

Portfolio objective and benchmark

This Portfolio is designed for institutional investors seeking superior absolute returns (in excess of inflation) over the long term with a higher risk tolerance in the short term than the Balanced 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 local asset classes.
- Fully reflects the manager’s strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Compliance with Prudential Investment Guidelines

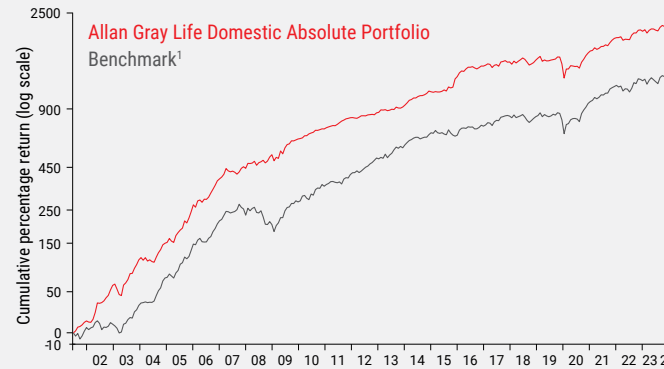
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act (“the Pension Funds Act”). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 31 March 2024

Assets under management	R339m
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Performance gross of fees

Cumulative performance since inception



% Returns ²	Portfolio	Benchmark ¹
Since inception	15.1	12.5
Latest 10 years	8.4	7.2
Latest 5 years	7.0	8.5
Latest 3 years	9.3	9.2
Latest 2 years	6.5	4.9
Latest 1 year	6.2	4.9
Latest 3 months	-0.1	-0.6

Asset allocation on 31 March 2024

Asset class	Total
Net equities	52.8
Hedged equities	8.8
Property	0.2
Commodity-linked	3.7
Bonds	19.1
Money market and bank deposits	15.4
Total (%)	100.0

- Mean of Alexander Forbes Domestic Large Manager Watch. The return for March 2024 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 March 2024.

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

Top 10 share holdings on 31 March 2024 (updated quarterly)

Company	% of portfolio
British American Tobacco	6.8
AB InBev	6.3
MultiChoice	4.8
Woolworths	4.5
Standard Bank	4.2
Prosus	3.9
Glencore	3.6
Nedbank	2.4
Tiger Brands	2.2
Remgro	2.2
Total (%)	41.0

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. The FTSE/JSE All Bond Index also drifted lower as yields moved up. Against this backdrop, the Portfolio returned -0.1% for the quarter. 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.

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 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 Standard Bank and reduced exposure to AB InBev.

Commentary contributed by Duncan Artus

**Fund manager quarterly
commentary as at
31 March 2024**

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Past performance is not indicative of future performance.

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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