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Quarterly Commentary
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ALLAN GRAY

Trade wars

CONTENTS

COMMENTS FROM THE CHIEF OPERATING OFFICER

Rob Formby

Patience is precisely what is needed for our style to produce good investment results over a complete market cycle.

You've probably heard the saying, "if you don't stand for something, you'll fall for anything". This modern proverb is as true for investing as it is for your life.

Before you invest, you should have a clear understanding of your "why" – the purpose for putting money away. This will keep you committed when you are tempted to stray. A good place to start is to ask yourself what you truly value. While we are all different, we tend to value some of the same things: taking care of family, educating children, being financially secure or having a comfortable retirement. Some purposes will be easier to define than others. Saving for your child's education is a more tangible goal than, say, saving to have enough money to pursue future options, but the latter is still a defined purpose, although it can feel more abstract.

No matter your "why", research shows that we are more likely to take action, and stick to it, when we have a clear intention. A tangible purpose will help you to focus on your goals and stay the course during difficult times, such as we are experiencing. Being patient during these periods is an essential ingredient in creating long-term wealth.

Our purpose

It is also important that an investment manager have a clearly defined purpose. Ours is one that has served our clients well for over 45 years: to help you create long-term wealth. We have a simple approach to meet this purpose: We identify good investment opportunities through robust and careful research to determine the true value of a company, buy shares when we think they are trading below that value and sell when we believe they have reached their worth – regardless of popular opinion.

The performance of our funds is driven by this approach – in particular our bottom-up stock selection. While this has proven to pay off over time, it does result in periods of underperformance. The past few months are a case in point, with the Allan Gray Equity, Balanced and Stable funds underperforming their benchmarks as our overweight positions in British American Tobacco, Sasol and Glencore performed poorly relative to the market. Further increasing the pain, the underlying share selection in the Orbis funds also experienced a tough quarter and, combined with the strengthening of the rand against the dollar, negatively impacted the funds' offshore returns.

In an environment where low volatility stocks have become increasingly more expensive, the Orbis investment team has found opportunities to increase their positions in companies that are currently shunned by the market. In his update on the Orbis Global Equity Fund, Ben Preston explains that while many of these companies have real long-term growth expectations, the current share prices don't reflect their fundamental value.

While it is difficult to ask you to remain patient, that is precisely what is needed for our style to produce good investment results over a complete market cycle.

Time to hunt for bargains?

Taking a look at the domestic market, Duncan Artus considers whether the decline in share prices and muted economic growth have recreated the "flash sale" of 2002, when consumer shares dramatically underperformed and provided a fertile hunting ground for value investors to snap up good quality stocks at a bargain and generate outsized returns.

This past year has been a reminder that we are part of an interconnected world where we can't always predict, let alone control, what happens in the investment universe. The ongoing trade wars are a good example. In the era of a Donald Trump presidency, stock markets can be sent reeling with just a simple tweet. Sandy McGregor discusses the ongoing US-China trade war and the possible impact on global and local economies, as well as financial markets.

Rely on the right information

Investment noise, such as trade wars and short-term underperformance, creates uncertainty and concern among investors. During such times, it is even more important to rely on the right information to make good investment decisions. This includes being more circumspect about the investment advice from one's social circle. In the Investing Tutorial, Lettie Mzwinila discusses the pitfalls of making investment decisions based on well-meant information shared by friends and family.

On the topic of family, Tim Molloy delves into unclaimed assets. According to the Association for Savings & Investment South Africa, more than R17bn lies potentially unclaimed in unit trusts and policies due to beneficiaries being unaware of these investments after the investor dies, emigrating investors abandoning their assets, or investors simply losing track of their investments. Tim explains how these assets are dealt with, what you can do if you suspect you have unclaimed assets, and how to avoid these situations to begin with.

We stand by our purpose: to create long-term wealth for you, our clients.

A spirit of significance

Finally, in her update this quarter, Yogavelli Nambiar discusses the purpose of the Allan Gray Orbis Foundation, which is to seek out individuals who are determined to solve social problems and nurture their "spirit of significance". If developed from a young age, the awareness that personal satisfaction comes from empowering oneself to serve others can lead to more individuals being driven to make an impact in their communities and society at large through their employers or entrepreneurship. Yogavelli profiles two Fellows from the Association of Allan Gray Fellows who embody this spirit.

We stand by our purpose: to create long-term wealth for you, our clients. We also thank you for your ongoing support despite a tough performance environment.

Kind regards

Rob Formby

TRADE WARS

Sandy McGregor

From Trump's viewpoint, America's trade deficit is a vulnerability that gives other nations the power to tell America what to do.

In recent months, we have observed increasing uncertainty and concern among our clients about what impact rising international tensions, particularly the trade war between the US and China, will have on global and local economies as well as financial markets. In this, they are not alone. Sandy McGregor provides insight.

We have all been subjected to a plethora of confusing news and analyses of the potential impact of the ongoing trade wars. One way to gain perspective on this issue is to consider the evolution of international trade since the 1930s.

Towards the end of the Second World War, America and Britain initiated discussions about how the post-war international financial and economic system should be structured to prevent a repetition of the calamities of the 1930s. The outcome of these discussions was the establishment of three institutions intended to facilitate a new financial order. At the Bretton Woods Conference in 1944, it was agreed to establish the World Bank to provide development finance, and the International Monetary Fund (IMF) to coordinate financial flows. Of equal importance was the General Agreement on Tariffs and Trade (GATT), signed in Geneva in October 1947, in response to the trade wars of the 1930s. GATT would later be succeeded and encompassed by the World Trade Organization (WTO).

In the Great Depression of the 1930s, the value and volume of world trade collapsed. A significant contributor to this calamity was America's Smoot-Hawley Tariff Act, which was passed by the Republican-dominated House of Representatives in May 1929 and became law in April 1930. The Act imposed draconian duties on American imports. At the time, it was strongly argued that there was no justification for such a measure. Economists and bankers implored President Herbert Hoover not to sign it. Business magnate Henry Ford called it "economic stupidity". However, Hoover signed it all the same. He had already advocated increased tariffs in the 1928 presidential election.

Since the founding of the American Republic in the late 18th century, isolationism had been a consistent American political agenda. In 1930, much of the support for tariffs came from constituencies similar to those who now support President Donald Trump. The consequences were disastrous: The world sank into a mire of tit-for-tat tariff retaliation, and international trade imploded.

The interruption of normal trade relationships had devastating consequences and was a significant contributor to the global depression of the early 1930s. In 1933, an attempt was made to create a more rational trading system, but this was sabotaged by President Franklin Roosevelt, who preferred bilateral agreements, as are favoured by President Trump today.

The resolution of these issues had to await a new generation of political leaders, after 1945, who were profoundly influenced by the disastrous consequences of the previous decade's trade wars. Critically, there was now widespread support within the US for participation in the creation of a new international order under American leadership. The establishment of a process to harmonise and reduce tariffs became a priority.

The first round of tariff negotiations in 1947 was followed by seven more rounds, ending in 1994. Over a period of 47 years, average tariffs were reduced from 22% to 5%. In 1994, GATT was succeeded by the WTO, which has since provided a rules-based international structure to handle trade disputes.

The triumph of globalisation

The post-1945 international trade system evolved only gradually. Initially, the Cold War between the US and the Soviet Union caused a total separation of countries in the Soviet bloc from the market economies in the West. China, too, moved into isolation after the communist party seized power in 1949.

The 1955 Bandung Conference in Indonesia promoted a distancing of third-world countries from Western economic models in favour of socialist agendas. However, as time progressed, the Western model based on market economies and international trade proved to be convincingly superior. Countries such as Japan, South Korea, Taiwan and Singapore used export-led growth to develop the modern, wealthy societies they are today.

With the collapse of the communist bloc between 1989 and 1991, and China's transition to a market economy in the 1990s, the world became one trading universe. China joined the WTO in 2001 and rapidly advanced to become the second largest trading nation after the US.

By promoting market access, globalisation has enabled poorer countries to use export revenues to generate the capital they need to develop their domestic economies. Since 1990, globalisation has lifted more than two billion people out of poverty. It is remarkable how integrated the global economy has become: Business has become international. Sophisticated supply chains, structured to minimise production costs, span the world.

Since economic growth is in part a matter of making things cheaper, consumers in all countries have been major beneficiaries of these developments. World trade has grown faster than the global economy as a whole and has been a significant engine of economic growth.

Globalisation's critics

The inexorable march to success has not been without its critics. Some nations have been unable to find any competitive advantage they can use to escape poverty. The political left tends to regard with grave suspicion a system which expands the power of big business at the expense of the authority of governments. Meetings of world leaders at the G7 and G20 Summits have often been besieged by angry antiglobalisation protesters, forcing these meetings to be held in secure fortresses. However, these opponents of globalisation have had little impact on business and international markets; it has been the advent of President Trump that has disrupted what was previously a very stable system.

Slowing investment would exacerbate the current global slowdown. The trade war could tip the world into recession.

Trump's world view goes back to the isolationism that was a dominating feature of American politics prior to the Second World War. He does not accept that America should be subject to an international consensus with which he does not agree. He has a mercantilist view of the economy, which is at odds with the paradigm of globalisation. In a global economy, it is of little importance whether a country runs a current account surplus or deficit.

Trade balances are a manifestation of different nations' saving habits. Germans, for instance, who save a lot, have a large current account surplus. Americans, who save little, have a persistent trade deficit. Financial markets promote the flow of savings to where they are needed. The national trade imbalances are of no more importance than whether California runs a surplus or Illinois a deficit. However, this comfortable proposition is not accepted by mercantilists, who view each nation in isolation.

Trump needs a trade war victory to bolster his 2020 re-election campaign.

