

Costs and their disclosure are an important part of a fund selection decision, but the most important factor to consider is the role the fund plays in your overall investment portfolio and how you expect it to perform net of all costs over the long term.

1. What are the various fees unit trust investors incur?

There are essentially three types of fees paid by unit trust investors: investment management fees, fund administration fees and a fee for financial advice where advice is sought. This document focuses on the investment management fees charged by Allan Gray in our A class unit trusts.

Investment management fees are charged by the investment manager for investment research and selecting the underlying assets. These fees may be fixed or performance based. Performance-based fees are dependent on the out- or underperformance of the unit trust relative to its benchmark.

Allan Gray has offered performance-based investment management fees for its unit trusts since the launch of its first unit trust in 1998. Currently, most of our assets under management are managed on a performance fee basis.

Our preference for performance-based fees stems from the fact that we believe clients should only ever pay an above-average fee when they have benefited from above-average performance, and they should pay less when performance fails to meet the required expectations. Performance-based fees also make our income more sensitive to long-term investment performance than the size of our assets under management. In essence, our interests are aligned with those of our clients.

In our view, a fair performance-based fee should reflect the value that an active investment manager has added for clients compared to a fair benchmark, and adjust appropriately during periods of under- and outperformance. We constantly review our fee structures to ensure they remain fair and competitive.

Below we address some frequently asked questions around how performance-based investment management fees are calculated.

Glossary of terms used in this document

Name	Description
Fund	Also known as a unit trust or collective investment scheme.
Class (of the fund)	A single unit trust with one underlying portfolio may offer more than one "class" of units to investors. Each class represents a similar interest in the unit trust's portfolio, but has different fees and expenses and may be available to different types of investors.
Annual investment management fee	This is the fee that is charged for managing the fund. These fees may be fixed (meaning that they are charged regardless of the level of fund performance that is generated) or performance based, which means that the fee is based on the level of investment performance generated relative to a benchmark.
Performance fee benchmark	This is the yardstick that the performance of the fund is measured against. Each fund may only have one performance fee benchmark.
Fee hurdle	This is the level of performance relative to that of the benchmark that the fund must enjoy prior to a fee higher than the minimum fee being charged.

Name	Description
Performance fee measurement period	This is the period for which the fund performance is compared to the fee hurdle, each time the fee is accrued.
Base fee	This is the portion of the annual investment management fee charged before any performance is taken into account.
Minimum fee	This is the minimum annual investment management fee that may be recovered from the fund by the manager.
Fee at benchmark	This is the annual investment management fee that will be charged when the fund's performance is equal to the performance fee benchmark over the performance fee measurement period.
Maximum fee	This is the maximum annual management fee that may in any instance be recovered from the fund by the Manager. This fee includes the base fee and all performance fee elements.
High watermark	The highest level of relative outperformance of the fund over the fee hurdle since inception of the fund.
Sharing ratio	The percentage of performance, relative to the fee hurdle, that the manager is entitled to receive as a fee.

2. What are the minimum and maximum fees for the relevant funds?

Refer to Table 1.

3. What are the base fees for the relevant funds?

Per definition, the base fee would be equal to the fund's fee at benchmark. Where a fund out- or underperforms relative to its benchmark, the performance fee can either add to or subtract from the base fee to total the annual investment management fee.

4. What are the fees at benchmark for the relevant funds?

Refer to Table 1.

5. At what performance levels (also called fee hurdles) will Allan Gray charge more than the minimum fees?

Refer to Table 1.

6. What portion of the performance of the funds will Allan Gray be entitled to share if the funds perform above their fee hurdles (also called the sharing ratio)?

Refer to Table 1.

7. Are the fee hurdles the same as the relevant fund benchmarks?

As shown in Table 1, the fee hurdles are based on the relevant fund benchmarks, but they are not the same.

8. What is the performance fee measurement period?

Refer to Table 1.

