Allan Gray Equity Fund

31 December 2024

Fund description and summary of investment policy

The Fund invests primarily in shares listed on the Johannesburg Stock Exchange (JSE). The Fund can invest a maximum of 45% offshore. The Fund invests the bulk of its foreign allowance in equity funds managed by Orbis Investment Management Limited, our offshore investment partner. The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the average return of South African General Equity Funds over the long term, without taking on greater risk of loss. To pursue its objective the Fund's portfolio may differ materially from those of its peers. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares from sellers who over-react to short-term difficulties or undervalue long-term potential. We invest in a selection of shares across all sectors of the stock market, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

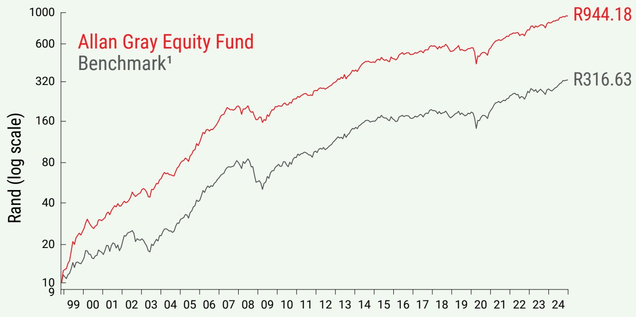
- Seek exposure to listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio

Fund information on 31 December 2024

Fund size	R46.5bn
Number of units	46 348 905
Price (net asset value per unit)	R606.28
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]
Cumulative:			
Since inception (1 October 1998)	9341.8	3066.3	288.0
Annualised:			
Since inception (1 October 1998)	18.9	14.1	5.3
Latest 10 years	8.2	7.3	4.9
Latest 5 years	11.4	11.6	4.9
Latest 3 years	11.0	9.4	5.3
Latest 2 years	12.7	11.5	4.2
Latest 1 year	11.5	16.6	2.9
Year-to-date (not annualised)	11.5	16.6	2.9
Risk measures (since inception)			
Maximum drawdown[3]	-37.0	-45.4	n/a
Percentage positive months[4]	65.7	59.7	n/a
Annualised monthly volatility[5]	15.0	16.3	n/a
Highest annual return[6]	125.8	73.0	n/a
Lowest annual return[6]	-24.3	-37.6	n/a

1. The market value-weighted average return of funds in the South African – Equity – General category, excluding Allan Gray funds. (Effective 1 October 2024, this category started excluding funds that can only invest in South African equities.) Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2024. From inception to 28 February 2015 the benchmark was the FTSE/JSE All Share Index including income. Source: IRESS.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 3 September 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. 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 September 1999 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.

Tel 0860 000 654 or +27 (0)21 415 2301 **Email** info@allangray.co.za **www.allangray.co.za**

Meeting the Fund objective

The Fund has created wealth for its long-term investors. Since inception and over the latest 10-year period, the Fund has outperformed its benchmark. Over the latest five-year period, the Fund has underperformed 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 equity fund. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

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.	30 Jun 2024	31 Dec 2024
Cents per unit	583.3035	635.7956

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 for the day to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

This means that Allan Gray shares in 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 December 2024 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	5.4
Naspers & Prosus	5.0
AB InBev	4.0
Standard Bank	2.9
The Walt Disney Company	2.6
Woolworths	2.6
Nedbank	2.4
Remgro	2.2
Mondi	2.0
Glencore	2.0
Total (%)	**31.1**

7. Underlying holdings of foreign funds are included on a look-through basis.
8. Includes listed property.
9. FTSE/JSE All Share Index.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	**1.25**	**1.74**
Fee for benchmark performance	1.02	1.06
Performance fees	0.10	0.48
Other costs excluding transaction costs	0.04	0.04
VAT	0.09	0.16
Transaction costs (including VAT)	**0.09**	**0.08**
Total investment charge	**1.34**	**1.82**

Sector allocation on 31 December 2024 (updated quarterly)[7]

Sector	% of equities[8]	% of ALSI[9]
Financials	23.3	30.9
Consumer staples	17.4	12.2
Consumer discretionary	15.2	8.4
Basic materials	12.5	18.1
Industrials	11.3	3.6
Technology	9.9	14.9
Healthcare	3.6	1.8
Energy	3.4	0.9
Telecommunications	1.6	4.2
Real estate	1.2	5.1
Utilities	0.5	0.0
Total (%)	**100.0**	**100.0**

Asset allocation on 31 December 2024[7]

Asset class	Total	South Africa	Foreign
Net equities	94.9	52.3	42.6
Hedged equities	0.0	0.0	0.0
Property	1.2	0.4	0.8
Commodity-linked	0.4	0.4	0.0
Bonds	0.3	0.0	0.3
Money market and cash[10]	3.2	3.4	-0.2
Total (%)	**100.0**	**56.4**	**43.6[11]**

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.

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

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Allan Gray Equity Fund

31 December 2024

Fund manager quarterly commentary as at 31 December 2024

World equity markets finished 2024 close to all-time highs. The MSCI World Index finished up 19%, driven by a strong US equity market that saw the S&P 500 and the Nasdaq up 25% and 26%, respectively. Locally, the FTSE/JSE All Share Index finished the year up 13% in rands and 10% in US dollars.

The Fund returned 11.5% for the 2024 calendar year, lagging the benchmark by 5.1%. This is mainly attributable to some of our large local shares, such as AB InBev, underperforming the SA Inc shares which rallied strongly post the national elections and the formation of the government of national unity (GNU). This is particularly true for economically sensitive shares such as clothing retailers, which performed exceptionally. Similarly, financial shares benefited from failing yields on South African government bonds and returned more than 20%[1] for the year.

The SA Inc share prices are discounting a better future, but the recent earnings results were generally still reflective of the poor economy, structural problems and a tough trading environment. It is also probably fair to say that the GNU's "unity" has yet to be truly tested. It has been a great period for holders of these domestic assets, and the rand marginally weakened against a strong dollar as well, but the fundamentals will still have to start coming through to justify some of the price moves. From what we can gather, it is interesting that much of the buying was by local fund managers rotating out of dual-listed multinationals into SA Inc shares. This means there could still be a further leg-up in the rally if foreign investors return to buy SA equities in size. Given the large price moves, we have been trimming some positions into price strength, where appropriate.

It was, however, somewhat pleasing to see the market recognise the value of some of the assets in two of our smaller holdings with the successful listing of Pick n Pay's subsidiary Boxer Retail and a bid by a private equity firm for Super Group's listed Australia fleet management business, SG Fleet. If successful, it will allow Super Group to pay out a significant portion of its market cap back to shareholders.