From Trump's viewpoint, America's trade deficit is a vulnerability that gives other nations the power to tell America what to do. He regards its trade imbalance as the outcome of a system that is increasingly stacked against American business. He believes that America must, at the very least, have a balanced current account. Above all, he wants to put America's interests first, and is unwilling to compromise those interests to conform to an international consensus or promote global prosperity.

Trade wars as a political necessity

It is noteworthy that, since the Republicans lost control of the House of Representatives in the 2018 midterm elections, Trump has aggressively used his authority to impose tariffs by decree to achieve his agendas. He can no longer get any controversial legislation through Congress. The threat of litigation limits his freedom to issue presidential decrees. Apart from foreign policy and his role as Commander in Chief of the military, imposing tariffs is one of the few unrestricted powers he has. Any legislation to curtail his authority in this regard can be blocked by a presidential veto. Trade wars are one of the few activities he can conduct without excessive interference from Congress.

Public opinion about increasing tariffs on US imports is divided. A poll by *The New York Times* indicates that 49% of Americans are opposed to higher tariffs and 46% support them. Politically, the issue is divisive. Of those polled, 79% of Republicans supported increased tariffs, and 80% of Democrats opposed them. The consensus that allowed the US to play a leading role in rebuilding Europe and Japan after the Second World War has been shattered.

Trade wars have the support of the constituency who elected Trump as president. The successful outcome of his various trade initiatives is of critical importance to his chance of being re-elected in 2020.

America's dispute with China

While the average American may be ambivalent about trade wars with countries such as Mexico and Canada, there is much broader consensus about China. China is regarded as unreasonably advantaged by three practices. Firstly, its theft of intellectual property is notorious. Secondly, Chinese businesses often receive state support, which makes it impossible for normal businesses operating within a market economy outside China to compete with them. Thirdly, while the world is largely open to Chinese business, much of China is closed to non-Chinese competitors. Americans are not alone in these concerns; they are shared by a large number of business leaders and government officials across the world.

In 2018, China's current account surplus was US$49bn, an insignificant imbalance for a US$13 trillion economy. Underlying this imbalance, however, was a trade surplus of US$420bn with the US and a deficit with other countries. China exported goods worth US$540bn to the US and imported US$120bn. The US had a current account deficit of US$488bn, of which the trade deficit with China accounted for 86%. It was this US$420bn imbalance that attracted the ire of the Trump administration, which is uninterested in China's compensating deficit with the rest of the world.

Given complex global supply chains, when China has a problem, everyone has a problem.

In true Trump style, negotiations about these and other American concerns were launched by a unilateral imposition of tariffs early in 2018. China responded in kind, and after a series of tit-for-tat escalations, the US imposed tariffs on US$250bn of imports from China by 18 September. China retaliated with tariffs on US$110bn of US exports to China. In December, Presidents Xi Jinping and Trump met on the sidelines of an international conference in

Buenos Aires and agreed to a truce, suspending these tariffs while further negotiations took place. However, on 7 May 2019, Trump suddenly tweeted accusations that China was not negotiating in good faith and that he was imposing tariffs of between 10% and 25% on US$200bn of Chinese exports to the US. The Chinese retaliated and negotiations collapsed, with each side accusing the other of negotiating in bad faith.

Both parties have strong reasons to make a serious effort to bring these negotiations to a successful conclusion. Trump needs a trade war victory to bolster his 2020 re-election campaign. China is finding it can no longer sustain its economic growth as it has in the past. A severe contraction of its exports would aggravate an already severe economic slowdown.

Recent experience has shown that while monetary stimulus may not have much impact on the real economy, it does wonders for asset prices. However, this optimism may be misplaced if the world heads into recession.

However, Trump has pushed the Chinese into a situation from which it may be difficult for them to back down. In 1842, the British defeated China in the First Opium War and forced China to open its markets to foreign trade. What followed was what the Chinese call a Century of Humiliation, during which Europe and America were effectively in control of the Chinese economy. President Jinping has publicly vowed that this will never happen again. Chinese officials say that America is demanding China change its laws to meet their requirements and submit itself to American judgement about whether it is fulfilling any trade agreement. Given its history, this would be very difficult for China to accept.

Since the breakdown in negotiations in May, the Chinese government has mobilised public indignation against America and warned that China may face a struggle similar to the Long March, a year-long military retreat during the Chinese Civil War, which brought the communists to power in 1949. The genie of public indignation has been let out of the bottle and it will be very difficult to put it back. It will be difficult for the Chinese to go back to the negotiation table if Trump does not reverse his unilateral imposition of tariffs and conduct discussions in a way that does not offend Chinese pride.

Now that both parties have looked into the abyss, negotiations may resume. However, even if they do, there is no guarantee of a favourable outcome.

Global growth slows

A feature of an integrated global economy is that all countries experience a synchronous ebb and flow of economic activity. In the summer of 2016, growth accelerated almost everywhere. This expansion continued until the last quarter of 2018, when there was a widespread slowdown. This was, at least in part, a consequence of the increasing challenges facing China. These arose from their need to transition from credit-driven investment growth to a consumption-based society supported by growing disposable incomes. For them, the trade war has come at a very bad time. Given complex global supply chains, when China has a problem, everyone has a problem. There has already been substantial collateral damage to the European car industry, for example.

If there is no immediate settlement and the draconian tariffs proposed by Trump and their retaliatory counterparts are implemented, business faces the problem of deciding whether these tariffs will be permanent. If Trump is not re-elected, a new administration might have a very different approach to these issues. This uncertainty could delay the restructuring of supply chains.

In any event, the US economy is operating at full capacity and full employment. It will not be easy to rapidly relocate production onshore. While suppliers may absorb some of the cost of tariffs, most will probably be passed on to the consumer. Also, some domestic producers will take advantage of tariffs to increase their margins.

Despite denials by Trump, tariffs are a tax on the consumer. Any tax increase has an adverse effect on the aggregate level of spending. Given the size of the US economy, the direct impact of the tariffs on China will be relatively small, say 0.3% of GDP. However, if the trade war is expanded to other countries, the cost could become more significant.

More concerning is the impact on investment decisions, which could be delayed pending greater certainty about what the final trade construct will be. Slowing investment would exacerbate the current global slowdown. The trade war could tip the world into recession.

Financial markets have become increasingly sanguine about these disputes. It is difficult for anyone who expects the protagonists to act rationally not to believe that there will be a settlement. Furthermore, it is widely expected that if there is no settlement, both the US Federal Reserve Board and the Chinese monetary authorities will respond to any consequent slowdown with aggressive monetary easing. Recent experience has shown that while monetary stimulus may not have much impact on the real economy, it does wonders for asset prices. However, this optimism may be misplaced if the world heads into recession.

Rising recessionary risks

It is now more than 10 years since the recession of 2008/9. In the case of the US, this has been the longest period of continuous growth in its history. During a long expansion, an economy develops increasing vulnerabilities. Central banks have used easy money to keep growth going.

The problem is that sustaining growth artificially promotes inefficient and unsustainable practices. Debt accumulates to levels that threaten financial stability.

The longer an economic upturn continues, the greater the risk of a serious recession. Usually, it is an unexpected and unusual event that precipitates the downturn. In 1973, for example, it was the oil shock. In 2008, it was the implosion of the US housing market.

The trade war, with its disruption of international supply chains, poses a similar threat. It is possible that central banks will succeed in keeping the show on the road with an orgy of money creation. However, many are concerned that with interest rates very low, central banks no longer have the firepower to prevent a recession.

Investors are increasingly uncertain about whether the buoyant market conditions of recent years will last. Something will bring the expansion to an end. If it is not trade wars, it will be something else. It is an environment which urges caution.

Sandy joined Allan Gray as an investment analyst and economist in October 1991. He spent the previous 22 years with Gold Fields of South Africa Limited in a variety of management positions, many of which were investment-related.
He has extensive experience in analysing the political and economic environments. Sandy was a director of Allan Gray Limited from 1997 to 2006.

IS IT 2002 ALL OVER AGAIN? NOT QUITE

Duncan Artus

... we believe there are some opportunities to be found, and the weighting to domestic shares in our portfolios is increasing.

Domestically focused shares that are exposed to the local economy have underperformed the overall market. Duncan Artus investigates whether the current environment presents any investment opportunities.

The underperformance by domestic shares has reached quite significant levels. This is illustrated by **Graph 1** on page 10, which compares the performance of the MSCI South Africa Index, excluding Naspers, as a proxy for domestic shares, to the FTSE/JSE All Share Index (ALSI), which is dominated by large dual-listed shares. The disparity suggests that domestic shares could be a fertile hunting ground for contrarian investors.

The poor economic growth of the last few years has started to take its toll on local companies, with many now reporting declines in earnings. A business can only cut costs and focus on efficiencies for a finite period; sooner or later, top-line growth is needed to grow the bottom line.

To illustrate the tough conditions, **Graph 2** on page 10 shows the profit history of AVI, which we consider to be among the best-run industrial companies in South Africa. AVI recently reported its first decline in earnings since unbundling glass manufacturer Consol and reporting in its current form.

