**Fund managers:** Duncan Artus, Rory Kutisker-Jacobson, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 5 April 2017

# Allan Gray Balanced Portfolio

**31 July 2025**

## Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 45% offshore. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 75%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Retirement Fund.

## Portfolio objective and benchmark

The Portfolio aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the benchmark without assuming any more risk. The Portfolio's benchmark is a composite benchmark that comprises indices that reflect the Portfolio's mandate.

## How we aim to achieve the Portfolio's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Portfolio's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Portfolio's stock market exposure. By varying the Portfolio's exposure to these different asset classes over time, we seek to enhance the Portfolio's long-term returns and to manage its risk. The Portfolio's bond and money market investments are actively managed.

## Portfolio history

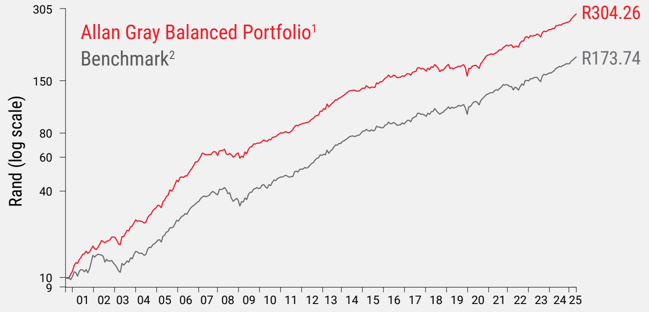
The Portfolio is managed in the same way as the Allan Gray Life Global Balanced (RRF) Portfolio. When assessing the Portfolio's performance and risk measures over time, including for periods before its inception (5 April 2017), the returns of the Allan Gray Life Global Balanced (RRF) Portfolio and the Allan Gray Life Global Balanced Portfolio can be used. When this data is combined, investors can get a view of the performance and risk measures of the strategy over the long term.

*The blended returns are calculated by Allan Gray Proprietary Limited 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 utilizing any MSCI Data, models, analytics or other materials or information.

1. The returns prior to 5 April 2017 are those of the Allan Gray Life Global Balanced (RRF) Portfolio since its inception on 1 August 2015. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its alignment on 1 September 2000. The returns shown are net of the fees that would have been incurred had the current fee been applied since alignment.
2. 41% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 10% FTSE/JSE All Bond Index, 9% 3-month STeFI, 24% MSCI All Country World Index including income and 16% J.P. Morgan GBI Global Index. From 01 July 2018 to 31 July 2022 the benchmark was 47% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index including income and 12% J.P. Morgan GBI Global Index. From inception to 30 June 2018 the benchmark was 50% FTSE/JSE All Share Index, 15% FTSE/JSE All Bond Index, 10% Alexander Forbes 3-month Deposit Index, 15% MSCI All Country World Index and 10% J.P. Morgan GBI Global Index. Source: IRESS, Bloomberg, performance as calculated by Allan Gray as at 31 July 2025.*
3. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 30 June 2025 (source: IRESS).
4. Maximum percentage decline over any period. The maximum drawdown occurred from 17 January 2020 to 23 March 2020 and maximum benchmark drawdown occured from 19 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Portfolio/benchmark (i.e. including income).
5. The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.
6. The standard deviation of the Portfolio's monthly return. This is a measure of how much an investment's return varies from its average over time.
7. These are the highest or lowest consecutive 12-month returns since alignment. This is a measure of how much the Portfolio and the benchmark returns have varied per rolling 12-month period. The Portfolio's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Portfolio's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 30 April 2003. All rolling 12-month figures for the Portfolio and the benchmark are available from our Client Service Centre on request.