One of the trends we are monitoring closely for potential opportunities for both the local and offshore portions of the Fund is the continued disappointing economic data emanating out of China. Many Chinese-related shares have been relatively weak despite several announcements made by the Chinese government to boost confidence and the economy. Transitioning from investment-led growth to growth led by consumption is proving to be difficult.

The Fund has 43% invested directly offshore in a mix of Orbis funds and positions managed directly by the South African investment team. The offshore portion of the Fund looks very different from the world index and many of our competitors. We remain underweight the US market and mega-cap tech with our only current exposure being Alphabet. While much of the rally has been driven by excitement over the amazing progress in artificial intelligence (AI), we believe you can get exposure to businesses that can benefit from AI, such as Booking Holdings and Interactive Brokers, whose business models are very much tech based.

We would not be surprised to see some kind of consolidation in markets after the large price moves in the indices, but there are many shares that have not participated in the up move, which we can hopefully take advantage of in the Fund.

During the quarter, the Fund purchased AB InBev and Aspen and sold British American Tobacco and OUTsurance.

Commentary contributed by Duncan Artus

1. FTSE/JSE Financials Index

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Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA). The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

Performance

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

Fund mandate

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

Unit price

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

Fees

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

Total expense ratio (TER) and transaction costs

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

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

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

FTSE Russell Index

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MSCI Index

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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**

Allan Gray Balanced Fund

31 December 2024

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

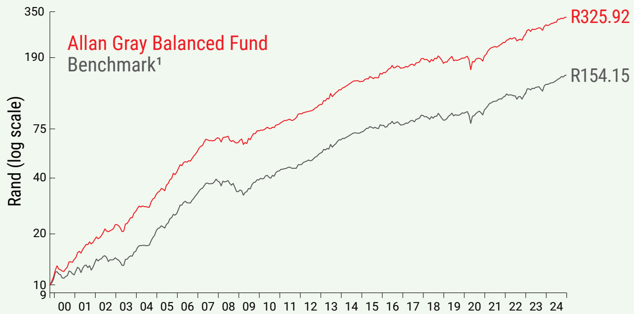
Fund information on 31 December 2024

Fund size	R199.9bn
Number of units	586 632 642
Price (net asset value per unit)	R158.63
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2024. From inception to 31 January 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.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. 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).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. 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.
6. 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	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 1999)	3159.2	1441.5	281.6
Annualised:			
Since inception (1 October 1999)	14.8	11.4	5.5
Latest 10 years	8.7	7.6	4.9
Latest 5 years	10.9	10.2	4.9
Latest 3 years	10.5	8.5	5.3
Latest 2 years	11.7	13.0	4.2
Latest 1 year	10.4	12.8	2.9
Year-to-date (not annualised)	10.4	12.8	2.9
Risk measures (since inception)			
Maximum drawdown[3]	-25.4	-23.3	n/a
Percentage positive months[4]	70.0	68.0	n/a
Annualised monthly volatility[5]	9.3	9.2	n/a
Highest annual return[6]	46.1	41.9	n/a
Lowest annual return[6]	-14.2	-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.	30 Jun 2024	31 Dec 2024
Cents per unit	**219.4385**	**172.6912**

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: 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 December 2024 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	4.0
Naspers & Prosus	3.9
AB InBev	3.5
Nedbank	2.1
Woolworths	2.0
Standard Bank	1.9
The Walt Disney Company	1.8
Glencore	1.7
Remgro	1.6
Mondi	1.4
Total (%)	**23.9**

Asset allocation on 31 December 2024[7]

Asset class	Total	South Africa	Foreign
Net equities	63.5	37.4	26.2
Hedged equities	9.0	2.9	6.1
Property	0.8	0.2	0.6
Commodity-linked	3.1	2.4	0.6
Bonds	16.3	11.2	5.0
Money market and cash[8]	7.3	9.1	-1.8
Total (%)	**100.0**	**63.2**	**36.8[9]**

7. Underlying holdings of foreign funds are included on a look-through basis.
8. Including currency hedges.
9. 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.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	**1.54**	**1.68**
Fee for benchmark performance	1.02	1.02
Performance fees	0.35	0.47
Other costs excluding transaction costs	0.04	0.04
VAT	0.13	0.15
Transaction costs (including VAT)	**0.05**	**0.06**
Total investment charge	**1.59**	**1.74**

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

Minimum	(February 2000) 49.3%
Average	63.3%
Maximum	(May 2021) 72.9%

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

Fund manager quarterly commentary as at 31 December 2024

The Fund had a decent 2024 in absolute terms, but a poor one relative to peers. The Fund returned 10.4% in rands, well ahead of inflation of 2.9%, but behind the peer group average of 12.8%[1].

Overall, South Africa was a good place to invest in 2024. The FTSE/JSE All Share Index (ALSI) generated a return of 13.4%, while the FTSE/JSE All Bond Index returned 17.2%.

Those figures look less impressive on a global basis, with the MSCI World Index generating a return of 18.7% in US dollars and 20.6% in rands. Once again, the strong performance of global markets was overwhelmingly driven by US stocks, with the S&P 500 up 24.5% in US dollars and 28.5% in rands[2].

This relative "underperformance" of the JSE masks how incredibly strong some individual names on the local bourse have been, in particular domestically focused stocks:

- The clothing retailers have seen substantial gains. Including dividends, Truworths returned 48%, Pepkor 51%, The Foschini Group 57%, and Mr Price an eye-popping 95%.
- The banks all saw double-digit returns, with the star performers being Nedbank (up 41%) and Capitec (up 58%).
- Other financial services also saw strong gains, with Momentum up 45%, Discovery up 38% and OUTsurance up 64%.
- Food producers AVI and Tiger Brands saw gains of 46% and 51%, respectively, while recently listed Premier Group was up over 100%.
- Even the beleaguered food retailers had a good year, with Spar up 24% and Pick n Pay up 55%. The latter was buoyed by the listing of subsidiary Boxer Retail in the final quarter.

It is the relative underperformance of many of the multinationals listed on the JSE, and the major mining companies, that has dragged down the market's overall performance.

With the benefit of hindsight, one might now say that it is clear that coming into 2024, with loadshedding still present and election uncertainty looming, sentiment on SA-focused stocks was overly negative, and any positive surprise would see a resurgence in sentiment and share prices.

With the formation of the government of national unity (GNU) and loadshedding now seemingly in the rearview mirror, that is what has transpired, but was it obvious at the start of 2024?

In our March 2024 commentary, we highlighted that 2024 had above-average political risk: In addition to the South African national elections, a record percentage of the world's population headed to the polls. We cautioned that given the heightened uncertainty, we had not bet the portfolio on one or two scenarios prevailing. Rather, we had deliberately constructed a diversified portfolio for a wide range of outcomes.