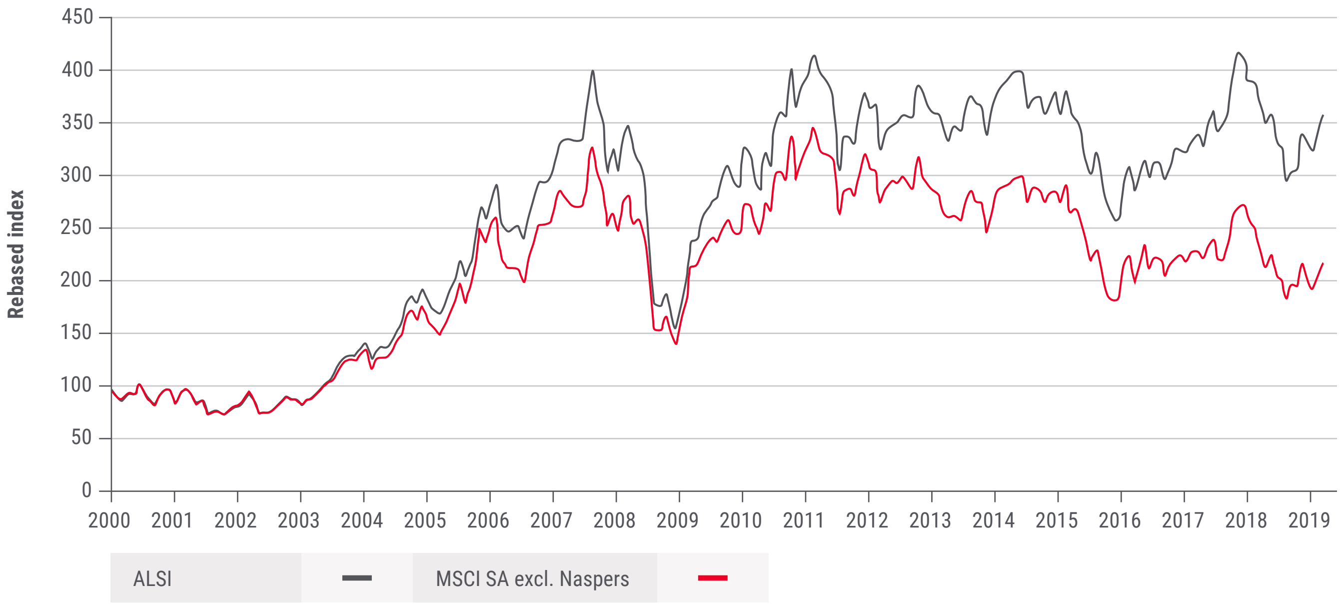
To get a sense of how entrenched this decline is, we took a closer look at the current and historic performance of four shares that are representative of the domestic universe: a clothing retailer (The Foschini Group), a food retailer (Shoprite), a food producer (Tiger Brands) and a bank (Standard Bank).

Table 1 on page 11 shows the price declines from their recent peaks, measured in US dollars, their five-year compound growth in earnings per share and, most importantly, the price the market is currently paying for each of them. We have looked at the share price movements in US dollars as imbalances in the local economy, which can boost consumption in the short term, are often corrected through a weakening rand.

Flash sale?

The decline in share prices and muted profit growth remind us of a similar period when domestic consumer shares

Graph 1: Dual-listed shares outperform their domestic counterparts

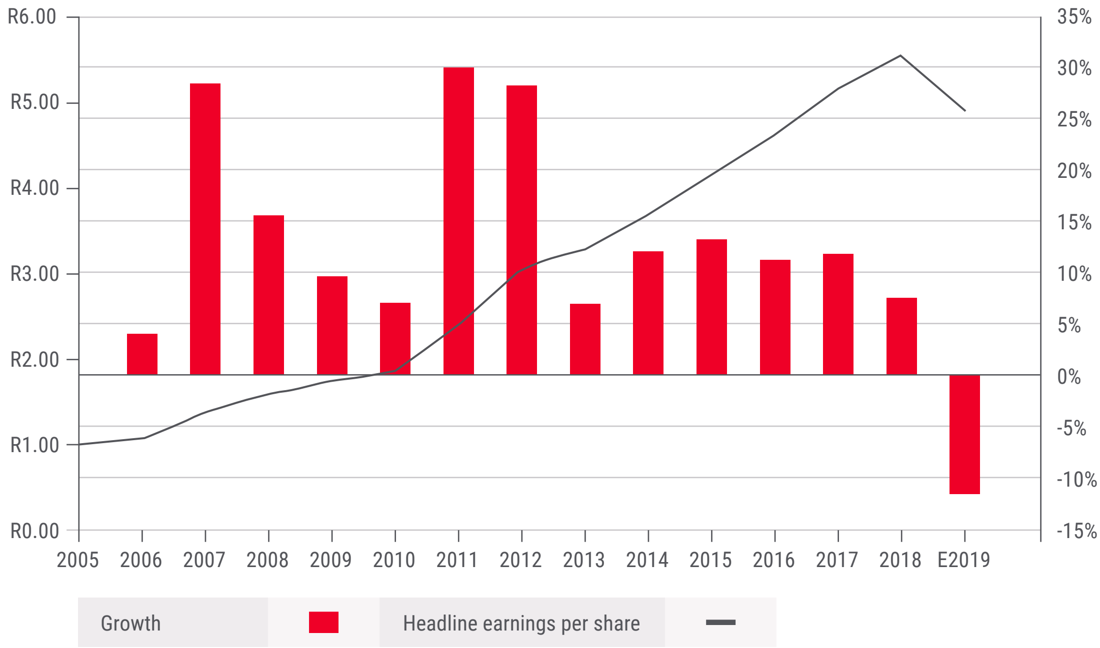


Source: IRESS and Allan Gray research

dramatically underperformed and reached valuations that, in hindsight, produced unbelievable bargains.

Graph 3 shows the performance of the Financial and Industrial index relative to the Resource index from 1998 to 2004. What is striking is the acceleration of the collapse in 2001 and into the beginning of 2002. From January 2001 to the bottom in February 2002, it underperformed by 58%. The rand weakened significantly (63%), causing inflation and interest rates to rise. In addition, new forms of expenditure, such as on cellphones and legalised gambling, changed spending patterns.

Graph 2: Profit history of AVI



Source: Allan Gray research. 2019 Allan Gray estimate.

Table 1: Domestic shares on the decline (2019)

	The Foschini Group	Shoprite	Tiger Brands	Standard Bank
Price decline in US$	36%	47%	57%	28%
PE multiple	15	21	15	12
5-year earnings growth p.a.	6%	3.6%	-2%	10%

Source: IRESS and Allan Gray research

Table 2 on page 12 highlights the same metrics as Table 1, but in 2002. It is immediately apparent how brutal the fall in share prices was and the resultant depressed valuations. What is interesting is that the five-year earnings performance for three of the four companies was actually better than today.

So what happened to those investors who were willing to look through the negative sentiment and buy into these companies? Firstly, they would have experienced severe short-term underperformance, as typically, if one buys shares when they are looking cheap, it makes sense to keep buying on the way down. But for those with high conviction, the pressure was worth it, as consumer shares eventually bottomed and embarked on a multiyear bull market.

Buying shares on low price-to-earnings ratios, on depressed earnings, is a recipe for creating wealth. The annual US dollar returns, excluding dividends, from buying each share at its low and holding it for five years are shown in **Graph 4** on page 12.

Are investors in domestic consumer shares today likely to make similar outsized returns?

We believe it is unlikely that investors buying low today will have as much success as during the previous depressed period, as valuations today are higher than the bottom in 2002/2003 (although one could point out that earnings may be more depressed). However, we are prepared in case a similar opportunity presents itself in the near future, as companies continue to report disappointing earnings.

On the positive side, interest rates are high, the rand has been weak, and credit growth has been anaemic. These factors may turn, as they did in 2002. What is

Graph 3: Financial and Industrial index vs Resource index

Source: IRESS

Table 2: Domestic shares on the decline (2002)

	The Foschini Group	Shoprite	Tiger Brands	Standard Bank
Price decline in US$	87%	81%	70%	50%
PE multiple	5.2	8.2	7.1	7.0
5-year earnings growth p.a.	3.5%	9.4%	13%	19%

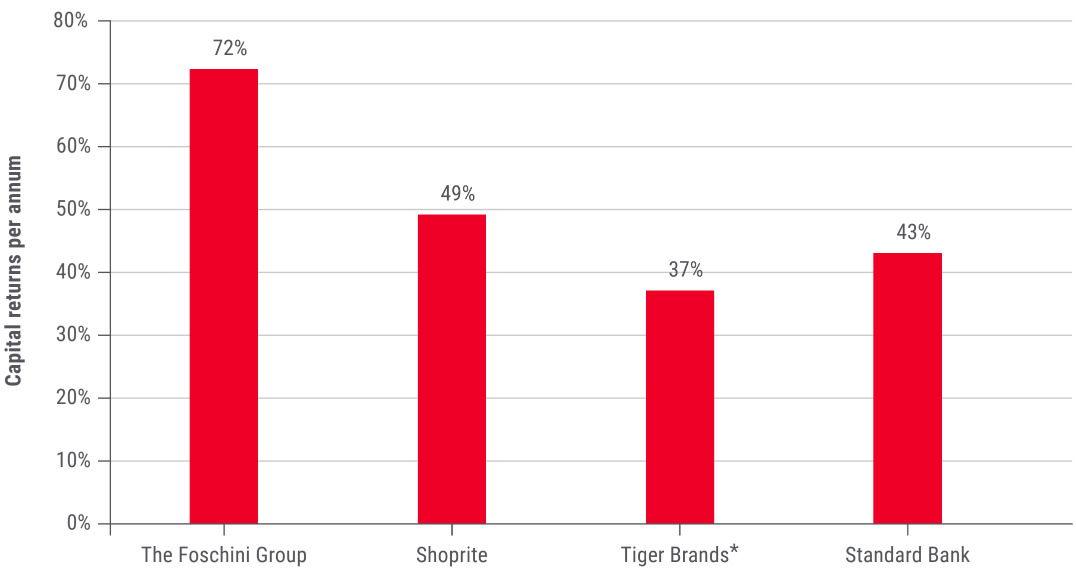
Source: IRESS and Allan Gray research

unlikely to reoccur is the significant increase in the government wage bill and social grants, which provided a strong tailwind for domestic companies' earnings.