Table 1: Allan Gray A class fee details

Fund name	Fund code	Class	Benchmark	Performance measurement period	Minimum fee	Fee at benchmark	Maximum fee	Sharing ratio	High watermark	Fee hurdle
Allan Gray Balanced Fund ¹	AGBF	A	The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds)	Two-year rolling period	0.50%	1%	1.50%	10% (of two-year relative performance)	N/a	The fee hurdle (above which a fee greater than the minimum fee of 0.50% is charged) is performance equal to the benchmark minus 5%.
Allan Gray Bond Fund ²	AGBD	A	FTSE/JSE All Bond Index	N/a	0.50%	0.50%	0.50%	N/a	N/a	N/a
Allan Gray Equity Fund ¹	AGEF	A	The market value-weighted average return of funds in the South African – Equity – General category (excluding Allan Gray funds)	Daily	0%	1%	Uncapped	20%	Yes	The fee hurdle (above which a fee greater than the minimum fee of 0% is charged) is performance equal to the benchmark minus 5% per annum.
Allan Gray Income Fund ²	AGINA	A	STeFI Composite Index	N/a	0.75%	0.75%	0.75%	N/a	N/a	N/a
Allan Gray Interest Fund ²	AGIFA	A	STeFI Composite Index	N/a	0.65%	0.65%	0.65%	N/a	N/a	N/a
Allan Gray Money Market Fund ²	AGMF	A	Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index	N/a	0.25%	0.25%	0.25%	N/a	N/a	N/a
Allan Gray Optimal Fund	AGOF	A	The daily interest rate as supplied by FirstRand Bank Limited	Daily	1%	1%	Uncapped	20%	Yes	The fee hurdle (above which a fee greater than the minimum fee of 1% is charged) is performance equal to the benchmark.
Allan Gray Stable Fund ¹	AGSF	A	The daily interest rate as supplied by FirstRand Bank Limited plus 2%	Two-year rolling period	0.50%	1%	1.50%	10% (of two-year relative performance)	N/a	The fee hurdle (above which a fee greater than the minimum fee of 0.50% is charged) is performance equal to the benchmark minus 5%.
Allan Gray SA Equity Fund	AGDA	A	FTSE/JSE All Share Index including income	Daily	0%	1%	Uncapped	20%	Yes	The fee hurdle (above which a fee greater than the minimum fee of 0% is charged) is performance equal to the benchmark minus 5% per annum.
Allan Gray Tax-Free Balanced Fund ^{1,2}	AGTBA	A	The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds)	N/a	1.25%	1.25%	1.25%	N/a	N/a	N/a
Allan Gray-Orbis Global Balanced Feeder Fund ^{3,4}	AGGF	A	60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index	Daily	1.10% ⁴	1.10%	Uncapped	25%	Yes and a refundable fee reserve	The fee hurdle (above which a fee greater than the minimum fee of 1.10% is charged) is performance equal to the benchmark.
Allan Gray-Orbis Global Equity Feeder Fund ^{3,4}	AGOE	A	MSCI World Index, including income, after withholding taxes	Daily	1.10% ⁴	1.10%	Uncapped	25%	Yes and a refundable fee reserve	The fee hurdle (above which a fee greater than the minimum fee of 1.10% is charged) is performance equal to the benchmark.
Allan Gray-Orbis Global Optimal Fund of Funds ³	AGOO	A	The simple average of the bank deposit rates in the currencies of the underlying Orbis funds	Daily	1%	1%	Uncapped	20%	Yes	The fee hurdle (above which a fee greater than the minimum fee of 1% is charged) is performance equal to the benchmark.

All fees are quoted per annum and excluding VAT. Class A units are available to investors that invest via Allan Gray Unit Trust Management (RF) Proprietary Limited or our linked investment service provider (LISP): Allan Gray Investment Services Proprietary Limited.

- The annual investment management fee is calculated on the daily value of the Fund excluding any assets invested in the Orbis funds. Assets invested in the Orbis funds incur an investment management fee. These, along with other expenses are included in the total expense ratio.
- The Fund charges a fixed fee with no performance fee component.
- Allan Gray does not charge a fee, the fee charged by Orbis (the underlying manager) has been provided.
- Performance fees are charged with a refund mechanism. When the Fund outperforms the benchmark, a portion of this outperformance is paid into a fee reserve. Subsequent underperformance is refunded back to the investor from the fee reserve. If fees are refunded from the fee reserve in periods of underperformance, this can lead to the overall fee charged being below the minimum fee as indicated in the table above. If at any time sufficient value does not exist in the reserve to provide a refund, the high watermark will apply, which will have to be surpassed before fees can be paid to the reserve. More information is available on www.orbis.com.

9. Can more than the fee at benchmark be charged regardless of whether the fund is experiencing positive or negative performance?

Yes. A fund can outperform its benchmark while the overall return is negative.

10. Are fund performance figures quoted net of (after) fees or gross of (before) fees?

Fund performance is calculated net of all fees.

11. What fee rate will be charged if the fund delivers varying relative performance over its performance measurement period?