Indeed, we have seen many changes in governments across the world and many surprises. Not least in South Africa, where the market has reacted extremely positively towards the election outcome and the formation of the GNU.

In this environment, we have underperformed. We have owned, and continue to own, a number of the companies noted above. However, in many instances, we have either not owned these shares, not owned them in enough quantity or, arguably, sold too soon. We have also been overweight a number of the underperforming multinationals.

It is not unusual for us to underperform a rising market. As valuation-driven investors, we anchor to our estimate of fair value, preferring to own undervalued and out-of-favour stocks, selling appreciating stocks as soon as they exceed our estimate of fair value. This often means we will sell a share well before it peaks.

Market sentiment is like a pendulum – it tends to swing from bouts of excessive pessimism to excessive optimism, with the long-term real value somewhere in the middle. At the start of 2024, for many domestic businesses, it did appear that the market was being overly pessimistic, and so we owned a number of these shares. However, as we end 2024 and begin 2025, it seems to us that sentiment is beginning to price excessive optimism into the forward-looking expectations for many domestic counters, and so we continue to reduce our exposure.

South Africa continues to be plagued by many structural challenges, not least of which is widespread municipal failure, chronic underinvestment in infrastructure and pervasive unemployment. The GNU has yet to be properly tested with the difficult decisions and inevitable trade-offs that lie ahead. Our public debt continues to grow, currently debt-to-GDP sits at approximately 75%, and we continue to run a deficit, with debt service costs alone forecast to exceed 20% of government revenue in 2025. In a country with a population north of 62 million, less than 1.9 million people contribute more than 75% of personal income tax.

We are not overly negative about the long-term prospects for South Africa, but we are highlighting that domestic investments are not without risks. For many local investments, we now question whether these risks are being adequately discounted in the prices one pays.

During the quarter, we sold down Absa and The Foschini Group and added to our positions in AB InBev and BHP. Offshore, our sister company, Orbis, continues to find greater value outside of the US than within it. We continue to have more than 35% of the Fund directly offshore and, on a look-through basis, more than 50% of the portfolio's exposure remains outside South Africa.

Commentary contributed by Rory Kutisker-Jacobson

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds)
2. Source: S&P Dow Jones Indices

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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.

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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**

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 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

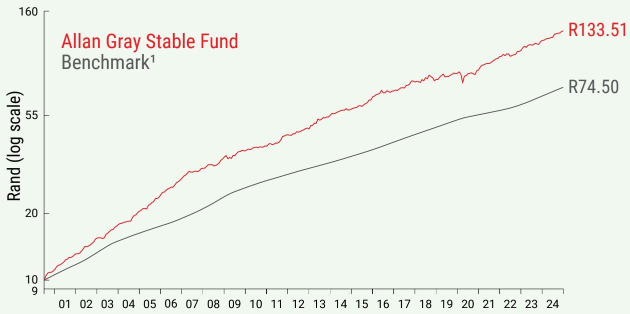
Fund information on 31 December 2024

Fund size	R53.5bn
Number of units	560 259 810
Price (net asset value per unit)	R46.85
Class	A

1. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank, plus 2%, performance as calculated by Allan Gray as at 31 December 2024.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. 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 June 2003. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 August 2021. 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	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2000)	1235.1	645.0	262.5
Annualised:			
Since inception (1 July 2000)	11.2	8.5	5.4
Latest 10 years	8.5	7.5	4.9
Latest 5 years	9.2	7.0	4.9
Latest 3 years	9.3	8.4	5.3
Latest 2 years	10.8	9.5	4.2
Latest 1 year	10.4	9.6	2.9
Year-to-date (not annualised)	10.4	9.6	2.9
Risk measures (since inception)			
Maximum drawdown[3]	-16.7	n/a	n/a
Percentage positive months[4]	78.2	100.0	n/a
Annualised monthly volatility[5]	5.1	0.7	n/a
Highest annual return[6]	23.3	14.6	n/a
Lowest annual return[6]	-7.4	4.6	n/a

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to minimise the risk of loss over any two-year period.

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.	31 Mar 2024	30 Jun 2024	30 Sep 2024	31 Dec 2024
Cents per unit	**42.6919**	**51.1499**	**42.4069**	**37.6557**

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 December 2024 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	2.5
AB InBev	2.4
Woolworths	1.6
Nedbank	1.4
AngloGold Ashanti	1.2
Standard Bank	1.2
Remgro	1.2
Marriott International Inc	1.2
Gold Fields	1.1
Sappi	0.8
Total (%)	**14.5**

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

8. Exposures representing 1% or more of the portfolio.

9. Excludes accrued fees and cash accounts.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	**1.51**	**1.64**
Fee for benchmark performance	1.01	1.01
Performance fees	0.32	0.43
Other costs excluding transaction costs	0.03	0.03
VAT	0.15	0.17
Transaction costs (including VAT)	**0.04**	**0.04**
Total investment charge	**1.55**	**1.68**

Top credit exposures on 31 December 2024 (SA and Foreign) (updated quarterly)[7,8,9]

Issuer	% of portfolio
Republic of South Africa	14.3
Standard Bank	8.0
FirstRand Bank	7.2
Absa	4.3
Nedbank	3.1
Investec Bank	2.9
United States Treasury	1.6
JPMorgan Chase & Co	1.2
Morgan Stanley	1.0
Total (%)	**43.7**

Asset allocation on 31 December 2024[7]

Asset class	Total	South Africa	Foreign
Net equities	26.0	13.2	12.8
Hedged equities	19.3	9.1	10.2
Property	0.7	0.2	0.5
Commodity-linked	2.1	1.6	0.6
Bonds	35.1	27.6	7.5
Money market and cash[10]	16.7	19.5	-2.7
Total (%)	**100.0**	**71.2**	**28.8**[11]

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	(January 2010) 12.4%
Average	26.4%
Maximum	(December 2018) 39.6%

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

Fund manager quarterly commentary as at 31 December 2024

After two quarters of strong gains, the last quarter of 2024 saw more muted returns from the local equity and bond markets as they digested the outcome of the US presidential election in November and the latest actions from central banks, all while concerns regarding growth prospects in the world's largest economies persisted. Globally, equity markets fared similarly, with the exception of the United States where the benchmark indices have continued to hit fresh all-time highs. Interestingly, this is in stark contrast to the performance of US Treasuries whose yields have risen markedly since the US Federal Reserve began its rate-cutting cycle.

The standout performer among local asset classes in 2024 was government bonds with the FTSE/JSE All Bond Index returning 17.2% for the year as yield differentials, or risk premiums required by investors to hold the country's debt, narrowed versus both the US and emerging market peers. Given that local bonds are a significant component of the Fund's asset mix (27.6% of the Fund at 31 December), this has provided a welcome tailwind to performance.