The other notable difference to the 2002/2003 bottom is the number of offshore acquisitions that have been made by domestic companies looking to diversify away from South Africa since the early 2000s. Local companies in general don't have a proud track record when it comes to offshore acquisitions, and their share prices have been punished as a result. This may provide opportunities where the share price has been excessively punished, as we believe is the case for Woolworths, who overpaid for the acquisition of David Jones in Australia, contributing to Woolworths's share price more than halving.

In summary, while there are many parallels to 2002/2003, and it is the area absorbing most of our research effort, the valuations offered today are not at the depressed levels on offer back then. However, we believe there are some opportunities to be found, and the weighting to domestic shares in our portfolios is increasing.

Graph 4: Impact of buying cheap shares



*Tiger Brands excludes the Spar and Astral unbundling.
Source: IRESS and Allan Gray research

Duncan joined Allan Gray in 2001 and has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. He is a director of Allan Gray Group Proprietary Limited. Duncan holds an honours degree in Business Science and postgraduate diploma in Accounting from the University of Cape Town and is a CFA® and CMT® charterholder.

ORBIS: ENTHUSIASM FOR THE PORTFOLIO

Ben Preston

... we believe the value inherent in the portfolio increasingly tells a genuinely exciting story.

Contrarian investing is a strange profession. When things are going well, you can look like a magician – earning extraordinary returns while others flounder. At other times, you can follow precisely the same process and look hopelessly out of touch. We have spent an embarrassingly large amount of time in the latter camp of late, says Ben Preston.

Over the past 12 months, only 30% of the Orbis Global Equity Fund's capital has been deployed in shares that have outperformed our benchmark and – worse yet – our average losing share has contributed more in losses than the average winner has gained. Our only magic trick during this period has been an uncanny ability to turn gold into lead. In truth, there is very little alchemy to our approach, in either the positive or negative direction. The fluctuations in relative performance mask what is ultimately a rather solitary endeavour: studying financial statements and waiting patiently to purchase shares of good businesses at a discount. The challenge at times like this, as expressed so eloquently by Rudyard Kipling in his most famous poem, is to "meet with Triumph and Disaster/ And treat those two impostors just the same".

Markets tend to do the opposite. Share prices, driven as they are by fickle human emotions of greed and fear, are far more volatile than the fortunes of the real companies they represent. Exploiting these emotional extremes is what enables the contrarian investor – with a focus on intrinsic value and a willingness to be different – to earn superior long-term returns.

Unfortunately, we don't get all our investment decisions right. To be sure, our recent miscues have been costly, all the more so because they have come at a time when our value-oriented investment style has been out of favour. We recognise that we have tested your patience and lost the authority to simply say, "trust us". But if you can allow us a bit of enthusiasm, we believe the value inherent in the portfolio increasingly tells a genuinely exciting story.

Finding the sweet spot

Our definition of a bargain lies in the "sweet spot" between price and quality – an above-average company trading at a discount price. In the market environment of the last few years – characterised by insatiable appetite for perceived "safety" – we have found such opportunities to be rare. Instead, the above-average companies have been expensive, while many of the discounted ones have been cheap for good reason.

Share prices … are far more volatile than the fortunes of the real companies they represent.

Encouragingly, the stocks held in the Fund today are significantly cheaper than those in the World Index on several measures of valuation, such as price-to-book value and price-to-normalised-earnings, as seen in **Table 1**. What's more, they are fundamentally better businesses, as demonstrated by historically higher profitability (return on equity) and faster growth rates in revenue and net asset value.

The investment case for Honda

To put this in more concrete terms, let's take Honda Motor as an example. As one of the world's best-managed car companies, it needs little introduction. At current prices, Honda's valuation is trading below levels last seen during the global financial crisis. But what about self-driving cars? What about the trade war? What about ride-sharing and electric cars? What about …? While all these risks facing Honda are pertinent, our assessment is that they may ultimately prove to be overblown over our investment horizon. Instead of seeking to predict the future with certainty, our approach is to assess the full range of possible outcomes, and to compare those with the expectations embedded in Honda's current share price.

The results are illuminating. When we last discussed Honda in late 2017, it traded at what was then a record low valuation of 0.8 times its tangible book value – the same level as during the global financial crisis. Remarkably, Honda's valuation has fallen even further since then, and the stock is now trading below the levels seen during the crisis. At only 0.7 times tangible book value, Honda's shares are trading at less than half their long-term historical average rating, and are embedding a significant destruction of value that we believe is wholly inconsistent with the company's four-decade history of consistent profitability.

It is true to say that the transition to electrified vehicles will be a challenge for all carmakers, but it's sobering to recall that – even some 15 years after Elon Musk founded Tesla – electric cars still only made up two out of every 100 cars sold globally last year. As for all the hype around ride-sharing, it's easy to forget that the most common form of shared vehicles has been around for decades (we used to just call them "taxis").

At US$45bn, Honda's current market price seems to ignore its most attractive asset: Honda is the world's largest motorcycle manufacturer, with a dominant (75%+) share

Table 1: The Orbis Global Equity Fund is even more attractive compared to the broader market

Valuation metrics and fundamentals for the Fund and the FTSE World Index

	Orbis Global Equity Fund	FTSE World Index
Price-to-book	2.4x	3.3x
Price-to-earnings (normalised)*†	15x	26x
Average return on equity**	17%	15%
Average revenue growth**†	9%	6%
Average net asset value growth**	12%	8%

Source: Worldscope, Orbis. In each case, numbers are calculated first at the stock level and then aggregated using a weighted median.
*Earnings are normalised by multiplying each company's trailing revenue-to-price multiple by its median 10-year net profit margin.
**Last 10 years.
†For non-financial companies.

in emerging markets such as Thailand, Vietnam, Indonesia and Brazil. It has consistently used its superior research and development capabilities to gain market share. Giving due credit for this gem of a business, one almost gets Honda's car manufacturing business (with its US$100bn of revenues) for free. Such are the opportunities that become available when investors focus relentlessly on predictability.

... being "comfortable" isn't our goal; delivering superior risk-adjusted returns is ...

A look at the portfolio

Looking more broadly at the current portfolio, we see similar mispricings for many other high-quality businesses. For example, there are three China-related shares – NetEase, Naspers (Tencent) and Autohome – that stand out as highly profitable, cash-rich entrepreneurial businesses with above-average growth prospects. Together these comprise 18% of the total portfolio and more than half of the Fund's emerging markets exposure, which at a third of the portfolio is near an all-time high.

Clients have often asked how we get comfortable with this positioning, particularly amid a raging trade war and protests in the streets of Hong Kong. Our answer is that being "comfortable" isn't our goal; delivering superior risk-adjusted returns is – and the two things don't always go together.

Investing outside developed markets is nothing new for us. We are well aware of the enhanced political, economic and governance risks; accordingly, we put significant emphasis on those considerations when researching shares in emerging markets. For example, we have hedged out the vast majority of our underlying exposure to the Chinese currency. But we're also cognisant that the task at hand is not to "avoid" risk per se, but to handicap it appropriately and invest accordingly.

That's not to say all of our stock selections will turn out to be great investments. But it is fair to say that the individuals managing your capital – and our own – are feeling significantly more excited about the portfolio today than we have been for some time. We remain humbled by your persistence and determined to earn your trust and confidence.

Orbis
Invest Differently

Ben joined Orbis in 2000. Based in London, he leads the global sector investment team and is one of the stockpickers who direct client capital in the Orbis Global Equity Strategy.

DON'T LET YOUR HARD-EARNED SAVINGS GO UNCLAIMED

Tim Molloy

... an estimated R17bn in almost 150 000 unit trusts ... still needs to be united with legal recipients.

According to reports, more than R17bn lies potentially unclaimed in unit trusts and policies. Tim Molloy explains how you can ensure this doesn't happen to your investments.

According to the Association for Savings & Investment South Africa (ASISA), their member companies united policyholders, beneficiaries and investors with assets worth R8bn in 2018. However, an estimated R17bn in almost 150 000 unit trusts and policies (excluding retirement funds) still needs to be united with legal recipients.

In some cases, investors have passed away and their beneficiaries are not aware of these investments. In other cases, investors may have emigrated and "abandoned" their accounts by not alerting the local company that they have left the country, or did not feel the rand value of the investment was worth the hassle to migrate the funds. It is also possible that some investors have forgotten about their policies and investments, either having lost track of these over time or as a result of diminished mental capacity.

Allan Gray has adopted the enhanced version of the ASISA Standard on Unclaimed Assets, which applies to long-term insurance and unit trust management companies, but not retirement funds. The Standard obliges companies to trace and remind investors of their benefits and assets following appropriate trigger events such as a policy reaching its maturity date, communication to an investor going undelivered, the investor reaching the age of 80, or a period of inactivity on the investment account.

In many cases, investors are found alive and well and would like their policies and investments to remain in place. However, if all reasonable tracing efforts have been exhausted and contact has not been made, the investment will be categorised as "unclaimed". This does not mean the provider can then take ownership of the assets; instead, the funds will be ring-fenced, and where the investor would bear the investment risk, such as in the case of unit trusts and market-linked life policies, Allan Gray will invest the unclaimed assets in line with reasonable expectations.

It goes without saying that no matter how much time has lapsed, providers are legally bound to honour a valid claim should the investor or their beneficiary come forward.

If you suspect you are due an unclaimed asset

If you are the owner of the investment or policy, you must contact the provider directly. It should be a relatively straightforward verification process to prove that you are entitled to the money.

