Allan Gray Life Global Balanced (RRF) Portfolio

30 April 2024

Portfolio objective and benchmark

This Portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this Portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- Represents Allan Gray's 'houseview' for a global balanced mandate.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- Performance based fee.
- The Base Refundable Reserve Fee is levied on the Orbis funds.

Compliance with Prudential Investment Guidelines

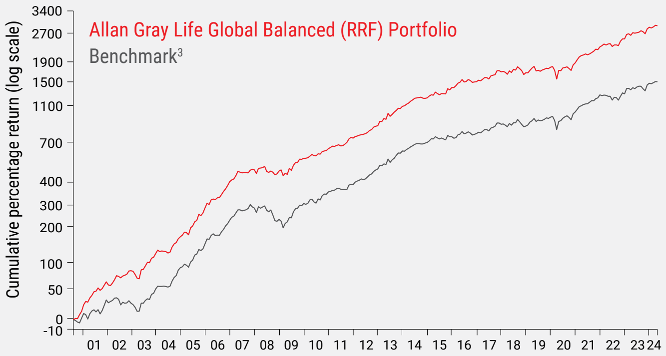
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 30 April 2024

Assets under management	R29 800m

Performance[1,2]

Cumulative performance since inception



% Returns[2,4]	Portfolio[1]	Benchmark[3]
Since inception	15.5	12.4
Latest 10 years	9.2	7.8
Latest 5 years	9.9	8.9
Latest 3 years	12.0	9.2
Latest 2 years	11.2	8.8
Latest 1 year	8.4	7.2
Latest 3 months	2.6	2.3

Asset allocation on 30 April 2024[5]

Asset class	Total	South Africa	Foreign
Net equities	64.8	38.9	26.0
Hedged equities	11.6	1.9	9.6
Property	1.0	0.4	0.6
Commodity-linked	2.4	2.4	0.0
Bonds	10.9	7.8	3.1
Money market and cash[6]	9.3	6.0	3.3
Total (%)	**100.0**	**57.5**	**42.5**

1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
2. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its inception on 31 August 2000. The Investor Class Fee was levied in the underlying Orbis funds.
3. Mean of Alexander Forbes Global Large Manager Watch. The return for April 2024 is an estimate.
4. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 April 2024.
5. Underlying holdings of foreign funds are included on a look-through basis.
6. Including currency hedges.

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

Top 10 share holdings on 31 March 2024 (SA and Foreign) (updated quarterly)[5]

Company	% of portfolio
British American Tobacco	3.6
AB InBev	3.6
Naspers & Prosus	3.1
Glencore	2.4
Nedbank	1.9
Mondi	1.8
Woolworths	1.7
Standard Bank	1.7
The Walt Disney Company	1.5
Remgro	1.2
Total (%)	**22.5**

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Fund manager quarterly commentary as at 31 March 2024

The FTSE/JSE All Share Index trended lower over the quarter, with several shares falling on the release of their financial results. The operating environment for local businesses is very tough. In contrast, global equities have been strong, with the MSCI World Index surpassing its previous 2022 all-time high. Much of this strength was driven by US mega-caps, but the Japanese and certain European stock markets also reached new highs. Against this backdrop, the Portfolio returned 2.3% for the quarter.

2024 could be described as the global year of elections. Based on research conducted by Deutsche Bank, 2024 will see the highest percentage of the world's population voting since 1800. Some of the regions heading to the polls include Taiwan, Europe, the United States of America, India, the United Kingdom and, of course, South Africa. In the normal course of thinking about investments, we do not pay special attention to politics – but this is not a normal election cycle; the outcomes could drastically change many policies that affect some of our underlying holdings. In our view, 2024 has above-average political risk.

The various elections are taking place against the backdrop of a world increasingly divided along both geopolitical and social lines. This is a trend we have been speaking to our clients about for a few years, and one that is making the operating environment increasingly complex for many multinational companies. Think of the partial ban of iPhones for certain public sector workers in China or the shipping attacks in the Red Sea affecting global shipping routes. While we have no unique insights on these geopolitical matters, we do think about these risks when constructing the Portfolio. For example, we have written many times about the significant exposure that the South African equity market has to China. We put limits on this exposure for these reasons.

Closer to home, we may see quite a different political and economic landscape after the South African national elections in May. No one knows what the outcome will be with any certainty, given several potential scenarios. Clearly, not all of them are positive. We had not even heard of the uMkhonto weSizwe Party (MK Party) a few months ago. Rather than hedging our bets on one or two scenarios prevailing, we try to understand what is discounted in current asset prices.

This is of particular importance to the valuations of many depressed locally focused shares. The political and economic uncertainty in South Africa has pushed up the cost of capital via higher long-bond yields. When this is combined with low or non-existent real growth, the result is a low valuation placed on local profits. Of course, any positive change in yields or growth could result in an upward rerating from depressed levels. We believe that this scenario would require a return of foreign investors, first to our bond and then our equity markets. For that to happen, we need to become an attractive investment destination again. Large pools of foreign capital have many choices globally, and South Africa is small enough to ignore if the risk-reward ratio is not favourable.

With these risks and opportunities in mind, we have deliberately constructed a diversified portfolio for a wide range of outcomes. The Portfolio has exposure to offshore assets, locally listed shares that are international businesses, attractively valued domestic businesses, high-yielding cash and bonds, as well as precious metals. We believe successful asset allocation requires a holistic view of the portfolio that allows us to balance the opportunities and risks derived from our positioning.

During the quarter, the Portfolio purchased Prosus and South32 and reduced positions in AB InBev and AVI.

Adapted from a commentary contributed by Duncan Artus

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FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

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MSCI Index

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