Similarly, buoyed by the outcome of South Africa's national elections, shares with greater exposure to the domestic economy were among the best performers on the JSE this year. The FTSE/JSE Financials Index, comprising mostly banks and insurers, gained 22.4%, while retailers and other select local industrials performed even stronger. The overall FTSE/JSE All Share Index returned 13.4%, its strongest showing since its post-COVID bounce in 2021.

For the most part, the rally to date has been driven more by a sentiment-based multiple rerating, from a depressed base, as opposed to a widespread positive uptick in earnings growth. For investment gains to be held and advance into a multi-year recovery, it is crucial that progress is made in addressing structural inhibitors to growth in the country. The fleeting returns seen during "Ramaphoria" remain fresh in investors' minds, helping to explain why foreign investor flows into our equity market – important "new money" – have remained on the sidelines thus far. The prolonged suspension of loadshedding has been a crucial step, but as always, caution is needed – particularly where undue optimism has run ahead of fundamentals.

Resource shares proved the biggest drag on index returns in the last quarter with the FTSE/JSE Resources Index falling by 9.0%, and 8.6% for the full year.

Thus far, the raft of stimulus measures announced by the Chinese government in September have fallen short of the scale required to reinvigorate the residential property market, with prices continuing to fall into year end. As the largest store of household wealth, this has a significant impact on the consumptive side of the economy, which the government sees as the longer-term engine of economic growth. Despite the prevailing environment, prices for commodities with significant exposure to Chinese demand have not fallen as much as expected. For example, iron ore was down 27.2% but remains above US$100 per tonne and copper was up 2.7% for the year – potentially an indicator that further downside may be ahead before a bottom in the market can be called with any confidence.

Foreign assets comprised 28.7% of the Fund's assets at 31 December. The rand, together with most currencies, has fared poorly against the US dollar since the US elections, weakening by 9.1% over the quarter. Market breadth in the US, which now accounts for approximately 70% of global equity market capitalisation, has rarely been narrower. We, and our partners at Orbis, remain concerned over valuation levels in certain parts of the global market and what this may mean for near-term absolute returns if large valuation discrepancies begin to unwind.

The Fund's return for the quarter was 2.4%, with offshore assets, local cash and bonds contributing to performance. Over the last year, the Fund has returned 10.4% compared to the benchmark's 9.6%.

It is worth reiterating the Fund's dual objective of providing long-term returns ahead of cash together with offering a high degree of capital stability. While the interest rate-cutting cycle has begun, persistently high cash rates present a steep performance hurdle to overcome. It is important that the appropriate balance is struck between the risk and return required in meeting and surpassing this hurdle, especially in an environment of uncertainty, both locally and offshore. The allocation to hedged equities and cash serves a dual purpose in this regard, providing protection as well as optionality.

During the quarter, the Fund added to its existing position in AB InBev and trimmed its exposure to AVI, Pepkor and the gold ETF.

Commentary contributed by Sean Munsie

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FTSE Russell Index

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Allan Gray Interest Fund

31 December 2024

Fund description and summary of investment policy

The Fund invests in a mix of South African interest-bearing securities. These securities can be issued by government, parastatals, corporates and banks. The Fund's weighted average modified duration is limited to a maximum of two. Returns are likely to be less volatile than those of traditional income and bond funds, but more volatile than those of money market funds. The Fund is managed to comply with the investment limits governing retirement funds.

ASISA unit trust category: South African – Interest Bearing – Short Term

Fund objective and benchmark

The Fund aims to generate returns higher than bank deposits and traditional money market funds, while maintaining capital stability and low volatility. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

How we aim to achieve the Fund's objective

The Fund invests in select South African interest-bearing securities providing an income yield and a high degree of capital stability. We formulate an interest rate outlook, which is influenced by our inflation outlook and expectations of the resulting Reserve Bank policy response. Based on this analysis, we select securities for the Fund. These will primarily be floating-rate notes, money market instruments and fixed interest paper with a low duration. We take a conservative approach to credit risk, liquidity risk and duration risk.

Suitable for those investors who

- Are risk-averse but seek returns higher than bank deposits and traditional money market funds
- Need a short-term investment account
- Seek a domestic-only interest-bearing 'building block'
- Require monthly income distributions

Fund information on 31 December 2024

Fund size	R1.1bn
Number of units	35 371 215
Price (net asset value per unit)	R10.20
Modified duration	0.6
Gross yield (i.e. before fees)	9.2
Net yield (i.e. after fees)	8.4
Fund weighted average maturity (years)	5.3
Class	A

Income distributions

Actual payout (cents per unit), the Fund distributes monthly

May 2024	Jun 2024	Jul 2024	Aug 2024
6.59	6.57	8.11	7.40
Sep 2024	**Oct 2024**	**Nov 2024**	**Dec 2024**
7.76	7.58	7.09	7.68

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	7.3	5.6	0.8
Risk measures (since inception)			
Percentage positive months[3]	100.0	100.0	n/a

1. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 December 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.

Annual management fee

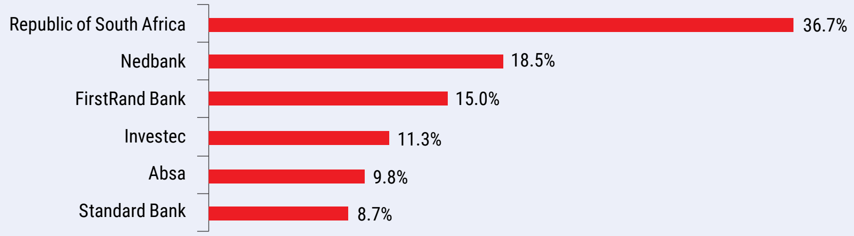
A fixed fee of 0.65% p.a. excl. VAT

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

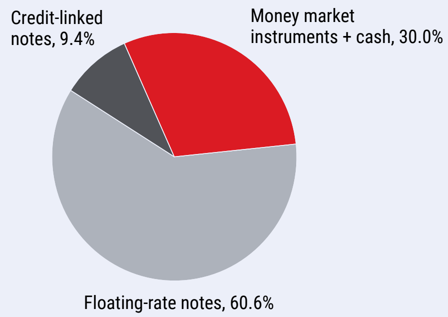
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one- and three-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are therefore based on actual data, where available, and best estimates.