If you are claiming funds from the investment or policy of a deceased person, you should contact the provider with that person's identity number. Once the provider has confirmed that there is an unclaimed asset, you will be asked to provide documents to support your claim, such as a death certificate and proof that you are indeed a beneficiary.

The process will be more complicated if the investor is still alive, but suffers from diminished mental capacity and therefore cannot manage their investments. In this case, that person's family or adviser can follow one of two processes: Apply to the High Court to be appointed as a curator, or apply to the Master of the High Court to be appointed as administrator of the incapacitated person's affairs.

It's a good idea to communicate with the provider via email so that you have a record of your progress.

When it comes to your assets, plan ahead

The first step to ensure that your loved ones inherit your money after your death is to write a will. A will is a legally binding document that communicates your wishes regarding your estate, which includes the money and assets you own at death. You can leave specific assets to certain individuals and/or entities, as well as name people and/or entities that will receive the remainder of your estate after debts, liabilities and bequests are settled.

If you haven't written your will already, you can do so with the help of your bank, attorney or financial adviser, or by downloading a standard template. If you die intestate (without a valid will in place), a court will determine whom of your relatives receive your inheritance according to the Intestate Succession Act.

However, a will is just the start. Some investment products (such as retirement funds) are not bound by what you specify in your will. It's a good idea to familiarise yourself with the claims process so you can plan accordingly for the needs of your loved ones.

Retirement funds have the most complicated death claims process. You may nominate beneficiaries to receive the death benefit (payout) should you die before retirement, but this is not a guarantee that they will receive a payout as the trustees of the fund are obliged to consider your dependants — anyone who may have been financially dependent on you at the time of your death, or who will be in the future, such as an unborn child. **Table 1** on page 18 explains the death claims process for other investment products.

> ... no matter how much time has lapsed, providers are legally bound to honour a valid claim should the investor or their beneficiary come forward.

The benefits of a good financial plan in the event of your death

You should draw up a detailed plan to ensure your wishes for your investments, policies and estate will be honoured after death. However, a financial plan is only half the task; it is just as important to share your plan with your loved ones so that they understand what they will have to do in the event of your death. This is to ensure that the process is seamless and that there aren't unnecessary delays.

You should also do the following:

- Keep a clear, updated record of all your investments and policies.
- Keep your providers up to date with the names and contact details of your beneficiaries across all your investments and policies to ensure speedy payment of the death benefit.
- Inform your heirs and beneficiaries that you have named them in your will, investments and/or policies, and make sure they have copies of all the necessary documents. It is also a good idea to include the details of your financial adviser and/or executor of your will to help your beneficiaries claim funds.

- If you are diagnosed with a disorder that results in impaired mental capacity, such as Alzheimer's disease or another form of dementia, you should make appropriate plans regarding your investments and policies while you are still able to do so.

Table 1: What happens to your life and discretionary investments when you die?

Investment	Who receives a payout	How the payout is made*
Unit trusts and offshore investments	The investment will be paid out to your estate and dealt with according to the provisions in your will, or intestate succession. The amount will form part of the estate for the calculation of estate duty. Executor's fees will apply.	As a cash lump sum
Tax-free investments	The investment will form part of your estate and be dealt with according to the provisions in your will, or intestate succession. The amount will form part of the estate for the calculation of estate duty, and executor's fees will apply if the proceeds are paid to your estate. If your investment is structured as a life policy, like the Allan Gray Tax-Free Investment, you can appoint a beneficiary(ies) to receive the death benefit. In this case, executor's fees will not apply.	As a cash lump sum directly to the beneficiary(ies) or the estate
Endowments	The policy owner names a "life assured" on whose life the endowment is issued. You can appoint a beneficiary(ies) of proceeds to receive the death benefit when the last life assured dies. In this case, the benefit will fall outside your will. The benefit will form part of your estate even if paid to beneficiaries. Executor's fees will not apply if the proceeds are paid directly to your beneficiaries. If no beneficiary is appointed, the death benefit will be paid out to your estate, in which case your will applies. The amount will form part of the estate for the calculation of estate duty, and executor's fees will apply.	As a cash lump sum directly to the beneficiary(ies) or the estate
Investment-linked living annuities, like the Allan Gray Living Annuity	You can appoint a beneficiary(ies) to receive the death benefit. If there is no beneficiary, the death benefit will be paid out to your estate, in which case your will applies. Estate duty does not apply as the proceeds do not form part of your estate, irrespective of whether it is paid to your estate or a beneficiary. Executor's fees may apply if the benefit is paid to the estate. If a beneficiary chooses to take a cash lump sum, the payout will be taxed in the hands of the deceased, meaning tax will be deducted before the proceeds are paid to the beneficiary.	As a cash lump sum, or transferred to a living annuity in the name of the beneficiary, or a combination of the two
Guaranteed life annuities	The policy ends when you die; you cannot pass any money to your beneficiary(ies), and it does not form part of your estate. Executor's fees do not apply. Some policies may allow you to "transfer" your annuity to a surviving spouse, who will then receive an income (albeit of a lesser amount) until their death.	Not applicable

*When the payout is made depends on whether the investment will be paid out to your estate or directly to nominated beneficiaries. If the estate receives the payout, the duration depends on the process of winding up your estate by an executor. If a beneficiary has been nominated, your provider will make direct payment once they have been made aware of the death and have received the necessary documents, including the death certificate. This process can take up to two weeks.

Tim joined Allan Gray in 2008 and is head of Retail Finance. He is a qualified Chartered Accountant and holds an honours degree in Commerce from the University of KwaZulu-Natal.

SHOULD YOU TAKE INVESTMENT ADVICE FROM FAMILY AND FRIENDS?

Lettie Mzwinila

... taking investment advice from someone who is not qualified to offer it could lead you down the wrong path ...

Your friends and family may offer you financial advice with good intentions, but you should be wary of basing your investment decisions purely on stories shared "around the braai". Lettie Mzwinila explains.

People love to give advice, especially the people closest to us – our family and friends. And while we are often able to be circumspect, sifting out what is irrelevant to us, it can be difficult to resist taking financial advice from family and friends, especially when they appear to have done well for themselves.

Several studies in behavioural economics have shown that loved ones can have a strong influence on our investment decisions. This is because money is personal, and when it comes to our hard-earned cash, we tend to value advice from people who we believe always have our best interests at heart. However, while our social circles may mean well, taking investment advice from someone who is not qualified to offer it could lead you down the wrong path and to potentially bad outcomes.

Take the bitcoin frenzy, for example. For many experienced investors, bitcoin is a risky investment because one can't determine its real value using the usual methods for valuing an asset, such as cash flow, historical prices, and supply-demand analysis. The value of a bitcoin is determined purely by how much someone is willing to pay for it, therefore it is difficult to predict its future value.

However, despite the high risk of capital loss, scores of people around the world flocked to buy. Everywhere you went, someone was willing to bend your ear about what a great investment it was. This frenzy drove the "value" of bitcoin to historic highs before it crashed, resulting in significant losses for investors, many of whom had bought at the peak of the bubble.

The bitcoin bubble is a good example of the importance of making well-considered investment decisions. Before acting on investment advice from your social circle, you need to carefully consider what you are trying to achieve on the one hand, and the *real value* of the potential investment on the other.

There is no one-size-fits-all

Your decision to invest should be based on your circumstances, your appetite for and tolerance of risk, your objectives, and your investment horizon (the length of time you expect to hold the investment). Your social circle may suggest an investment based solely on potential returns, without considering your needs, and this could impact your investment success.

> Your decision to invest should be based on your circumstances, your appetite for and tolerance of risk, your objectives, and your investment horizon ...

For example, your friend tells you about a unit trust that has been performing well and that they have enjoyed good returns over the past few months. This is exactly what you're after. However, what your friend neglected to tell you – and what you would have discovered if you did some research before investing – is that the unit trust's objective is to deliver returns over five years, meaning that you may experience dramatic ups and downs in performance over the short term.

Now, if your goal is to save to pay your child's school fees in advance at the beginning of the year, then this investment is not ideal for you. The reason for this is that you may need to access your money sooner than five years and risk withdrawing from the investment during a period of volatility, which could result in a permanent loss on your initial capital.

Your friend doesn't have the full view of your needs, and you don't have the full details of the characteristics of the investment. That can lead to a mismatch.

A good story doesn't equal good value

The investment world is filled with stories about seemingly impressive investments, and many people find themselves getting sucked in and making impulsive decisions to invest without doing the necessary research.

However, just because the news about an investment is good doesn't mean that it's a good investment – or that it's the right time to invest. This is because, when the short-term outlook of a company is good, the market tends to extrapolate this into the earnings outlook of the company rather than assessing its long-term earnings potential.

The same goes for bad news: Investors often operate under the assumption that if the news is bad, so is the investment. This is not always true. When market sentiment is negative, you could be looking at an excellent investment opportunity. Bad news pushes prices down – but this is often temporary.

Popular investment advice is often based on short-term performance

Investment advice from our social circles is often based on the short-term performance of a particular investment or headline news. And despite the counsel that it's "time in the market" that counts and not "timing the market", we are swayed by recent performance to buy investments that are doing well, and similarly, sell out of investments that are performing poorly – a sure way to destroy value.

Investing is a marathon, not a sprint. To give yourself a better chance of success, take a long-term view rather than continually chasing the short-term winner that everyone at the braai was talking about. If they are talking about it, this "sheen" will be reflected in the price. Paying too much for an asset is a sure way of losing money over the long term.

How to make the right investment decisions

To be a successful investor takes discipline. You have to learn to ignore the investment noise – information that is not useful to your long-term goals or that distracts you from them. The following steps will help you sift investment tips to determine what is useful and what you should ignore.

