

10 March 2021

Dear investor

## Proposed changes to the Allan Gray-Orbis Global Fund of Funds

As an investor in the Allan Gray-Orbis Global Fund of Funds ("the Fund"), we invite you to consider and vote on proposed changes to the Fund. We intend to convert the Fund from a fund of funds structure to a feeder fund structure that invests solely in the Orbis SICAV Global Balanced Fund, which is domiciled in Luxembourg and managed by Orbis Investment Management Limited ("Orbis"), our offshore investment partner. At the same time, we intend to:

- Rename the Fund, since it will become a feeder fund
- Change the Fund's benchmark to be aligned with that of the underlying Orbis SICAV Global Balanced Fund

If the ballot is successful, our goal is to implement these changes with effect from **1 June 2021**. The transition to fully invest in the Orbis SICAV Global Balanced Fund will be managed over a maximum period of four weeks after 1 June 2021.

### What do you need to do?

1. Once you have considered the proposed changes detailed below, please complete the attached ballot form and return it directly to our auditors before midnight on **26 April 2021**. You may submit your ballot response by email to [allangrayballots@za.ey.com](mailto:allangrayballots@za.ey.com), or use the enclosed self-addressed envelope.
2. Please do not include any other instructions regarding your investment with your ballot form as the ballots go straight to the auditors and your instruction will not reach us.
3. If you are no longer invested in the Fund on or before **1 March 2021**, you do not have to do anything.

The proposed changes will only be implemented if our auditors receive completed ballot forms for at least 25% of the Fund's units, as required by legislation, with the majority of the votes received being in favour of the changes.

### Your rights as an investor

As outlined in section 98 of the Collective Investment Schemes Control Act (CISCA) and clause 67 of the Trust Deed between Allan Gray Unit Trust Management (RF) Proprietary Limited and its Trustee, FirstRand Bank Limited, **you have the right to vote for or against the below changes**. Regardless of the outcome of the vote, you are able to switch (at no switching fee) or withdraw your investment from the Fund.

**Please note, however, that this may constitute a capital gains tax event.** If you do not switch or withdraw your investment from the Fund, the proposed changes will automatically apply to your investment if they are approved.

### The proposed changes and their impact on your investment

1. **Convert the Fund from a fund of funds structure to a feeder fund structure and amend the Fund's investment policy accordingly**  
While the Fund's structure will change, its investment objective and investment philosophy will remain the same.

The Fund is a rand-denominated unit trust that was launched in 2004. Currently, the Fund invests in a mix of equity, absolute return and multi-asset class funds managed by Orbis. Allan Gray currently determines the mix of Orbis funds that the Fund invests in to achieve its objective.

Since the launch of the Orbis SICAV Global Balanced Fund in 2013, the Fund has gradually increased its exposure to the Orbis SICAV Global Balanced Fund, with it now making up approximately 74% of the Fund. Going forward, Allan Gray intends to invest the Fund solely in the Orbis SICAV Global Balanced Fund, which we believe is appropriate given that the Orbis SICAV Global Balanced Fund's investment objective mirrors that of the Fund by seeking to balance capital appreciation, income generation and risk of loss by investing in a diversified global portfolio of equities, fixed income and commodity-linked instruments.

This means that the Fund must be converted from a fund of funds (which can invest in multiple underlying funds with a maximum exposure of 75% to any one fund) to a feeder fund (which can invest in only one underlying fund). Investors will be charged a single investment management fee based on the Orbis SICAV Global Balanced Fund's performance relative to its benchmark, rather than separate fees based on the performance of multiple underlying Orbis funds relative to their respective benchmarks.

**Directors:** V A Christian BCom CA (SA)\*, R J Formby BSc (Eng) MBA\*, T G Lamb BBusSc (Hons) CA (SA), E D Loxton BCom (Hons) MBA (Chairman)\*, B Madikizela CA (SA) Mcomm (Int Acc)\*, J W T Mort BA LLB\*, E Van Zyl BSc MBA MFin \*Non-Executive **Company Secretary:** C E Solomon BBusSc (Hons) CA (SA) **Allan Gray Unit Trust Management (RF) Proprietary Limited:** Registration Number 1998/007756/07. Allan Gray Proprietary Limited is an authorised financial services provider.

**Address:** 1 Silo Square V&A Waterfront Cape Town 8001 P O Box 51605 V&A Waterfront Cape Town 8002 South Africa **Client Service Centre:** **T** 0860 000 654 / +27 (0)21 415 2301 **F** 0860 000 655 / +27 (0)21 415 2492 **E** [info@allangray.co.za](mailto:info@allangray.co.za) **W** [www.allangray.co.za](http://www.allangray.co.za)

Investing solely in the Orbis SICAV Global Balanced Fund effectively transfers full responsibility for asset allocation from Allan Gray to Orbis. We believe that Orbis is well equipped to assume the responsibility for the Fund's asset allocation given that they are already responsible for picking the underlying global assets and have successfully developed a track record in asset allocation.

## 2. Rename the Fund in line with the conversion

The Fund's name will change from the Allan Gray-Orbis Global Fund of Funds to the Allan Gray-Orbis Global Balanced Feeder Fund.