## Performance net of all fees and expenses

Value of R10 invested at alignment




| % Returns | Portfolio[1] | Benchmark[2] | CPI inflation[3] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since alignment (1 September 2000) | 2942.6 | 1637.4 | 267.0 |
| **Annualised:** | | | |
| Since alignment (1 September 2000) | 14.7 | 12.1 | 5.4 |
| Latest 10 years | 9.9 | 9.9 | 4.8 |
| Latest 5 years | 14.4 | 12.4 | 5.1 |
| Latest 3 years | 15.0 | 14.0 | 4.5 |
| Latest 2 years | 14.9 | 14.2 | 4.0 |
| Latest 1 year | 16.7 | 16.1 | 3.0 |
| Year-to-date (not annualised) | 13.2 | 11.2 | 2.5 |
| **Risk measures (since alignment)** | | | |
| Maximum drawdown[4] | -23.5 | -24.8 | n/a |
| Percentage positive months[5] | 69.2 | 65.2 | n/a |
| Annualised monthly volatility[6] | 9.0 | 9.7 | n/a |
| Highest annual return[7] | 49.0 | 39.3 | n/a |
| Lowest annual return[7] | -12.2 | -20.3 | n/a |

**Issued:** 12 August 2025

## Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment horizon of at least three years

## Annual management fee

Allan Gray charges a fee based on the net asset value of the Portfolio excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Portfolio's total performance for the day, to that of the benchmark. This fee is presently exempt from VAT.

**Fee for performance equal to the Portfolio's benchmark:** 0.50% p.a.

For each percentage of daily performance above or below the benchmark we add or deduct 0.2%, subject to the following limits:

**Maximum fee:** 2.00% p.a. excl. VAT
**Minimum fee:** 0.50% p.a. excl. VAT

To the extent that the fee calculated exceeds the maximum fee or falls short of the minimum fee, the monetary excess or shortfall will be carried forward to the next day. Any excess or shortfall carried forward from previous day(s) will be added or subtracted to determine the fee payable.

A portion of the Portfolio may be invested in Orbis funds which are levied performance-based fees by Orbis. Orbis pays a marketing and distribution fee to Allan Gray.

## Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

## Top 10 share holdings on 30 June 2025 (SA and Foreign) (updated quarterly)[8]

| Company | % of portfolio |
|---|---|
| British American Tobacco | 3.8 |
| AB InBev | 3.8 |
| Naspers & Prosus | 3.6 |
| The Walt Disney Company | 2.3 |
| AngloGold Ashanti | 2.0 |
| Standard Bank | 1.9 |
| Nedbank | 1.8 |
| Glencore | 1.6 |
| Woolworths | 1.6 |
| Remgro | 1.4 |
| **Total (%)** | **23.8** |

8. Underlying holdings of foreign funds are included on a look-through basis.

## Since inception, the Portfolio's month-end net equity exposure has varied as follows:

| | |
|---|---|
| Minimum | 59.8 % (February 2020) |
| Average | 63.6% |
| Maximum | 67.9 % (July 2021) |

## Asset allocation on 31 July 2025[8]

| Asset class | Total | South Africa | Foreign |
|---|---|---|---|
| Net equities | 63.5 | 35.2 | 28.3 |
| Hedged equities | 11.6 | 3.2 | 8.4 |
| Property | 1.8 | 0.2 | 1.7 |
| Commodity-linked | 2.8 | 2.8 | 0.0 |
| Bonds | 14.6 | 12.0 | 2.7 |
| Money market and bank deposits[9] | 5.7 | 3.2 | 2.5 |
| **Total (%)** | **100.0** | **56.6** | **43.4[10]** |

9. Including currency hedges.

10. The Portfolio can invest a maximum of 45% offshore. Market movements may periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

## Total expense ratio (TER) and transaction costs (updated quarterly)

| TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2025 | 1yr % | 3yr % |
|---|---|---|
| **Total expense ratio[11]** | **1.36** | **1.10** |
| Fee for benchmark performance | 0.53 | 0.53 |
| Performance fees | 0.78 | 0.53 |
| Other costs excluding transaction costs | 0.05 | 0.04 |
| **Transaction costs (including VAT)[12]** | **0.08** | **0.07** |
| **Total investment charge** | **1.44** | **1.17** |

11. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.

12. Transaction costs are a necessary cost in administering the Portfolio and impacts Portfolio returns. It 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.

## Portfolio manager quarterly commentary as at 30 June 2025

For the quarter, the FTSE/JSE All Share Index (ALSI) returned 10.2%, the FTSE/JSE All Bond Index returned 5.9% and the Portfolio returned 8.2%. If that was all you knew, you might think it was a relatively benign quarter, but uneventful it was not.