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	**0.76**	**0.76**
Fee for benchmark performance	0.65	0.65
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.10	0.10
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.76**	**0.76**

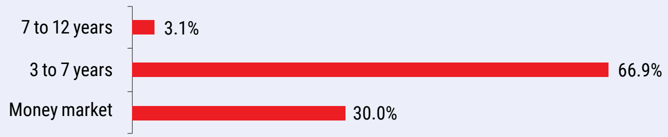
Top credit exposures on 31 December 2024



Asset allocation on 31 December 2024



Maturity profile on 31 December 2024



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

Fund manager commentary as at 31 December 2024

The US Federal Reserve's (Fed) December 2024 meeting delivered a 25 basis point cut to the benchmark rate that was expected, but it was Fed Chair Jerome Powell's comment at the post-meeting press conference that their year-end inflation projection has "kind of fallen apart" that spooked the market. This was the Fed's third consecutive rate cut in a cycle that began with the larger-than-anticipated 50 basis points in September. At that time, he spoke to concerns of building weakness in the labour market but subsequent data points, both in employment numbers and the strength of the US economy, have mostly allayed those fears. Rather, it is inflation, the other side of the Fed's dual mandate, that remains stubbornly above its 2% target. Their favoured inflation measure, the core personal consumption expenditures which strips out the more volatile food and energy prices, rose at 2.8% annually in November.

US policymakers have now raised their inflation projections and forecast only 50 basis points worth of interest rate cuts in 2025, below the market's expectation. In addressing the cooling on further rate cuts, Powell alluded to the potential inflationary impact of President Trump's economic policies. Market participants fear that his proposals to hike tariffs, deport immigrants and slash taxes could trigger a fresh bout of inflation.

An argument exists that lingering inflationary pressures in the global economy predate the election of Trump. We have written previously about the structural forces driving inflation and, therefore, interest rates higher. These forces are termed the five Ds: Demographics, Decarbonisation, Deglobalisation, Debt and Defence. Declining workforces and accompanying wage pressures, fragmentation of supply chains and the partial reversal of globalisation gains, the push to transition to clean energy, and higher government debt burdens create an inflation bias that aligns with some of Trump's policies but are much longer-term in nature. As such, it limits the scope to cut rates further by a substantial amount. US long bond yields have acted as the canary in the coalmine – forewarning the market that inflation was still a risk long before the Fed adjusted their guidance. As such, for one of the first times in US history, US long bond yields in fact *rose* following the beginning of the rate-cutting cycle.

Closer to home, the South African Reserve Bank (SARB) enacted only two interest rate cuts in 2024 – taking the overnight repo rate from 8.25% to 7.75%. What is unusual about current SA inflation is how close it is to that seen in developed markets, running at only 0.15% higher than the US inflation rate. If one looks at inflation data over the 20 years to 2020, SA inflation ran at 3.47% higher than US inflation on average. Much of the current malaise in SA inflation can be attributed to weak local consumer health and low demand, in addition to a well-behaved rand exchange rate in 2024. Another interesting data component is that the price of vehicles is also coming down locally as cheaper Chinese cars begin to flood the market. That said, the SARB remains cautious as ever on inflation, citing higher local water and electricity tariffs anticipated for 2025. The market forecasts that SA overnight rates may be cut by just 0.25% to 0.50% over the course of 2025, with the final repo rate between 7.25% and 7.50%. This is still well above its pre-COVID level and, if it is an accurate prediction, provides a healthy return in excess of inflation.

The Fund increased exposure to money market instruments as hawkish comments from both the SARB and the Fed caused long-dated money market yields to rerate higher on expectations of a shallow rate-cutting cycle, thus making the cash versus term paper relative look more attractive. In the last quarter, the Fund's weighted average yield (gross of fees) dropped by 30 basis points to 9.2% as interest rate cuts occurred.

Commentary contributed by Sean Munsie and Thalia Petousis

Important information for investors

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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. 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 applicable taxes.

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.

Yield

The Fund's gross yield is the estimated weighted average yield-to-maturity of all underlying interest-bearing instruments as at the last day of the month. The one-year TER is deducted from the gross yield to derive a yield net of fund expenses. Actual returns may differ based on changes in market values, interest rates and market factors during the investment period.

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).

FTSE/JSE All Share Index, FTSE/JSE All Bond Index

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Allan Gray-Orbis Global Equity Feeder Fund

31 December 2024

Fund description and summary of investment policy

The Fund is a feeder fund and invests only in the Orbis Global Equity Fund, managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The Orbis Global Equity Fund is designed to be exposed to all of the risks and rewards of selected global shares. Returns are likely to be volatile, especially over short- and medium-term periods. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands.

ASISA unit trust category: Global – Equity – General

Fund objective and benchmark

The Fund aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the MSCI World Index, including income, after withholding taxes.

How we aim to achieve the Fund's objective

The Fund invests only in the Orbis Global Equity Fund. The Orbis Global Equity Fund is designed to be exposed to all of the risks and rewards of selected global shares. 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 Orbis 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.

Suitable for those investors who

- Seek exposure to diversified international equities to provide long-term capital growth
- Wish to invest in international assets through a rand-denominated fund
- Are comfortable with global stock market and currency fluctuation and risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as a global equity 'building block' in a diversified multi-asset class portfolio

Fund availability: Subject to offshore capacity constraints. Please visit our website or contact our Client Service Centre for further information about any constraints that may apply.

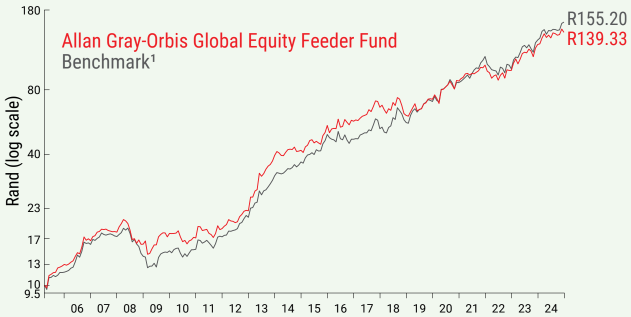
Fund information on 31 December 2024

Fund size	R31.7bn
Number of units	228 575 084
Price (net asset value per unit)	R138.63
Class	A

1. MSCI World Index, including income, after withholding taxes (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2024. From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
2. This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 30 November 2024.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 6 June 2008 to 10 March 2009 and maximum benchmark drawdown occurred from 5 June 2008 to 6 March 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. 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 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 March 2009 and the benchmark's occurred during the 12 months ended 31 March 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		Benchmark[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (1 April 2005)	1293.3	361.0	1452.0	413.5	185.7	63.9
Annualised:						
Since inception (1 April 2005)	14.3	8.0	14.9	8.6	5.5	2.5
Latest 10 years	13.1	7.7	15.7	10.2	4.9	2.9
Latest 5 years	14.9	8.4	18.0	11.3	4.9	4.2
Latest 3 years	12.0	6.0	12.7	6.6	5.3	4.3
Latest 2 years	21.9	15.8	27.6	21.2	4.2	2.9
Latest 1 year	13.5	11.7	20.6	18.7	2.9	2.7
Year-to-date (not annualised)	13.5	11.7	20.6	18.7	2.9	2.7
Risk measures (since inception)						
Maximum drawdown[3]	-34.1	-52.8	-38.0	-57.6	n/a	n/a
Percentage positive months[4]	62.9	58.6	61.2	63.7	n/a	n/a
Annualised monthly volatility[5]	15.1	17.0	14.2	15.8	n/a	n/a
Highest annual return[6]	78.2	64.1	54.2	58.4	n/a	n/a
Lowest annual return[6]	-29.7	-44.8	-32.7	-47.3	n/a	n/a

Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. 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 global stock market. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

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 2024
Cents per unit	**3.0952**

Annual management fee

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

Orbis charges an annual management fee within the underlying Orbis Global Equity Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis Global Equity Fund factsheet and prospectus, which can be found at www.orbis.com.