1. Establish the facts

When it's your money on the line, don't assume that your friends have done the research. You should also guard against cherry-picking information that confirms your views. Before investing, carefully investigate the investment to determine whether it is appropriate for your needs. For example, if you are investing in a unit trust, study the factsheet to see whether its objectives and timeframes align with yours.

2. Consider the motivation

Studies have shown that people often encourage their loved ones to take risks that they would shy away from. This isn't because they have ulterior motives; rather, they simply have not fully considered the implications of that decision.

3. Consider the worst-case scenario

What if your friends were wrong about the investment? Or what if you were investing at the wrong time – buying when the price is high, thereby setting yourself up for poor returns, or worse, losing money? Considering the worst-case scenario will help you make a more considered investment decision.

4. Avoid changing direction too often

You are likely to receive a lot of advice from people around you. Reacting to even a portion of this is likely to lead to poorer investment outcomes. It is much better to be clear about your investment plan and stick to it.

5. Seek good independent advice

Many investors are reluctant to pay for professional advice, but it can be more costly to pursue free tips from someone who is not qualified to give financial advice. A good independent financial adviser can help you select an investment that is right for your circumstances, and help you manage your behaviour while you are invested to improve your investment outcomes. A key consideration in selecting an adviser is trust. In this instance, a suitable starting point in looking for one is to ask for a recommendation from someone whose judgement you value – like family or a good friend.

Lettie joined Allan Gray in 2013 and is currently a business development manager in Retail Distribution, having previously filled the role of a client relationship manager in Direct Private Clients. She holds a Bachelor of Commerce in Financial Planning and an honours degree in Business Management, both from the Nelson Mandela Metropolitan University.

ALLAN GRAY ORBIS FOUNDATION: NURTURING HIGH-IMPACT INDIVIDUALS

Yogavelli Nambiar

A spirit of significance is recognising that ultimately, personal satisfaction comes from empowering oneself to serve others.

The focus of the Allan Gray Orbis Foundation is to cultivate an entrepreneurial mindset in South African youth. But this is not merely about producing entrepreneurs. Yogavelli Nambiar profiles Fellows from the Association of Allan Gray Fellows who embody the "spirit of significance" that the Foundation seeks to inspire.

When Allan Gray Fellow Dominic Obojkovits was at university, he'd skip lectures and instead study the slide presentations his lecturers had compiled to summarise each module. Far from being a lazy student, Dominic was merely following a path that suited him: As an entrepreneur, he was running a business while completing his studies and, in his own words, "attending lectures meant giving up a lot of time – and time is money".

This is just one of the shortcomings of our current education system – it fails to equip individuals to think as entrepreneurs, Dominic points out. "Instead, it primes them to see themselves as employees, developing an external locus of control, which relies on others to give instructions and provide direction."

Dominic should know: His entrepreneurial journey started in Grade 3 when he photocopied the comics he drew and sold them to fellow learners for R1. In Grade 9, he made a more serious foray into business when he collaborated with David Nickerson, a Canadian artist, to create his first video game, Astro Dodger.

Dominic explains that he didn't create Astro Dodger to make money, but rather as an experiment to learn and understand the process of creating a video game. He used his learnings to launch Pixel Boy when he was a second-year university student, a product which sold 40 000 units in 190 countries around the world.

Buoyed by this success, a third game was developed – but it proved a dismal flop. Not that Dominic was disheartened. "We actually realised on the day of launch that the market had changed too drastically for it to be a success, but by then it was too late to make changes to our model. Happily, though, I always have ten ideas spinning in my head, and the failure of the game freed me up to pursue my next venture: cryptocurrency."

Inspired by the interest shown in the burgeoning world of digital assets, Dominic turned his attention to developing a system to mine cryptocurrency. This led to the establishment of Balance, a cryptocurrency player which has introduced a software wallet and, most recently, a hardware wallet that reduces the possibility of cryptocurrency theft – one of the industry's greatest bugbears.

Dominic's story encapsulates the values held dear by the Allan Gray Orbis Foundation in that he has built a career on looking for ways to add value to people's lives, even if it is, like in the case of his gaming company, "simply to put a smile on someone's face". As he says: "I want to create things that produce more value than they consume."

Making an impact

Suzie Nkambule is another Allan Gray Fellow who has gone on to do great things. Suzie was born in Matsulu, a small township in Mpumalanga, as the sixth of seven children. Her mother was a kitchen matron at a local prison and her father a foreman at a fabrication company. She discovered her love for public speaking at an early age and went on to win numerous debates and competitions in high school – proving to herself that where she came from had little bearing on what she could achieve.

She later became captivated by engineering and its potential to change people's lives after watching an advert featuring the newly built Nelson Mandela Bridge. "It was such a simple thing: a structure which connected one part of town with another. But despite this simplicity, it literally changed the lives of people who previously had to walk far between these destinations," she explains. However, because tertiary education was considered a luxury in her family, she hadn't considered a career in civil engineering – until she applied for the Allan Gray Fellowship. When she graduated, she was the first person in her family to have a degree.

Suzie joined Aveng Grinaker-LTA following her tertiary studies, initially as a business intelligence manager, where her role focused on strategy and growth. Never losing sight of her goal – to create a self-sustaining environment which would not only provide inhabitants with all the infrastructure for a high standard of living, but also ensure employment for many – Suzie strived to find ways to align the company's business model with enterprise development and local procurement.

This drive was ignited by her understanding of the opportunities construction and development could create. She cites the Medupi Power Station as a perfect example: Before this facility was built by Aveng, the town of Lephalale (Ellisras), where it is located, was fairly stagnant. "You build places, and people come and fill them and create economic activity," she notes.

In 2016, she was appointed managing director of Aveng Water, a subsidiary of Aveng that focuses on innovative solutions for Southern Africa's water challenges. She then took a major step forward in the pursuit of her goal to create a self-sustaining environment when she joined forces with E Squared Investments (a long-term capital fund set up as part of Allan Gray's empowerment initiative to enable Allan Gray Fellows and social enterprises to build and scale high-impact organisations) to form Infinity Partners, a 100% black-owned company that acquired Aveng Water in January this year.

> "This is just one of the shortcomings of our current education system – it fails to equip individuals to think as entrepreneurs ..."

A spirit of significance

Suzie's social awareness, and the accompanying determination to solve social problems, reflects a spirit of significance – a value the Allan Gray Orbis Foundation seeks to cultivate in entrepreneurs. A spirit of significance is recognising that ultimately, personal satisfaction comes from empowering oneself to serve others.

This is precisely the kind of mindset we should be striving to nurture, insists Gary Schoeniger, a global expert in entrepreneurial mindset development who has enhanced the Foundation's understanding of this through training. Schoeniger maintains that this kind of thinking should start in school, where teachers should stop asking children what they want to be when they grow up and instead encourage them to start thinking about what kind of problems they would like to solve. From there, they need to focus on building the skills required to help them address the relevant issues.

This kind of thinking is vastly different from current paradigms because it hinges on removing the assumption that there will always be someone (or stable employment) to take care of you and instead places the onus on the individual to find something that matters to them, and to take responsibility for playing a role in fixing it or creating value.

This requires several supporting qualities, Schoeniger explains. “For a start, we need a greater focus on our local contexts. There’s no point in looking to Silicon Valley for entrepreneurial inspiration because here in South Africa, our challenges are significantly different.

“It also requires that we redefine what it means to be an entrepreneur. People tend to associate the term ‘entrepreneur’ with ‘business start-up’, but the reality is that not everyone has the desire or the temperament suited to starting a business. Because of this, many people who have the potential to make a major contribution to their societies are lost to us. They don’t identify with the entrepreneur label, so they apply their talents elsewhere. But entrepreneurial thinking can be applied by any of us.”

This new mindset places greater emphasis on attributes like curiosity and innovation. At present, these are considered soft skills – the nice-to-haves that fall behind technical skills when it comes to achieving success. And yet, these are the very qualities that drive us forward, and which help us to identify where our help is needed, and what form it should take. In short, it’s about encouraging learners to think about how they can make themselves useful, Schoeniger concludes.

Developing high-impact individuals

This is the kind of entrepreneurial outlook we at the Allan Gray Orbis Foundation have always strived to develop. Our focus is on shaping high-impact and responsible entrepreneurs. Although we are well aware of the benefits that entrepreneurs bring to any economy, we want our graduates to go beyond this and advantage their societies in other ways. This may be in the number of people they employ, or even by boosting the microeconomy. It can also relate to the products or services they provide. The point is simply this: Entrepreneurs don’t operate in a vacuum. Perhaps because of the size of their operations, or maybe even because there is a definable face of the business (and because it is often built on a dream), an entrepreneur can touch the lives of those around them in a way that a large corporate simply isn’t able to do.

It is incumbent upon us to help young South Africans understand this responsibility. We need to highlight the fact that becoming an entrepreneur isn’t simply about earning an income, but also about adding value to one’s community. This could mean offering a product or service that would improve their standard of living, or helping to create jobs.

We also need to help them understand that, laudable as this goal is, entrepreneurship is not an easy road; that failure is often inevitable, but that they should see it as a form of feedback – information and insight into the market’s wants and needs. If they’re able to leverage this feedback, they’ll become more resilient and adaptable.

Finally, we need to draw their attention to one critical fact: A “no” is not the end of the road. As Dominic says, “I faced a lot of doubt. Not even my family wanted to invest in my ventures. But I never stopped to wonder if they were saying no because I was doing the wrong thing. I naturally assumed that I was on the right path, and that made me push harder.”

