Allan Gray Life-Orbis Global Balanced (RRF) Feeder Portfolio

Inception date: 1 August 2015

30 April 2024

Portfolio objective and benchmark

The Portfolio aims to balance capital appreciation, income generation and risk of loss in a diversified global multi asset class portfolio. The benchmark is a composite consisting of 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan Global Government Bond Index.

Product profile

- This is a feeder portfolio, investing in the Orbis SICAV Global Balanced Fund which is actively managed by Orbis.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Base Refundable Reserve Fee is levied in the underlying Orbis SICAV Global Balanced Fund.

MSCI data

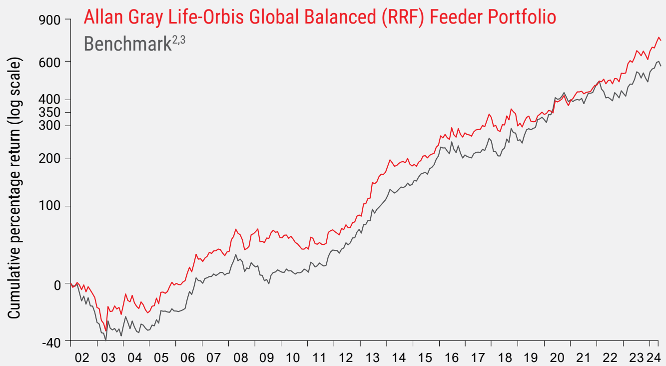
*The blended returns are calculated by Orbis Investment Management Ltd using end-of-day index level values licensed from MSCI (“MSCI Data”). For the avoidance of doubt, MSCI is not the benchmark “administrator” for, or a “contributor”, “submitter” or “supervised contributor” to, the blended returns, and the MSCI Data is not considered a “contribution” or “submission” in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided “AS IS” without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information.

Portfolio information on 30 April 2024

Assets under management	R620m

Performance net of fees[1]

Cumulative performance since inception



% Returns[1,4]	Portfolio		Benchmark[2,3]	
	ZAR	US$	ZAR	US$
Since inception	9.7	7.4	8.7	6.3
Latest 10 years	11.2	5.0	11.3	5.0
Latest 5 years	13.7	7.7	11.2	5.3
Latest 3 years	15.5	5.9	9.6	0.4
Latest 2 years	18.6	8.7	14.1	4.6
Latest 1 year	15.5	12.2	11.9	8.6
Latest 3 months	6.4	5.4	1.6	0.6

Asset allocation on 30 April 2024

This portfolio invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	57.8	11.6	21.2	8.3	14.7	2.1
Hedged equities	18.7	10.6	5.4	0.5	1.4	0.9
Property	0.6	0.0	0.0	0.6	0.0	0.0
Commodity-linked	5.9	5.9	0.0	0.0	0.0	0.0
Bonds	15.4	11.3	4.0	0.0	0.0	0.1
Money market and cash	1.6	0.5	0.7	0.1	0.2	0.1
Total	**100.0**	**39.8**	**31.3**	**9.4**	**16.2**	**3.2**

1. The returns prior to 1 August 2015 are those of the Allan Gray Life Foreign Portfolio since its inception on 23 January 2002. This Portfolio invested in a mix of Orbis funds. The Investor Class Fee was levied in the underlying Orbis funds.
2. 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan Global Government Bond Index*.
3. The benchmark prior to 1 August 2015 was that of the Allan Gray Life Foreign Portfolio which is 60% of the MSCI All Country World Index and 40% of the J.P. Morgan Global Government Bond Index.
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.

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

Top 10 holdings on 31 March 2024 (updated quarterly)

Company	% of portfolio
SPDR Gold Trust	5.6
Samsung Electronics	4.5
Kinder Morgan	3.3
Taiwan Semiconductor Mfg.	2.9
TIPS 0.25% 15 July 2029	2.6
Burford Capital	2.5
Mitsubishi Heavy Industries	2.4
Nintendo	2.3
Micron Technology	1.9
Shell	1.9
Total (%)	**29.9**

Fund manager quarterly commentary as at 31 March 2024

While electric vehicles, batteries, solar panels and windmills dominate headlines around the energy transition, they are only a fraction of the whole project. Boring bits of the system may do just as much to propel the transition forward – and the companies that provide them may be much more attractive investments.

Looking at the Portfolio, 17% is invested in the stocks and bonds of companies which play at least some role in the energy transition. To sketch out how the parts of the value chain – and how some of our investee companies within it – fit together, let's start with a typical offshore wind project, the Galloper wind farm off the eastern coast of England.

