

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 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. 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 40%. The Fund's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. 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 or a balanced fund.

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

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank Limited, plus 2%.

How we aim to achieve the Fund's objective

A major portion of the Fund is typically invested in money market instruments. We seek to deploy the Fund's cash by investing in shares when they can be bought at a significant 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 allocate a low weight to shares or partially hedge the Fund's stock market exposure in consideration of the Fund's capital preservation objectives. The Fund may also invest in bonds, property and commodities. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a unit trust that complies with retirement fund investment limits

Minimum investment amounts

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order*	R500

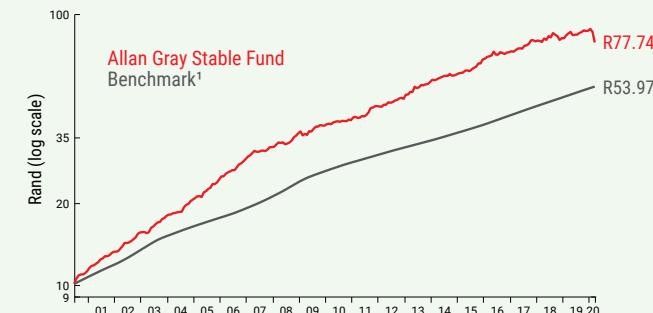
*Only available to investors with a South African bank account.

Fund information on 31 March 2020

Fund size	R42.7bn
Number of units	594 736 558
Price (net asset value per unit)	R32.67
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark ¹	CPI inflation ²
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Cumulative:

Since inception (1 July 2000)	677.4	439.7	189.4
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Annualised:

Since inception (1 July 2000)	10.9	8.9	5.6
Latest 10 years	7.2	7.3	5.1
Latest 5 years	5.3	7.9	5.2
Latest 3 years	2.2	7.9	4.2
Latest 2 years	-0.2	7.8	4.3
Latest 1 year	-7.4	7.8	4.6
Year-to-date (not annualised)	-9.5	1.8	1.5

Risk measures (since inception)

Maximum drawdown ³	-16.7	n/a	n/a
Percentage positive months ⁴	77.2	100.0	n/a
Annualised monthly volatility ⁵	5.1	0.6	n/a
Highest annual return ⁶	23.3	14.6	n/a
Lowest annual return ⁶	-7.4	6.2	n/a

Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the latest 10- and five-year periods, the Fund has underperformed its benchmark. The Fund aims to minimise the risk of loss over any two-year period. For the first time, the Fund has not been able to achieve that. Please refer to the fund commentary on page 3.

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 quarterly.	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020
Cents per unit	41.2089	38.8238	36.9971	33.8100

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. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee.

Fee for performance equal to the Fund's benchmark: 1.00% 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: 1.50% p.a. excl. VAT
Minimum fee: 0.50% 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 31 March 2020 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
Naspers ⁷	3.6
British American Tobacco	3.2
Glencore	1.6
SPDR Gold Trust	1.2
AbbVie	1.1
Taiwan Semiconductor Mfg.	1.0
Standard Bank	1.0
NetEase	0.9
BP	0.8
Aspen	0.8
Total (%)	15.3

Top credit exposures on 31 March 2020 (SA and Foreign) (updated quarterly)^{8,9}

Issuer	% of portfolio
Republic of South Africa	11.7
FirstRand Bank	8.8
Nedbank	5.2
Investec Bank	4.3
Standard Bank (SA)	3.2
Northam Platinum	1.6
Standard Bank Group	1.2
MTN	1.2
African Bank	1.0
Total (%)	38.2

9. All credit exposure 1% or more of portfolio.

7. Including stub certificates and Prosus NV.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1 and 3-year period ending 31 March 2020	1yr %	3yr %
Total expense ratio	0.77	1.17
Fee for benchmark performance	1.10	1.09
Performance fees	-0.43	-0.04
Other costs excluding transaction costs	0.04	0.03
VAT	0.06	0.09
Transaction costs (including VAT)	0.07	0.10
Total investment charge	0.84	1.27