Allan Gray Orbis Foundation

Yogavelli joined the Allan Gray Orbis Foundation in October 2017 as chief executive officer. Previously, she was the founding director of the Enterprise Development Academy at the Gordon Institute of Business Science (GIBS), the business school of the University of Pretoria, where she led the school’s entrepreneurship efforts. Prior to that she was country director of the Goldman Sachs *10,000 Women* initiative, leading the design and delivery of this successful international women’s entrepreneurship programme in South Africa.

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Allan Gray Balanced and Stable Fund asset allocation as at 30 June 2019

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign*	Total	SA	Foreign*
Net equities	63.0	43.9	19.1	34.9	21.2	13.7
Hedged equities	7.8	1.9	5.9	7.5	2.2	5.3
Property	1.5	1.2	0.3	3.9	3.7	0.3
Commodity-linked	3.7	3.0	0.7	2.6	1.6	0.9
Bonds	14.3	10.1	4.2	28.9	19.8	9.2
Money market and bank deposits	9.5	7.7	1.9	22.2	18.3	3.9
Total	**100.0**	**67.8**	**32.2**	**100.0**	**66.7**	**33.2**

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

Allan Gray Equity Fund net assets as at 30 June 2019

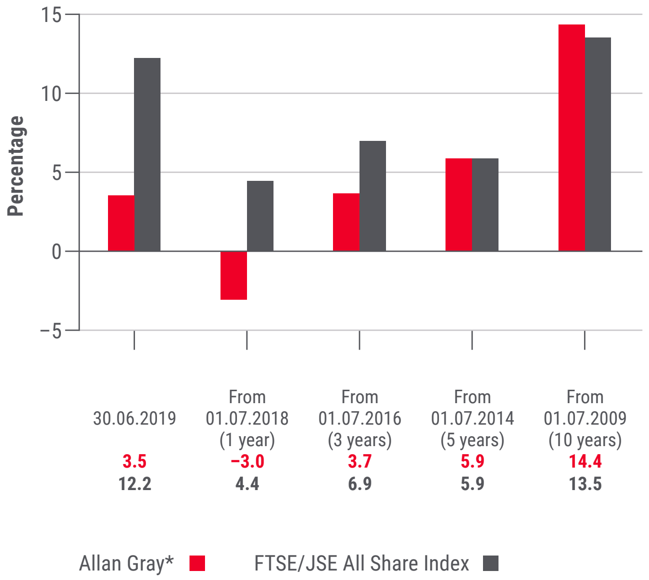
Security (Ranked by sector)	Market value (R million)	% of Fund	FTSE/JSE ALSI weight (%)
South Africa	**26 396**	**68.2**	
South African equities	**25 502**	**65.9**	
Resources	**5 425**	**14.0**	**27.0**
Sasol	1 835	4.7	
Glencore	1 367	3.5	
BHP Group	574	1.5	
Impala Platinum	376	1.0	
Sappi	355	0.9	
Positions less than 1%[1]	918	2.4	
Financials	**8 052**	**20.8**	**24.2**
Standard Bank	1 767	4.6	
Investec	1 372	3.5	
Old Mutual	995	2.6	
Reinet	757	2.0	
Nedbank	502	1.3	
Rand Merchant Investment[2]	448	1.2	
Quilter PLC	397	1.0	
MMI	334	0.9	
Positions less than 1%[1]	1 481	3.8	
Industrials	**11 779**	**30.4**	**48.8**
Naspers[2]	2 861	7.4	
British American Tobacco	1 667	4.3	
Remgro	1 438	3.7	
Woolworths	912	2.4	
Life Healthcare	710	1.8	
KAP Industrial	574	1.5	
MultiChoice Group	473	1.2	
Super Group	470	1.2	
Netcare	433	1.1	
Positions less than 1%[1]	2 242	5.8	
Other securities	**247**	**0.6**	
Positions less than 1%[1]	247	0.6	
Commodity-linked securities	**329**	**0.8**	
Positions less than 1%[1]	329	0.8	
Money market and bank deposits	**565**	**1.5**	
Foreign ex-Africa	**11 529**	**29.8**	
Equity funds	**11 345**	**29.3**	
Orbis Global Equity Fund	7 412	19.1	
Orbis SICAV International Equity Fund[3]	2 786	7.2	
Orbis SICAV Emerging Markets Equity Fund	708	1.8	
Allan Gray Frontier Markets Equity Fund[3]	439	1.1	
Money market and bank deposits	**184**	**0.5**	
Africa ex-SA	**798**	**2.1**	
Equity funds	**798**	**2.1**	
Allan Gray Africa ex-SA Equity Fund	798	2.1	
Totals	**38 724**	**100.0**	

[1] JSE-listed securities include equities, property and commodity-linked instruments.
[2] Including stub certificates.
[3] This fund is not approved for marketing in South Africa. Reference to this fund is solely for disclosure purposes and is not intended for, nor does it constitute, solicitation for investment. **Note:** There may be slight discrepancies in the totals due to rounding. For other fund-specific information, please refer to the monthly factsheets.

Investment track record – share returns

Allan Gray Proprietary Limited global mandate share returns vs FTSE/JSE All Share Index			
Period	**Allan Gray***	**FTSE/JSE All Share Index**	**Out-/Under-performance**
1974 (from 15.06)	−0.8	−0.8	0.0
1975	23.7	−18.9	42.6
1976	2.7	−10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	−0.3
1979	86.9	94.4	−7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	−4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	−4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	−5.1	9.6
1991	30.0	31.1	−1.1
1992	−13.0	−2.0	−11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	−17.4	−4.5	−12.9
1998	1.5	−10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	−8.1	33.7
2003	29.4	16.1	13.3
2004	31.8	25.4	6.4
2005	56.5	47.3	9.2
2006	49.7	41.2	8.5
2007	17.6	19.2	−1.6
2008	−13.7	−23.2	9.5
2009	27.0	32.1	−5.1
2010	20.3	19.0	1.3
2011	9.9	2.6	7.3
2012	20.6	26.7	−6.1
2013	24.3	21.4	2.9
2014	16.2	10.9	5.3
2015	7.8	5.1	2.7
2016	12.2	2.6	9.6
2017	15.6	21.0	−5.4
2018	−8.0	−8.5	0.5
2019 (to 30.06)	**3.5**	**12.2**	**−8.7**

Returns annualised to 30.06.2019



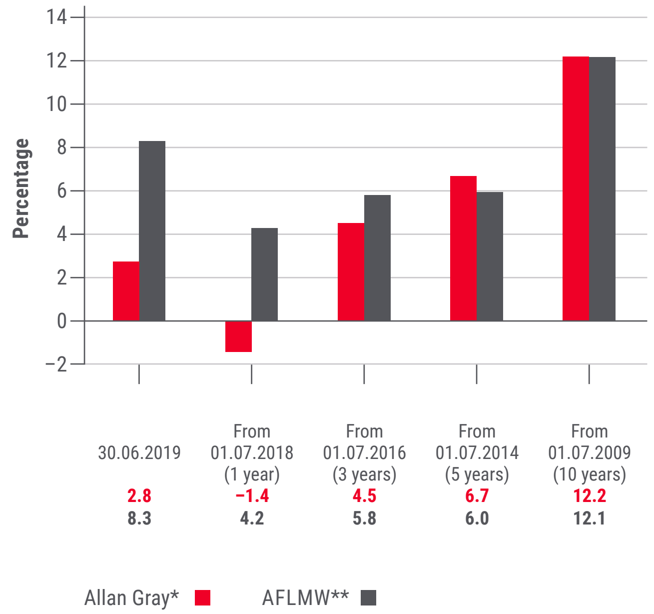
An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R219 933 240 by 30 June 2019. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R9 958 505. Returns are before fees.

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

Investment track record – balanced returns

Allan Gray Proprietary Limited global mandate total returns vs Alexander Forbes Global Manager Watch			
Period	**Allan Gray***	**AFLMW****	**Out-/Under-performance**
1974	–	–	–
1975	–	–	–
1976	–	–	–
1977	–	–	–
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	−0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	−5.5
1992	1.2	7.6	−6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	−1.8	9.5	−11.3
1998	6.9	−1.0	7.9
1999	80.0	46.8	33.1
2000	21.7	7.6	14.1
2001	44.0	23.5	20.5
2002	13.4	−3.6	17.1
2003	21.5	17.8	3.7
2004	21.8	28.1	−6.3
2005	40.0	31.9	8.1
2006	35.6	31.7	3.9
2007	14.5	15.1	−0.6
2008	−1.1	−12.3	11.2
2009	15.6	20.3	−4.7
2010	11.7	14.5	−2.8
2011	12.6	8.8	3.8
2012	15.1	20.0	−4.9
2013	25.0	23.3	1.7
2014	10.3	10.3	0.0
2015	12.8	6.9	5.9
2016	7.5	3.7	3.8
2017	11.9	11.5	0.4
2018	−1.4	−2.1	0.7
2019 (to 30.06)	**2.8**	**8.3**	**−5.5**

Returns annualised to 30.06.2019



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R24 081 952 by 30 June 2019. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R5 449 920. Returns are before fees.

*Allan Gray commenced managing pension funds on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
**Consulting Actuaries Survey returns used up to December 1997. The return for June 2019 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexander Forbes Large Manager Watch.
Note: Listed property included from 1 July 2002. Inward listed included from November 2008 to November 2011.

