

**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 Alexforbes.

**Product profile**

- Actively managed pooled portfolio.
- Investments selected from all local asset classes.
- Represents Allan Gray's 'houseview' for a domestic balanced mandate.

**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**

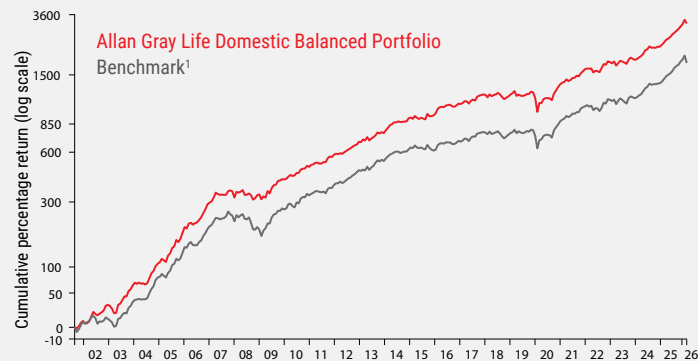
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 2026**

Assets under management	R10 872m
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**Performance gross of fees**

Cumulative performance since inception



- Mean of Alexforbes Domestic Large Manager Watch. The return for March 2026 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 2026.

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

% Returns <sup>2</sup>	Portfolio	Benchmark <sup>1</sup>
Since inception	15.5	13.3
Latest 10 years	10.5	10.1
Latest 5 years	14.8	14.1
Latest 3 years	16.7	16.0
Latest 2 years	23.0	22.2
Latest 1 year	28.2	24.6
Latest 3 months	3.8	-1.3

**Top 10 share holdings on 31 March 2026 (updated quarterly)**

Company	% of portfolio
AB InBev	6.9
Glencore	5.2
Naspers & Prosus	5.2
AngloGold Ashanti	4.4
Standard Bank	3.6
British American Tobacco	3.4
Sasol	2.5
Nedbank	2.5
Woolworths	2.2
Exxaro	2.0
<b>Total (%)</b>	<b>37.8</b>

**Asset allocation on 31 March 2026**

Asset class	Total
Net equities	70.2
Hedged equities	1.7
Property	0.6
Commodity-linked	2.6
Bonds	20.2
Money market and cash	4.8
<b>Total (%)</b>	<b>100.0</b>

With the US and Israel launching a joint military operation against Iran on 28 February, the first quarter of 2026 was characterised by heightened geopolitical risk, sharp moves in commodity and equity markets, and continued divergence across asset classes. Against this backdrop, the Portfolio delivered a pleasing return of 3.8% for the quarter, outperforming its benchmark by 5.1%. Commodity-linked equity exposure and asset allocation decisions played a key role in this relative performance.

Shifts in commodity prices and the resulting equity market volatility were central to quarterly performance, with returns diverging sharply across sectors:

- **Gold:** The precious metal was highly volatile. It started the year at around US\$4 300 per ounce, rallied to a record high above US\$5 400 per ounce in late January, and then declined sharply in March as rising real yields and a stronger US dollar offset its safe-haven appeal. From peak to quarter end, the price of gold fell approximately 16% to US\$4 554 per ounce, ending the quarter slightly above where it began. JSE-listed gold shares showed similar price movements.
- **Platinum:** Similar to gold, at the beginning of the year, platinum continued the strength seen in much of 2025, rising from US\$2 226 per ounce to over US\$2 800 per ounce in late January. It then fell sharply to US\$1 908 per ounce, ending the quarter lower than it began.
- **Oil:** In sharp contrast to the precious metals sector, oil staged a substantial rally in March as the escalation of the US-Israeli war with Iran disrupted supply. This raised concerns around the risks of a prolonged closure of the Strait of Hormuz and the implications for energy markets and related commodities. Having begun the year trading at US\$61 per barrel, Brent crude oil ended the quarter at over US\$100 per barrel.

Throughout much of last year and the early part of this year, we trimmed our gold and platinum group metals (PGMs) equity exposure into strength. As such, while we build the portfolio from the bottom up and remain benchmark agnostic, our underweight positioning in precious metal equities benefited our equity returns, particularly in March. Similarly, our overweight positions in Glencore, Thungela and Sasol benefited from the rally in oil and energy-related commodity prices. After being out of favour with the market for much of the last decade, Sasol was particularly strong, rallying over 100% during the quarter.

Given the importance of oil to the global economy, disruptions to energy supply have widespread implications for global growth, inflation and interest rates. Financial markets have broadly reacted negatively, with global equities declining and volatility intensifying. Rising inflation and interest rate expectations have also seen bond markets sell off.

For example, the South African 10-year government bond fell sharply, with the yield moving from just over 8% at the start of March to 9.6% at the end of the quarter. This is equivalent to a price decline of roughly 8.8%. Recent volatility masks what has, however, been a favourable market for bond investors in South Africa. Over one year, on the back of improving domestic sentiment, declining inflation and South Africa's removal from the Financial Action Task Force (FATF) grey list, the FTSE/JSE All Bond Index has returned 19.2%. Thus, despite the March sell-off, owning South African bonds has been a good investment.

A notable divergence has, however, arisen between the performance of domestic bonds and domestically focused "SA Inc." equities. In contrast to domestic bonds, sentiment towards SA Inc. equities, particularly consumer-facing names, turned negative in 2025. This negativity has carried through into 2026, as constrained household income growth and weak consumer confidence have weighed on sales and earnings growth. Since the start of 2025, the share prices of Mr Price, Truworths, TFG and Spar are all down by over 45%. Even historic market darling Clicks has come under pressure, falling 22% over this period. After being materially underweight most of these shares for some time, we have been selectively buying them over the past few months, as we believe the share prices are now discounting a rather dire future.

The first quarter of 2026 highlighted the importance of diversification in an environment marked by geopolitical shocks and commodity volatility. The Portfolio remains focused on long-term value creation through disciplined asset allocation and security selection. We continue to position the portfolio to withstand a range of outcomes, recognising that periods of uncertainty often present the best opportunities for the patient investor.

During the quarter, the Portfolio added to its positions in Truworths and Dis-Chem and reduced its holdings in Sasol and Gold Fields.

Adapted commentary contributed by Rory Kutisker-Jacobson

**Fund manager quarterly commentary as at 31 March 2026**

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