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

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	**1.06**	**1.24**
Fee for benchmark performance	1.10	1.28
Performance fees	-0.10	-0.09
Other costs excluding transaction costs	0.06	0.05
VAT	0.00	0.00
Transaction costs (including VAT)	**0.11**	**0.10**
Total investment charge	**1.17**	**1.34**

Top 10 share holdings on 31 December 2024

Company	% of portfolio
QXO	7.4
Corpay (was FLEETCOR)	5.7
Alphabet	4.5
Interactive Brokers Group	4.4
UnitedHealth Group	4.0
Nintendo	3.8
Elevance Health	3.4
Global Payments	2.9
RXO	2.9
RenaissanceRe Holdings	2.6
Total (%)	**41.5**

Asset allocation on 31 December 2024

This fund invests solely into the Orbis Global Equity Fund

	Total	United States	UK	Europe ex-UK[7]	Japan	Other[7]	Emerging markets
Net equities	99.0	54.9	10.9	10.1	4.5	3.6	15.0
Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market and cash	1.0	0.4	0.2	0.1	0.0	0.0	0.3
Total (%)	**100.0**	**55.3**	**11.1**	**10.2**	**4.5**	**3.6**	**15.4**
Currency exposure	100.0	54.2	5.7	9.5	14.6	8.6	7.5
Benchmark	100.0	73.9	3.4	11.5	5.4	5.8	0.0

7. Refers to developed markets only.

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

Fund manager quarterly commentary as at 31 December 2024

The difference in long-term shareholder value creation between an average or even top quartile CEO and a top 1% CEO can defy the imagination. Few examples provide a more vivid illustration than Howmet Aerospace, which we owned in the Fund almost continuously from 2013 until this most recent quarter.

For the first five years of our investment, the company languished and badly underperformed the market, suffering from a lack of price and cost discipline, terrible capital allocation, poor investor communication, corporate governance challenges and a revolving door of CEOs. Finally, in early 2019, Howmet installed John Plant as CEO.

Upon taking the helm at Howmet, John moved with breakneck speed, spinning off and selling non-core businesses, instilling commercial discipline across the organisation to ensure the company was fairly compensated for the value it delivered to customers, simplifying the organisational structure and eliminating layers of management, removing structural costs, driving operational focus, and reinvesting in those areas where the company was most competitively advantaged.

Now, nearly six years later, the results have been extraordinary. Howmet shares have outperformed their aerospace peers and the US market by a wide margin – and John's transformation of the company will rightly go down in the annals of corporate history as one of the greatest industrial turnarounds of the last several decades.

Most notably, John achieved these results during a period of unprecedented challenges in the commercial aerospace market and with the same assets as his predecessors – he simply was much more effective.

CEO talent is a necessary ingredient for such extraordinary achievement but is usually insufficient without the right motivation. Ideally, the largest dose of such motivation is intrinsic – but financial incentives matter a lot, and often more than we want to admit. Great CEOs, like great investors, are hungry to eat their own cooking and will seek opportunities that allow them to participate meaningfully in the value they create. Today, John's ownership stake in Howmet is worth approximately US$400m. For shareholders, this should be a cause for celebration – but is exactly the sort of outcome that many corporate boards seek to avoid because of the ire it can draw from proxy advisers and passive investors who are often more focused on the absolute dollar value of management compensation than value-for-money.

Our preference, therefore, is to avoid the problem altogether by investing alongside principals like John. Our experience has been that a top 1% talent with a meaningful ownership interest in the business is an extraordinarily powerful force for long-term shareholder value creation. Of course, these opportunities are rare – and even less likely to be undiscovered by other investors – so we have to make the most of them when they come along. Fortunately, the vast US market provides a fertile hunting ground, and we are pleased that a substantial portion of the Fund's US holdings today fall into this bucket.

Last quarter, we wrote in detail about Brad Jacobs and our investment in QXO. In our view, Brad is the quintessential top 1% owner-entrepreneur, and our investments in his companies today (QXO, RXO, GXO and XPO) represent about 15% of the Fund. Other US companies that we believe fall into this category include Interactive Brokers (Thomas Peterffy and Milan Galik, 4% of the Fund), Motorola Solutions (Greg Brown, 1% of the Fund) and Corpay (Ron Clarke, 6% of the Fund). Collectively, these stocks represent more than a quarter of the Fund today and about half of the Fund's US exposure.

Of these positions, Corpay – now the Fund's second-largest holding – is worth a closer look. Chairman and CEO Ron Clarke, who built the company over the last 20+ years, owns about 5% of the shares, and we have high conviction that he is very much a top 1% CEO.

Corpay helps other companies manage their expenses and pay their vendors. Under Ron's leadership, long-term results have been stunning, with 10%+ revenue growth, 30% returns on equity and 20% earnings per share growth. These metrics put Corpay in a rarified group – only a small handful of well-loved, celebrated businesses like Microsoft, Nvidia and Visa have achieved similar results over the last decade.

Despite these impressive attributes and a track record of shareholder value creation, Corpay shares have lagged in recent years due to a confluence of short-term headwinds and investor fears about potential disruption in the company's fuel card business. Since 2021, shares have derated from about 22 times forward earnings to about 15 times, while the S&P 500's multiple has risen to 28 times forward earnings. Meanwhile, the likes of Microsoft, Nvidia and Visa currently trade at 31 times, 31 times and 27 times forward earnings, respectively.

We believe this creates an unusually attractive opportunity. Indeed, not only do we expect recent headwinds to abate, but we see potential for revenue growth to accelerate above 10% over the next three to five years. Additionally, as with all great entrepreneurs, Ron is not simply drifting along with the tide but is instead continuously exploring new potential avenues of value creation.

It's not often that we can find a business with Corpay's superior fundamentals trading at a meaningful discount to the US market. It is even more unusual to find one that is also run by a top 1% owner-CEO like Ron Clarke.