Fund name	Fund code	Class	Fees paid for varying levels of performance relative to the benchmark				
			-10% p.a.	-5% p.a.	Benchmark	+5% p.a.	+10% p.a.
Allan Gray Balanced Fund ¹	AGBF	A	0.50%	0.50%	1%	1.50%	1.50%
Allan Gray Bond Fund ²	AGBD	A	0.50% irrespective of performance				
Allan Gray Equity Fund ¹	AGEF	A	0%	0%	1%	2%	3%
Allan Gray Income Fund ²	AGINA	A	0.75% irrespective of performance				
Allan Gray Interest Fund ²	AGIFA	A	0.65% irrespective of performance				
Allan Gray Money Market Fund ²	AGMF	A	0.25% irrespective of performance				
Allan Gray Optimal Fund	AGOF	A	1%	1%	1%	2%	3%
Allan Gray Stable Fund ¹	AGSF	A	0.50%	0.50%	1%	1.50%	1.50%
Allan Gray SA Equity Fund	AGDA	A	0%	0%	1%	2%	3%
Allan Gray Tax-Free Balanced Fund ^{1,2}	AGTBA	A	1.25% irrespective of performance				
Allan Gray-Orbis Global Balanced Feeder Fund ^{3,4}	AGGF	A	1.10%	1.10% ⁴	1.10%	2.77%	4.43%
Allan Gray-Orbis Global Equity Feeder Fund ^{3,4}	AGOE	A	1.10%	1.10% ⁴	1.10%	2.77%	4.43%
Allan Gray-Orbis Global Optimal Fund of Funds ³	AGOO	A	1%	1%	1%	2.25%	3.5%

All fees are quoted per annum and excluding VAT. Class A units are available to investors that invest via Allan Gray Unit Trust Management (RF) Proprietary Limited or our linked investment service provider (LISP): Allan Gray Investment Services Proprietary Limited.

1. The annual investment management fee is calculated on the daily value of the Fund excluding any assets invested in the Orbis funds. Assets invested in the Orbis funds incur an investment management fee. These, along with other expenses are included in the total expense ratio.
2. The Fund charges a fixed fee with no performance fee component.
3. Allan Gray does not charge a fee, the fee charged by Orbis (the underlying manager) has been provided.
4. Performance fees are charged with a refund mechanism. When the Fund outperforms the benchmark, a portion of this outperformance is paid into a fee reserve. Subsequent underperformance is refunded back to the investor from the fee reserve. If fees are refunded from the fee reserve in periods of underperformance, this can lead to the overall fee charged being below the minimum fee as indicated in the table above. If at any time sufficient value does not exist in the reserve to provide a refund, the high watermark will apply, which will have to be surpassed before fees can be paid to the reserve. More information is available on www.orbis.com.

12. Do any other classes of the funds charge fixed fees instead of performance-based fees?

No. The fee type is the same for all classes of the same fund.

13. Are the performance fees accrued daily (also called the fee accrual frequency)?

Yes.

14. Do performance fee accruals pertain to performance periods more than a month prior to accrual?

No. Performance fees are accrued daily.

15. Is a rolling measurement period used?

Yes, in certain instances. For the Allan Gray Balanced Fund and Stable Fund, rolling periods are used.

16. How often is the performance fee paid to Allan Gray (also called the fee payment frequency)?

The fees are accrued daily and paid to Allan Gray monthly.

17. Should the fund experience underperformance relative to the fee hurdle, how long is that underperformance held against Allan Gray? In particular, at what point would that underperformance be written off from a fee calculation perspective?

In the case of a rolling measurement period structure, this is held for the length of the measurement period (typically for two years). In the case of a high watermark structure, this is held until the fund exceeds the high watermark.

18. Does performance in excess of the fee hurdle need to overcome prior underperformance (also called a high watermark structure)? Are fee accruals suspended or refunded and are there circumstances under which the structure expires?

A high watermark structure means that the fund must first make up any past underperformance relative to the fee hurdle prior to a future fee above the minimum fee being charged. This structure is in place for the performance component of certain Allan Gray funds as indicated in Table 1. Fees are only accrued when we reach the required levels of performance. Should we not reach the required performance, fees will not be accrued.

19. Do any underlying funds charge implicit performance-based fees?

Yes, the Allan Gray Balanced Fund, Equity Fund and Stable Fund have exposure to Orbis funds that charge their own performance-based fees. Where underlying funds charge implicit performance fees (i.e. implicit in their unit prices), investors may carry these performance fees regardless of whether the top tier fund has outperformed its own performance fee benchmark.

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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.

FTSE/JSE All Share Index and FTSE/JSE All Bond Index

The FTSE/JSE All Share Index and FTSE/JSE All Bond 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 and FTSE/JSE All Bond Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index and FTSE/JSE All Bond Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

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 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. Purchase and redemption requests must be received by the Management Company by 11:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Feeder funds and funds of funds

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 fees in its feeder funds or fund of funds.

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).