualised monthly volatility⁵	13.2	7.1	13.6	4.3	n/a	n/a
Highest annual return⁶	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return⁶	-12.4	-15.3	-19.1	-11.6	n/a	n/a

Meeting the Fund objective

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

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2023
Cents per unit	0.3632

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the Orbis Optimal SA Fund factsheets and prospectus, which can be found at www.orbis.com.

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

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	1.06	1.07
Fee for benchmark performance	0.99	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.08	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	0.10	0.12
Total investment charge	1.16	1.19

Top 10 share holdings on 30 June 2024

Company	% of portfolio
UnitedHealth Group	3.7
Taiwan Semiconductor Mfg.	3.5
Corpay (was FLEETCOR)	3.4
Motorola Solutions	3.4
British American Tobacco	3.0
London Stock Exchange Group	2.3
Cinemark Holdings	2.2
Elevance Health	2.1
ConvaTec Group	2.0
GXO Logistics	2.0
Total (%)	27.6

Fund allocation on 30 June 2024

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

Asset allocation on 30 June 2024⁸

	Total	United States	UK	Europe ex-UK ⁷	Japan	Other ⁷	Emerging markets
Net equities	3.4	1.0	8.3	-5.8	0.7	-1.2	0.4
Hedged equities	82.7	32.7	8.7	12.6	17.4	2.7	8.6
Property	2.4	0.0	0.0	0.0	1.1	1.3	0.0
Commodity-linked	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Money market and cash	11.3	8.4	0.5	0.5	1.1	0.2	0.7
Total (%)	100.0	42.2	17.5	7.2	20.3	3.1	9.7
Currency exposure	100.0	56.2	-0.2	36.6	5.9	0.6	1.0

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

7. Refers to developed markets only.

8. Changes to asset allocation tables for the Allan Gray-Orbis funds

We have made minor changes to the asset allocation tables for the Allan Gray-Orbis funds to align our tables with those of our offshore partner, Orbis. The changes, outlined below, aim to enhance clarity and transparency.

- Previously, the 'North America' category predominantly included US and Canadian securities. We renamed this category to 'United States', and reclassified Canadian securities under 'Other'.
- We separated Europe and the UK into distinct categories. We moved securities from emerging European countries from 'Europe' to 'Emerging markets'.
- We eliminated the 'Asia ex-Japan' category. We reclassified the securities that fell under this category as either 'Emerging markets' (e.g. companies in South Korea) or 'Other' (e.g. companies in Singapore).

Last quarter, we highlighted Diageo as an appealing idiosyncratic stock within the Orbis Optimal SA Fund. This quarter, we are continuing our deep dive into the Fund by examining another compelling name: the London Stock Exchange Group (LSEG). Most associate LSEG with the eponymous London Stock Exchange, but the exchange contributes no more than a low-single-digit percentage of the revenues at LSEG. Five key divisions generate the majority of the revenues and profits. These divisions are connected businesses that operate across the financial value chain from pre-trading data and analytics to post-trade clearing and reporting. There are a few characteristics that are common across these assets. Firstly, they are mission critical for their customers who cannot operate without these or equivalent services. Secondly, while substitutes do exist, the cost of failure is high, making the cost of switching high as well. These business customers are highly sticky for one reason or another – they are either intertwined with the customer's operations (think data feeds providing pricing, financial data to quant funds and risk management functions), or are used to bestow credibility (think benchmarks), or have network effects (think fixed income trading platforms and the clearing houses) or have a long history of data that is irreplicable (financial pricing and feeds). The high cost of switching brings with it high retention rates and pricing power. We see such data assets as similar to software in the stickiness of business they enjoy but with much lower risk of disruption.

LSEG, in its current form, can be thought of as a product of the merger between the London Stock Exchange and Refinitiv, a leading provider of financial market data and infrastructure. It is no secret that Refinitiv was undermanaged under the previous ownership of Thomson Reuters. The market share losses of its flagship terminal system, Workspace (formerly Eikon), to FactSet and Bloomberg had been grabbing headlines for a while. Reuters' sales teams were historically incentivised on gross sales (not accounting for customer churn), leading to poor account management, driving weak retention rates versus peers. The product and culture were mediocre. The turnaround started under Blackstone's ownership in 2018. LSEG acquired Refinitiv in January 2021, and the news brought with it heightened uncertainty on the stock. After all, LSEG had just acquired a business twice its size, and while Refinitiv had some marquee assets (Enterprise Data, Tradeweb), Workspace had only recently begun a turnaround from being seen as a melting ice cube. We too were sceptical of the acquisition at first. However, 2022 started to see green shoots of improvement – Workspace turned to growth for the first time in a decade, driven by improved retention and business simplification. Fast-forward to today, it appears the team at LSEG has succeeded in stabilising the Reuters business and is at the cusp of harvesting its efforts and investment. 240 individual products have been streamlined to nine theme-based solutions. Sales incentives have been realigned, and retention targets have been given greater focus. Large clients are being approached with a catalogue-based offering

to help them consolidate their spending across various data providers and in favour of LSEG, while saving money.

What excites us even more about this setup is LSEG's partnership to co-develop products with Microsoft. Announced in 2022, this partnership will embed access to LSEG's data in Microsoft's AI and workflow tools such as Copilot and Microsoft Teams, unlocking significant monetisation opportunities for both companies. These products are in trial phase currently and are expected to start getting monetised from 2025. Microsoft has bought a 4% stake in LSEG which we see as a sign of commitment to this partnership. Workspace has transitioned from a business that was shrinking to one that is growing, and we are confident that it will only accelerate this growth in the coming years as it closes the gap with peers. At the group level, predictable future revenues are on the rise. Annual subscription value growth, which can be used as a proxy for where the recurring revenue (over 70% of 2023 total revenue) growth should be heading, has increased in recent quarters to upwards of 6% from around 1% five years ago. The uncertainty has been slowly dissipating. It is now amply clear that LSEG made an astute acquisition of Refinitiv at half the multiple that peers paid for similar assets recently.

Although management has impressed on accelerating growth in the acquired assets, there remains an opportunity to improve margins as the company exits the integration phase and enters the harvest phase. LSEG's operating margins lag peers currently, and the management team has committed to close the gap over the medium term. While the initial plan for cost synergies has been delivered, there is continued potential for simplification and rationalisation at Refinitiv. The company employs approximately 11 000 people in data capture and customer service, and there is significant potential for technology to drive cost savings in this realm. Additionally, the "build once, sell many times" models tend to have operating leverage, and the business mix is favourable for margin progression. While the current point of operation leaves room for uncertainty, we are optimistic about LSEG transforming from a mid-single-digit growth company to a high-single-digit growth one, with earnings per share growing comfortably in the teens over our investment horizon. We are happy to own what is, in our view, a high-quality, resilient business that is seeing a significant improvement in its fundamentals.

The Fund's overall net equity exposure rose over the quarter. Among individual positions, we added to our position in UnitedHealth Group and trimmed the position in Micron Technology into share price strength.

Adapted from a commentary contributed by Neha Aggarwal, Orbis Portfolio Management (Europe) LLP, London

Fund manager quarterly commentary as at 30 June 2024

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

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Allan Gray is an authorised financial services provider.

Management Company

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

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

Performance

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

Fund mandate

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

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

Total expense ratio (TER) and transaction costs

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

Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

FTSE Russell Index

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MSCI Index

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