Over the last quarter, we increased the Fund's position in Elevance Health and exited our positions in premium spirits manufacturer Diageo and Korea-based technology hardware company Samsung Electronics.

Adapted from a commentary contributed by Matt Adams, Orbis Investment Management (U.S.), L.P., San Francisco

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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**

Fund managers: This Fund invests solely into the Orbis SICAV Global Balanced Fund, managed by Orbis Investment Management Limited. **Inception date:** 3 February 2004

Allan Gray-Orbis Global Balanced Feeder Fund

31 December 2024

Fund description and summary of investment policy[1]

The Fund is a feeder fund and invests only in the Orbis SICAV Global Balanced Fund ('Orbis Global Balanced'), managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. Orbis Global Balanced invests in a diversified global portfolio of equities, fixed income, and commodity-linked instruments. The typical net equity exposure of Orbis Global Balanced is between 40% and 75%. Orbis Global Balanced aims to balance investment returns and risk of loss. Returns are likely to be less volatile than those of a global equity-only fund. Although Orbis Global Balanced's investment universe is global, the units of the Fund are priced and traded daily in rands.

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

Fund objective and benchmark[1]

The Fund aims to create long-term wealth for investors and to outperform its designated combined equity and bond performance benchmark, which comprises 60% the MSCI World Index with net dividends reinvested and 40% the J.P. Morgan Global Government Bond Index.

How we aim to achieve the Fund's objective

The Fund invests only in Orbis Global Balanced. Orbis Global Balanced is actively managed and invests in a diversified global portfolio of equities, fixed income, and commodity-linked instruments. Orbis Global Balanced targets an exposure of 40% to 90% of net asset value ('NAV') in equities, 10% to 50% in fixed income and 0% to 10% in commodity-linked instruments. The overall exposure to equities after hedging is intended to be limited to 75% of NAV. The weighting among the asset classes is driven by Orbis' bottom-up approach in selecting securities across asset classes and therefore may deviate substantially compared to the benchmark. Like Allan Gray, Orbis uses in-house research to identify companies 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. A similar approach is applied in selecting fixed income instruments, which may consist of cash, cash equivalents, government bonds and investment-grade and high-yield corporate bonds and, at times, distressed corporate bonds. They are selected with the aim of increasing the overall risk-adjusted return.When Orbis' research suggests that stock or bond markets are overvalued, Orbis may reduce exposure to those asset classes or hedge market risk using exchange-traded derivatives. Hedged equities may also be used as an alternative to holding fixed-income instruments and reduce overall portfolio risks. Commodity-linked instruments are included if Orbis' research identifies certain commodities as being more attractive on a risk-adjusted basis than overall equity or fixed-income opportunities. Currency exposure is actively managed to control exposure to currencies less likely to hold their long-term value in US dollars.

Suitable for those investors who

- Seek to balance investment returns and risk of loss, by investing in a diversified global multi-asset class portfolio
- Wish to invest in international assets through a rand-denominated fund
- Are comfortable that the investment approach is likely to result in volatility and potential capital loss, but typically less volatility than that of a global equity-only fund
- Typically have an investment horizon of at least three to five years

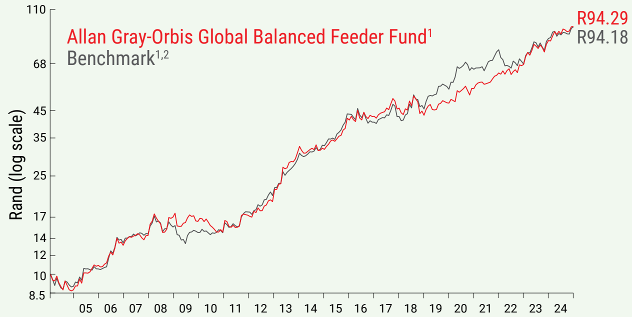
Fund availability: Subject to offshore capacity constraints. Please visit our website or contact our Client Service Centre for further information about any constraints that may apply.

Fund information on 31 December 2024

Fund size	R18.4bn
Number of units	231 101 757
Price (net asset value per unit)	R79.77
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund[1]		Benchmark[1,2]		CPI inflation[3]	
Cumulative:	**ZAR**	**US$**	**ZAR**	**US$**	**ZAR**	**US$**
Since inception (3 February 2004)	842.9	252.4	841.8	252.0	197.4	69.9
Annualised:						
Since inception (3 February 2004)	11.3	6.2	11.3	6.2	5.4	2.6
Latest 10 years	11.6	6.4	11.3	6.0	4.9	2.9
Latest 5 years	14.9	8.3	11.9	5.6	4.9	4.2
Latest 3 years	15.1	8.9	7.1	1.4	5.3	4.3
Latest 2 years	18.8	12.8	18.3	12.4	4.2	2.9
Latest 1 year	13.6	11.8	11.1	9.3	2.9	2.7
Year-to-date (not annualised)	13.6	11.8	11.1	9.3	2.9	2.7
Risk measures (since inception)						
Maximum drawdown[4]	-24.0	-37.0	-25.1	-37.5	n/a	n/a
Percentage positive months[5]	58.6	60.6	57.8	63.3	n/a	n/a
Annualised monthly volatility[6]	13.3	11.7	12.7	10.4	n/a	n/a
Highest annual return[7]	55.6	43.8	38.8	37.6	n/a	n/a
Lowest annual return[7]	-13.7	-27.3	-17.0	-31.7	n/a	n/a

1. The Fund was converted from a fund of funds structure to a feeder fund structure and its name and benchmark were amended on 1 June 2021. For more information, please read 'Ballot underway for Allan Gray-Orbis Global Fund of Funds', available via the Latest insights section of our website.
2. 60% of the MSCI World Index with net dividends reinvested and 40% of the J.P. Morgan Global Government Bond Index (source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2024. From inception to 31 May 2021, the benchmark was 60% of the FTSE World Index including income and 40% of the J.P. Morgan Global Government Bond Index.
3. This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 30 November 2024.
4. Maximum percentage decline over any period. The maximum rand drawdown occurred from 23 October 2008 to 14 October 2010 and maximum benchmark drawdown occurred from 23 October 2008 to 30 June 2009. 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 31 December 2013 and the benchmark's occurred during the 12 months ended 31 December 2013. The Fund's lowest annual return occurred during the 12 months ended 31 October 2010 and the benchmark's occurred during the 12 months ended 30 June 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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Meeting the Fund objective

Since inception the fund has performed in line with its benchmark. Over the latest 10- and five-year periods, the Fund has outperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. 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 similar funds in the Global – Multi Asset – High Equity sector.