## 3. Change the Fund's benchmark to reflect that of the Orbis SICAV Global Balanced Fund

The Fund's benchmark will change from 60% FTSE World Index, with gross dividends reinvested, and 40% JP Morgan Global Government Bond Index, to the Orbis SICAV Global Balanced Fund's benchmark of 60% MSCI World Index, with net dividends reinvested, and 40% JP Morgan Global Government Bond Index.

When the Fund was launched, the FTSE World Index was the most representative benchmark for the investable universe of global equities, but the MSCI World Index is now considered by most global equity managers to be a more appropriate benchmark. The change from gross to net dividends reinvested also better reflects the fact that investors would typically be subject to dividend withholding taxes, both in the Fund and if invested in the securities that constitute the benchmark.

## Summary of the proposed changes

**Table 1: Summary of the proposed changes to the Fund**

	Current	Proposed
Structure	Fund of funds investing in a mix of Orbis funds, including the Orbis SICAV Global Balanced Fund	Feeder fund investing only in the Orbis SICAV Global Balanced Fund
Name	Allan Gray-Orbis Global Fund of Funds	Allan Gray-Orbis Global Balanced Feeder Fund
Benchmark	60% FTSE World Index, with gross dividends reinvested, and 40% JP Morgan Global Government Bond Index	60% MSCI World Index, with net dividends reinvested, and 40% JP Morgan Global Government Bond Index
Annual management fees	Allan Gray does not charge an annual management fee, but is paid a marketing and distribution fee by Orbis.  Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee is calculated based on that fund's performance relative to its own benchmark.	Allan Gray does not charge an annual management fee, but is paid a marketing and distribution fee by Orbis.  Orbis charges annual management fees within the underlying Orbis SICAV Global Balanced Fund based on the fund's performance relative to its benchmark.

If you have any questions, or require assistance or additional information, please contact your financial adviser, our Client Service Centre on 0860 000 654 or email [info@allangray.co.za](mailto:info@allangray.co.za).

Yours sincerely

Tamryn Lamb

Head: Retail Distribution

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## Appendix A – Proposed changes to the investment policy

Extract of current investment policy	Proposed change
3.1 The Portfolio will consist of holdings in mutual funds which invest in a broad spectrum of securities. The Manager in selecting these funds for the Portfolio will seek to procure steady long-term growth in real terms (i.e. providing for CPIX inflation). In order to achieve this objective the Manager will invest in a mixture of Orbis mutual funds, some of which may include the Orbis absolute return funds which use derivatives to reduce stock market risk.	The Allan Gray-Orbis Global Balanced Feeder Fund is a rand-denominated feeder fund portfolio. The Portfolio provides access to a diversified global portfolio of equity, fixed income and commodity-linked instruments through investing in a single underlying global balanced collective investment scheme portfolio. The objective of the Portfolio is to seek steady long-term growth in real terms (i.e. providing for CPIX inflation).
3.2 Investments to be included in the Allan Gray-Orbis Global Fund of Funds will, apart from assets in liquid form consist solely of participatory interests of collective investment schemes registered in the Republic of South Africa and of participatory interests or any other form of participation in portfolios of collective investment schemes or similar schemes operated in territories with a regulatory environment which is to the satisfaction of the Manager and Trustee of a sufficient standard to provide investor protection at least equivalent to that in South Africa.	Investments to be included in the Allan Gray-Orbis Global Balanced Feeder Fund will consist of exchange rate swaps (where applicable), assets in liquid form and participatory interests in the Orbis SICAV Global Balanced Fund. The Orbis SICAV Global Balanced Fund is registered, authorised and supervised in Luxembourg, and approved for marketing in South Africa by the Authority in terms of Section 65 of the Act. The Orbis SICAV Global Balanced Fund may use derivatives to reduce stock market risk.
3.3 For the purpose of the Allan Gray-Orbis Global Fund of Funds the Manager shall reserve the right to close the Portfolio to new investors. This will be done in order to be able to manage the Portfolio in accordance with its mandate. This critical size shall be determined from time to time by the Manager.	For the purpose of the Allan Gray-Orbis Global Balanced Feeder Fund the Manager shall reserve the right to close the Portfolio to new investors. This will be done in order to be able to manage the Portfolio in accordance with its mandate. This critical size shall be determined from time to time by the Manager.
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3.4 Nothing in this Supplemental Deed shall preclude the Manager from varying the ratios of securities and assets in liquid form, to maximise capital growth and investment potential in a changing economic environment or market conditions or to meet the requirements, if applicable, of any exchange formally recognised in terms of the Deed; provided that the Manager shall ensure that the aggregate value of the assets comprising the Portfolio shall consist of securities and assets in liquid form of the aggregate value required from time to time by the Act.	Nothing in this Supplemental Deed shall preclude the Manager from varying the ratios of securities and assets in liquid form, to maximise capital growth and investment potential in a changing economic environment or market conditions or to meet the requirements, if applicable, of any exchange formally recognised in terms of the Deed; provided that the Manager shall ensure that the aggregate value of the assets comprising the Portfolio shall consist of securities and assets in liquid form of the aggregate value required from time to time by the Act.
3.5 The trustee shall ensure that the investment policy in respect of the Portfolio, set out in the Deed, is carried out.	The trustee shall ensure that the investment policy in respect of the Portfolio, set out in the Deed, is carried out.

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