Asset allocation on 31 March 2020⁹

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	33.5	18.8	1.8	12.9
Hedged equity	9.0	1.8	0.0	7.2
Property	2.2	2.2	0.0	0.0
Commodity-linked	3.1	1.8	0.0	1.2
Bonds	35.1	27.2	3.5	4.4
Money market and bank deposits	17.2	12.1	2.0	3.1
Total (%)	100.0	63.9	7.3	28.8¹⁰

9. Underlying holdings of Orbis funds are included on a look-through basis.

10. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements 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	(January 2010) 12.4%
Average	25.5%
Maximum	(December 2018) 39.6%

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

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For the first time since its inception, the Allan Gray Stable Fund has not met its objective of protecting capital over a two-year period. Explaining the Fund's performance does not excuse it, but we hope it serves to support our enthusiasm for future returns and confirms our commitment to growing your wealth over the long term.

At the end of February, before the COVID-19 pandemic materially impacted global markets, you were invested in the following asset classes:

- Approximately 50% of the Fund was invested in bonds and cash, the majority in South Africa. These were lower-risk fixed income securities that we expected to offer stable returns in excess of inflation.
- 35% of the Fund was invested in equities, of which 20% was listed in South Africa, 13% globally and 2% in Africa outside of South Africa. These were selected based on the value investment philosophy that Allan Gray and Orbis have consistently followed. Our analysis suggested that the prices of these equities were sufficiently below their value to offer higher future returns than alternative asset classes.
- 10% of the Fund was invested in hedged equities, which offered returns specific to your basket of equities with minimal market exposure.
- The remaining 5% was invested in commodities and listed property.

During March, the prices of South African assets fell sharply as the COVID-19 pandemic worsened, impacting many of the Fund's holdings. With hindsight, we would have reduced the Fund's equity exposure, but at the time there were insufficient historical precedents on which to form a rational view. Furthermore, South African assets were already discounting substantial negative news, which we believed made them attractive.

"What do we own now?" is a more significant question. The asset allocation of the Fund has not changed materially from what is described above, nor has our assessment of what the majority of the assets are worth. What has changed is the prices of these assets. This is painful in the short term, but should lead to compelling future returns:

- South African fixed income assets offer higher returns than they have for much of their history. Nominal bonds at current yields should generate double-digit returns in most scenarios, and more if conditions normalise. Government-issued inflation protected bonds at 6% real yields are arguably the lowest-risk way to achieve returns comfortably in excess of the Fund's benchmark.
- The South African listed equities you own range from high-quality global businesses to unusually cheap South African companies. Your two largest holdings are Naspers and British American Tobacco. You own Naspers at more than 50% discount to its net asset value, most of which comes from the thriving Tencent online ecosystem. British American Tobacco provides you with an above-average dividend yield, selling products (cigarettes) that are likely to remain resilient. Your other equity holdings are similarly attractive.
- The global portion of the Fund owns undervalued foreign assets that provide diversification against South African risks.

The economic costs of the pandemic will be extreme, and recovery will take time. There are likely to be periods of optimism offset by setbacks. The investments you own have seldom been as cheap as they are today, but this does not mean they can't get cheaper. We urge you to remain patient. One can never see the way out of a crisis. Yet time and time again things have gotten better, prices have corrected, and investors with a long-term mindset have prospered. As difficult as things are today, this remains the probable future.

Thank you for trusting us with your savings.

During the quarter, we bought South African banks and selected consumer companies as prices fell materially below value, and inflation linked bonds at historically high real yields. We trimmed Naspers and British American Tobacco after strong relative performance.

Commentary contributed by Mark Dunley-Owen

Fund manager quarterly commentary as at 31 March 2020

Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (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 11 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 Proprietary Limited (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)87 736 1732 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. 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 dividend withholding tax.

Fund mandate

The Fund may be closed to new investments at any time in order to be managed according to its mandate. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of its 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 (STT), 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 [STT], STRATE and Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost 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. 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 a reasonable 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 and investments in Africa outside of South Africa.

Important information for investors

Need more information?

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