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 2024
Cents per unit	**1.5499**

Annual management fee

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

Orbis charges an annual management fee within the underlying Orbis SICAV Global Balanced Fund. The fee rate is calculated based on the Orbis fund's performance relative to its benchmark. For more information please refer to the Orbis SICAV Global Balanced Fund factsheet and prospectus, which can be found at www.orbis.com.

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

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	**2.00**	**2.09**
Fee for benchmark performance	1.10	1.19
Performance fees	0.83	0.84
Other costs excluding transaction costs	0.07	0.06
VAT	0.00	0.00
Transaction costs (including VAT)	**0.06**	**0.07**
Total investment charge	**2.06**	**2.16**

Top 10 holdings on 31 December 2024

Company	% of portfolio
SPDR Gold Trust	5.5
Kinder Morgan	4.4
Siemens Energy	3.3
Taiwan Semiconductor Mfg	3.3
US TIPS 1 - 3 Years	3.2
Samsung Electronics	2.8
Nintendo	2.8
US TIPS 3 - 5 Years	2.4
Cinemark Holdings	2.3
Drax Group	2.2
Total (%)	**32.3**

Asset allocation on 31 December 2024

This fund invests solely into the Orbis SICAV Global Balanced Fund

	Total	United States	UK	Europe ex-UK[8]	Japan	Other[8]	Emerging markets
Net equities	57.4	11.3	12.1	10.8	5.9	5.5	11.7
Hedged equities	18.7	10.3	1.1	4.2	0.7	0.9	1.4
Property	0.3	0.0	0.0	0.0	0.3	0.0	0.0
Commodity-linked	5.6	5.6	0.0	0.0	0.0	0.0	0.0
Bonds	16.4	11.3	0.6	1.3	0.0	0.0	3.3
Money market and cash	1.6	0.6	0.0	0.4	0.1	0.1	0.5
Total (%)	**100.0**	**39.1**	**13.8**	**16.7**	**7.0**	**6.5**	**16.9**
Currency exposure	100.0	26.7	12.8	27.3	15.3	10.2	7.8
Benchmark	100.0	64.9	4.4	16.1	9.8	4.9	0.0

8. Refers to developed markets only.

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

Fund manager quarterly commentary as at 31 December 2024

2024 was a solid year for the Fund, but every year, one way or another, we get a lesson in humility from markets. The team uncovered some big winners over the past year, in sectors as diverse as defence contractors and cinema operators. But we did not participate in the massive returns from the world's already-biggest-and-most-loved shares, which got more expensive, as did the US dollar – a currency which the portfolio had a lower exposure to than its benchmark. 2024 has served as a great reminder that the spread of potential investment outcomes is always wide.

If the spread of investment outcomes is wide, so too is the sweep of the pendulum in investor sentiment. First, the pendulum starts to swing, gaining force as the stories get better, the promises grander, the assumptions rosier and the profits more assured. As beliefs get more stretched, so do market prices in the affected areas. In time, cracks start to form in the appealing stories, and the grand promises and rosy assumptions collapse on collision with reality. Spurned by the first swing of the pendulum, investors push it to the other extreme, rejecting the first happy story in favour of its apparent opposite. Eventually that story cracks too, and, pulled by gravity, the pendulum ends up in the only place it ever could – with clear-eyed, pragmatic trade-offs. Prices settle at something more recognisable as fundamental value.

Recently, there has been no better example of the pendulum than the swings in market sentiment around the energy system. (It is worth saying here that while we integrate responsible investing concerns into our investment process, the Fund does not invest according to sustainability factors.)

As early as 2018, our research convinced us that the world needed more energy generally, and a lot more electricity specifically. But way oversimplistic approaches to environmental, social and governance concerns ruled the roost. The core belief was simple – carpet the world with wind and solar farms, and all will be wonderful. Spurred by the appealing (if unrealistic) story, renewable energy stocks flew and "old school" energy stocks sold off.

The beliefs were never going to hold up against basic science and economics. As we wrote in March, the more wind and solar you have in your energy grid, the more backup you need to get through lulls in supply and peaks in demand.

As investors and voters alike have grown disillusioned with the exaggerated promises of wind and solar power, the pendulum has swung away from renewables and towards a new fascination with nuclear. Vestas Wind Systems, a leading wind turbine manufacturer which the Fund once held, has seen its share price decline by two-thirds since early 2021, while nuclear generator Constellation, which we held until recently, has seen its share price quadruple. Even the previously mothballed Three Mile Island nuclear power station is getting a comeback.

This nuclear fascination shows the appeal of the pendulum's second swing. It feels more pragmatic than the first, but again ignores many of its obstacles. We believe nuclear will be an important part of the solution – but not nearly as quickly as the market has hoped.

Finally, reality is pulling the pendulum towards a more realistic set of beliefs. Investors are coming to realise that natural gas is the most pragmatic way to increase generation capacity and complement wind and solar power. Two holdings illustrate this shift.

We added Kinder Morgan (KMI) to the Fund in 2021, at a time of acute anti-fossil fuel sentiment. KMI owns the largest network of natural gas pipelines in North America, moving about 40% of gas consumed in the country. Investors bought into the idea of natural gas being a dead-end energy source. Our research suggested that natural gas-fired electricity should instead be complementary to intermittent wind and solar, and in the US, plentiful gas provides a strategic advantage. Importantly for value investors, we were being paid to wait for the pendulum to swing round to our thinking – at the time of our purchase, KMI offered a near 7% dividend yield and 12% free cash flow yield. This enabled us to build KMI into the Fund's largest equity holding.

Siemens Energy has gone from loathed to respected. Though the company's Gamesa unit makes wind turbines, and its grid equipment business is essential to replacing ageing and failing grid infrastructure, Siemens Energy was scorned for making turbines for gas, nuclear and coal plants. Its shares languished at roughly half their book value. From their trough, Siemens Energy shares are up five-fold and still look reasonably priced to us today. The gas business is increasingly seen as a gem, and the critical importance of its grid equipment business is starting to be appreciated.

The energy system example illustrates how the pendulum in investor sentiment works, but it is far from the only one. We continue to track investable sentiment swings around defence and infrastructure. We may yet see changes in the fevered sentiment swing towards American exceptionalism, or in the still-strong faith that central banks and low inflation will support financial assets. But markets call for humility. In advance, we can know neither the full range of outcomes nor the path markets will take. What we do know is the price we pay. On a price-to-earnings basis, the shares in the Fund trade at a 40% discount to world stock markets. By seeking out low expectations, we can both improve potential returns and reduce the risk of the pendulums' swings.

We initiated a position in Arch Capital Group, a Bermuda-based insurance company, and exited the Fund's position in Brookfield, a Canada-based investment management company.

Adapted from a commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda

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