The core of the project is 56 windmills built and maintained by Siemens Gamesa, a unit of Siemens Energy. Helix, which operates a fleet of undersea robots and support ships, conducted the undersea trenching and burial work for the 56 cables connecting those turbines to an offshore substation, and Prysmian, a power and telecommunication cable manufacturer, provided some of the high-voltage cables to connect the project to adjacent windfarms and then 45 kilometres back to shore.

As the world adopts broadly dispersed power farms located far away from cities, our energy system will become much more cable intensive. Cables can represent a quarter of the cost for an offshore wind project, and to support wind farms and international interconnectors, the world will need to roll out about 5 000 kilometres of subsea cables every year (outside of China, which uses its own suppliers). That is good news for Prysmian, which is the largest of only three major Western firms with the specialised factories to make those cables and the specialised ships to lay them. All that underwater work also augurs well for Helix. It turns out that the skills (and robots) that are useful for servicing offshore oil wells transfer quite well to servicing offshore wind farms.

Wind farms are not the only source of growing cable demand. Existing grids need cables too, in part because the world's electric grids are ageing. On average, grid equipment in the US and Europe is old and being operated beyond its designed lifespan. In some places, people are charging Teslas using cables installed before World War II. The US Department of Energy reckons grid infrastructure will need to be expanded by 60% by 2030. Globally, that translates into US$650 billion of estimated grid investment every year, double the level of recent years.

A system juggling intermittent power sources, batteries, home solar panels, power-hungry artificial intelligence data centres, and electrified cars and factories will be both more burdened and more complex than the grid is today. More electricity needs to travel longer distances in more directions to more locations, and Siemens Energy and Mitsubishi Heavy Industries (MHI), which both make electricity transmission and distribution equipment, are well placed to provide the increasingly sophisticated transformers, switchgear, converters and substations the new grid will require.

Intermittency (power sources that are not always on) poses challenges beyond just grid infrastructure. As systems become more reliant on wind and solar power, they need to keep the lights on when the wind isn't blowing and the sun isn't shining.

Drax, a UK power generator, provides reliable baseload electricity, as it can run its biomass plant 24/7. Drax also plays a role in energy storage with its elegantly simple "pumped hydro" facility in Scotland. When power is plentiful and cheap, Drax uses electrical pumps to move water uphill into a reservoir, then later lets it flow back downhill through turbines when power is scarce and better priced.

The move to a cleaner energy system is bigger than just the electric grid; it also involves industry and buildings. Siemens Energy offers a suite of products to help companies electrify their operations, while MHI focuses on helping companies switch their heat source from coal to gas, cutting carbon emissions by about 40% in the process. Beyond industry, buildings of all kinds can be much more energy-efficient than they are today. In Europe, where buildings account for 40% of total energy consumption, Signify brings a simple solution: just replace the lights. Lighting accounts for nearly half of cities' total electricity use, and replacing inefficient lights with Signify's excellent LED systems can cut the related carbon emissions by 75% or more.

The preceding sketch barely scratches the surface of the major energy transition themes, but in our view, it is an encouraging story. There are challenges and trade-offs, but these companies are applying their skills in innovative ways to move both their own businesses and the broader transition forward.

That alone wouldn't earn their stocks and bonds a place in the Portfolio, however. As investors, the key for us is the relationship between the companies' fundamental prospects and the prices of their shares and bonds. In each of these cases, we think their prospects are underappreciated by the market.

This has allowed us to build positions in these companies at attractive prices. Drax trades for less than five times earnings. Helix and Signify trade for less than 10 times free cash flow. Siemens Energy is struggling to work through quality control issues at its wind turbine unit, but in our view the long-term value of its businesses is substantially higher than its current market capitalisation. MHI has begun to attract attention for its defence business, but still trades at a lower valuation than the typical global stock – as does Prysmian, where consensus earnings estimates are just starting to reflect the growth potential we have long seen.

The energy transition features no shortage of complexity and controversy. Put those together, and it also features plenty of investment opportunity.

We reduced the Portfolio's exposure to US Treasury Inflation Protected Securities (TIPS) to reallocate some of the capital to Norwegian and Icelandic government bonds. In addition, we trimmed the Portfolio's position in Corpay (formerly Fleetcor Technologies) and increased the Portfolio's exposure to gold-related securities, as we continue to believe gold provides attractive diversification benefits.

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

Important information for investors

Information and content

The information in and content of this publication/presentation are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication/presentation constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

Allan Gray Life Ltd is a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017.

Past performance is not indicative of future performance.

J.P. Morgan Index

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2024, J.P. Morgan Chase & Co. All rights reserved.

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**