The quarter began with "Liberation Day" on 2 April when President Donald Trump surprised markets with the degree and severity with which he proposed imposing import tariffs on every country that the US trades with. Even territories uninhabited by humans, such as the Heard and McDonald Islands, were threatened with tariffs. The market reaction was swift, and by 7 April, the ALSI was down 7.0% for the quarter in rands. Offshore, in US dollars, the S&P 500 was down 9.8%, while the MSCI World Index was down 9.9%.

When the US bond market began to buckle, President Trump walked back many of the proposed tariffs, either through revised agreements or 90-day pauses. Within weeks, markets had forgotten the panic of early April, continuing their upward trajectory and largely ignoring the potential future impact of elevated tariffs on global trade and gross domestic product (GDP).

Domestically, tensions remained elevated in the government of national unity, as the Budget was revised a third time and finally passed in May, with the proposed VAT increase abandoned. Where exactly the SA government will source the funds to finance our growing budget deficit is not entirely clear.

The quarter ended with the already tense situation in the Middle East reaching boiling point, as both Israel and the US bombed Iran, and Iran responded with missile strikes of their own. At quarter end, the countries had entered into a fragile ceasefire agreement.

Against this backdrop, we continue to do what we have always done: ignore short-term noise and invest in assets we believe offer a margin of safety and potential for long-term outperformance. To the extent that the short-term market volatility created opportunities over the quarter to pick up previously expensive assets on the cheap, we looked to capitalise on those.

### Positioning

Our positioning remained largely unchanged over the quarter. The direct offshore exposure of the Portfolio was 43%. However, if you include the dual-listed businesses that make the majority of their money offshore, the foreign exposure of the Portfolio was north of 50% on a look-through basis.

The three largest share positions in the Portfolio, namely British American Tobacco, AB InBev, and Naspers and Prosus, remain unchanged.

British American Tobacco: Continued volume declines in traditional cigarettes, slower-than-expected growth in vape products and concerns over the US regulatory environment continue to weigh on sentiment. However, we believe the market is overly focused on these elements and underappreciates British American Tobacco's resilient cashflows, attractive dividend yield and its rapidly growing Velo product (tobacco-free modern oral). The share trades at a significant discount to intrinsic value and, in our view, offers compelling long-term return prospects.

AB InBev: The world's largest brewer has performed well amid a challenging consumer environment. Despite inflationary pressure and demand challenges in key geographies, AB InBev's cost discipline, pricing power and dominant market positions support earnings growth. Investors remain sceptical due to the company's debt burden and skew to emerging markets, yet we believe the deleveraging trajectory is intact and underappreciated. The valuation remains undemanding, and we are comfortable with our continued exposure.

Naspers and Prosus: Capital allocation has long been a source of frustration for shareholders in Naspers and Prosus. In recent years, this has improved – most notably via the value unlock through their ongoing share repurchase programme which is funded by Tencent share sales. They continue to trade at a material discount to their key holding in Tencent, which we think is attractive in itself and continues to deliver solid results. However, the regulatory and geopolitical risk around Tencent is not insignificant, and for us, it therefore becomes about managing position size. We believe the current portfolio allocation is appropriate given the idiosyncratic and hard-to-quantify geopolitical risk.

As all these shares have rallied throughout the year, we have been trimming our positions.

Offshore, our partner, Orbis, has delivered excellent year-to-date results despite the continued underweight to US technology shares. While we remain cautious on index-level valuations, we do hold select US exposure – favouring companies with strong balance sheets, durable competitive advantages and reasonable valuations. Where valuations do not offer a margin of safety, Orbis has shown the discipline to rotate into less crowded areas of the market, and continues to see much greater value outside the US than within it.

### Looking ahead

We do not attempt to predict short-term market moves or macroeconomic surprises. Even if we did, we don't think we'd be any good at it. Instead, we focus on identifying assets with robust fundamentals trading at attractive prices. In uncertain environments, we believe this long-term orientation, underpinned by valuation discipline and a contrarian mindset, is essential to preserving and growing our clients' wealth.

During the quarter, we added to Glencore and reduced our exposure to Gold Fields.

Commentary contributed by Rory Kutisker-Jacobson

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