Allan Gray South African unit trusts annualised performance (rand) in percentage per annum to 30 June 2019 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure (100%)									
Allan Gray Equity Fund (AGEF) Average of South African - Equity - General category (excl. Allan Gray funds)[1]	**38.7**	**01.10.1998**	**21.1** 15.0	**12.1** 11.8	**4.2** 2.7	**2.9** 2.1	**−5.0** −0.2	**125.8** 73.0	**−20.7** −37.6
Allan Gray SA Equity Fund (AGDE) FTSE/JSE All Share Index including income	**3.0**	**13.03.2015**	**3.9** 5.8	**–** –	**–** –	**2.4** 6.9	**−3.9** 4.4	**17.2** 22.5	**−9.0** −12.6
Allan Gray-Orbis Global Equity Feeder Fund (AGOE) FTSE World Index	**17.4**	**01.04.2005**	**13.7** 13.7	**15.1** 17.8	**8.7** 13.2	**6.3** 10.7	**−7.1** 8.9	**78.2** 54.2	**−29.7** −32.7
Medium net equity exposure (40% - 75%)									
Allan Gray Balanced Fund (AGBF) **Allan Gray Tax-Free Balanced Fund (AGTB)** Average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[2]	**150.6** **1.0**	**01.10.1999** **01.02.2016**	**16.0** **5.4** 11.9/4.9	**10.9** **–** 10.2	**5.7** **–** 5.0	**3.5** **3.9** 4.0	**−2.4** **−2.4** 2.1	**46.1** **13.3** 41.9/13.7	**−8.3** **−5.4** −16.7/−6.0
Allan Gray-Orbis Global Fund of Funds (AGGF) 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index	**12.4**	**03.02.2004**	**10.1** 11.1	**10.7** 14.4	**7.4** 10.9	**2.5** 6.3	**−7.7** 9.0	**55.6** 38.8	**−13.7** −17.0
Low net equity exposure (0% - 40%)									
Allan Gray Stable Fund (AGSF) Daily interest rate of FirstRand Bank Limited plus 2%	**50.9**	**01.07.2000**	**11.8** 9.0	**8.6** 7.3	**7.3** 7.8	**5.8** 8.1	**1.2** 7.9	**23.3** 14.6	**0.2** 6.2
Very low net equity exposure (0% - 20%)									
Allan Gray Optimal Fund (AGOF) Daily interest rate of FirstRand Bank Limited	**1.2**	**01.10.2002**	**7.7** 6.4	**6.1** 5.2	**7.1** 5.7	**4.2** 6.0	**4.7** 6.0	**18.1** 11.9	**−1.5** 4.1
Allan Gray-Orbis Global Optimal Fund of Funds (AGOO) Average of US$ bank deposits and euro bank deposits	**1.0**	**02.03.2010**	**6.9** 6.3	**–** –	**3.5** 4.5	**−3.0** −0.4	**−10.4** 2.2	**39.6** 35.6	**−12.4** −19.1
No equity exposure									
Allan Gray Bond Fund (AGBD) JSE All Bond Index (Total return)	**1.9**	**01.10.2004**	**9.2** 8.8	**9.4** 9.0	**9.4** 8.6	**10.8** 9.9	**11.0** 11.5	**18.0** 21.2	**−2.6** −5.6
Allan Gray Money Market Fund (AGMF) Alexander Forbes Short-Term Fixed Interest (STeFI) Composite Index[3]	**19.9**	**03.07.2001**	**8.0** 7.9	**6.7** 6.5	**7.4** 7.1	**7.9** 7.4	**7.8** 7.3	**12.8** 13.3	**5.2** 5.2

[1] From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index including income (source: IRESS).
[2] From inception to 31 January 2013, the benchmark of the Allan Gray Balanced Fund was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund.
[3] From inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011, the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
[4] This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Allan Gray total expense ratios and transaction costs for the 3-year period ending 30 June 2019

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.12%	0.36%	0.02%	0.15%	1.65%	0.08%	1.73%
Allan Gray SA Equity Fund	1.00%	−0.17%	0.01%	0.12%	0.96%	0.12%	1.08%
Allan Gray Balanced Fund	1.10%	0.36%	0.02%	0.14%	1.62%	0.08%	1.70%
Allan Gray Tax-Free Balanced Fund	1.37%	N/A	0.05%	0.14%	1.56%	0.15%	1.71%
Allan Gray Stable Fund	1.08%	0.21%	0.02%	0.12%	1.43%	0.08%	1.51%
Allan Gray Optimal Fund	1.00%	0.18%	0.01%	0.17%	1.36%	0.13%	1.49%
Allan Gray Bond Fund	0.25%	0.37%	0.02%	0.09%	0.73%	0.00%	0.73%
Allan Gray Money Market Fund	0.25%	N/A	0.00%	0.04%	0.29%	0.00%	0.29%
Allan Gray-Orbis Global Fund of Funds	1.44%	0.44%	0.07%	0.00%	1.95%	0.11%	2.06%
Allan Gray-Orbis Global Equity Feeder Fund	1.49%	0.31%	0.05%	0.00%	1.85%	0.14%	1.99%
Allan Gray-Orbis Global Optimal Fund of Funds	1.00%	0.77%	0.07%	0.00%	1.84%	0.13%	1.97%

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax (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.

Foreign domiciled funds annualised performance (rand) in percentage per annum to 30 June 2019 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[4]	Lowest annual return[4]
High net equity exposure								
Orbis Global Equity Fund	**01.01.1990**	**17.7**	**15.2**	**8.6**	**6.2**	**−6.7**	**87.6**	**−47.5**
FTSE World Index		13.5	17.8	13.0	10.8	9.5	54.2	−46.2
Orbis SICAV Japan Equity (Yen) Fund	**01.01.1998**	**14.3**	**13.5**	**10.6**	**7.0**	**−6.2**	**94.9**	**−40.1**
Tokyo Stock Price Index		9.1	12.9	11.2	6.8	−3.0	91.0	−46.4
Orbis SICAV Emerging Markets Equity Fund (US$)[5]	**01.01.2006**	**13.8**	**13.6**	**6.4**	**4.8**	**−0.3**	**58.6**	**−34.2**
MSCI Emerging Markets Index (Net) (US$)[5]		13.5	14.2	10.2	9.1	4.0	60.1	−39.7
Allan Gray Africa ex-SA Equity Fund	**01.01.2012**	**12.0**	**–**	**−0.4**	**10.4**	**−14.4**	**65.6**	**−24.3**
Standard Bank Africa Total Return Index		5.2	–	−2.8	3.8	0.9	33.6	−29.4
Allan Gray Australia Equity Fund	**04.05.2006**	**15.0**	**18.0**	**10.8**	**11.2**	**4.7**	**99.5**	**−55.4**
S&P/ASX 300 Accumulation Index		12.6	15.0	8.6	9.2	8.8	55.6	−45.1
Medium net equity exposure								
Orbis SICAV Global Balanced Fund	**01.01.2013**	**14.2**	**–**	**7.6**	**2.8**	**−7.3**	**54.4**	**−9.8**
60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index		15.1	–	10.7	6.2	9.5	40.2	−8.4
Allan Gray Australia Balanced Fund	**01.03.2017**	**6.8**	**–**	**–**	**–**	**−0.6**	**16.2**	**−5.3**
The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and JP Morgan Global Government Bond Index expressed in AUD (16%).		10.0	–	–	–	9.2	24.8	−5.8
Low net equity exposure								
Allan Gray Australia Stable Fund	**01.07.2011**	**11.0**	**–**	**5.8**	**2.8**	**0.9**	**32.7**	**−7.4**
Reserve Bank of Australia cash rate		6.5	–	1.5	−1.7	−0.8	28.8	−12.6
Very low net equity exposure								
Orbis Optimal SA Fund-US$ Class	**01.01.2005**	**9.2**	**6.8**	**5.0**	**−2.3**	**−8.2**	**48.6**	**−15.7**
US$ Bank deposits		8.2	6.9	7.0	0.4	5.3	57.9	−25.5
Orbis Optimal SA Fund-Euro Class	**01.01.2005**	**7.2**	**4.2**	**0.3**	**−3.8**	**−13.0**	**44.1**	**−19.3**
Euro Bank deposits		6.4	4.1	1.7	−0.9	−0.1	40.2	−20.9
No equity exposure								
Allan Gray Africa ex-SA Bond Fund	**27.03.2013**	**15.1**	**–**	**14.4**	**14.2**	**13.6**	**28.9**	**2.4**
JP Morgan GBI EM Global Diversified Index		6.0	–	5.3	2.9	12.1	23.5	−7.7

Performance as calculated by Allan Gray

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

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

IMPORTANT INFORMATION FOR INVESTORS

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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 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). 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). Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. Except for the Allan Gray Money Market Fund, where the Investment Manager aims to maintain a constant unit price, the value of units may go down as well as up. 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 its unit trusts. Funds may be closed to new investments at any time in order for them to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending.

Performance

Performance figures are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, it 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. Movements in exchange rates may also be the cause of the value of underlying international investments going up or down. The Equity, Balanced, Stable and Optimal funds each have more than one class of units and these are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za. Permissible deductions 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 the Management Company.

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Understanding the funds

Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the fund(s) they select. The Allan Gray Equity, Balanced, Stable and rand-denominated offshore funds may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

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

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

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

The Allan Gray Retirement Annuity Fund, Allan Gray Pension Preservation Fund, Allan Gray Provident Preservation Fund and Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment Services Proprietary Limited, an authorised administrative financial services provider and approved under section 13B of the Pension Funds Act as a benefits administrator. Allan Gray Proprietary Limited, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund. The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and Allan Gray Endowment are underwritten by Allan Gray Life Limited, also an authorised financial services provider and a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual life and retirement products are portfolios of collective investment schemes in securities (unit trusts or funds).

Tax note

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

About the paper

The Allan Gray Quarterly Commentary is printed on LumiSilk, a paper made from trees grown specifically for paper manufacturing.
The paper is certified by the Forest Stewardship Council (FSC), an organisation which promotes responsible management of the world's forests.

NOTES

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