Portfolio objective and benchmark

This Portfolio is for risk-averse institutional investors. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray's risk-profiled range, this portfolio has less risk of capital loss than the Balanced Portfolio. The benchmark is the Alexander Forbes 3-month Deposit Index plus 2% or CPI plus 3%.

Product profile

- Conservatively managed pooled portfolio.
- Investments selected from all local asset classes.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest component will be conservative.

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/Fixed fee.

Compliance with Prudential Investment Guidelines

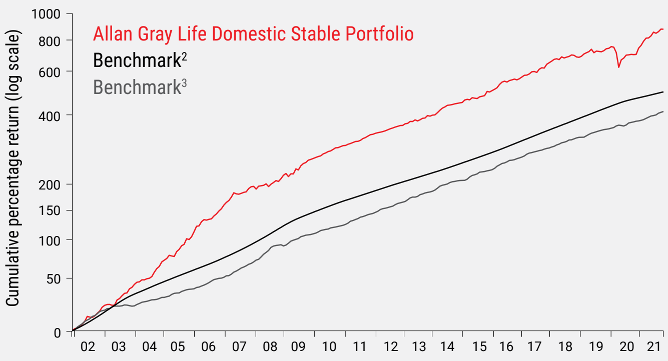
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable 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 September 2021

Assets under management	R1 418m

Performance gross of fees

Cumulative performance since inception[4]



% Returns[1]	Portfolio	Benchmark[2]	Benchmark[3]
Since inception[4]	12.1	9.5	8.7
Latest 10 years	8.5	8.0	8.2
Latest 5 years	7.8	8.1	7.5
Latest 3 years	6.8	7.4	7.1
Latest 2 years	8.4	6.6	7.1
Latest 1 year	21.0	5.5	8.2
Latest 3 months	3.1	1.4	2.6

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 September 2021.
2. Alexander Forbes 3-month Deposit Index plus 2% p.a.
3. CPI plus 3% p.a. The return for September 2021 is an estimate.
4. Since alignment date (1 December 2001).
5. Includes holding in Prosus N.V., if applicable.

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

Asset allocation on 30 September 2021

Asset class	Total
Net SA equity	34.9
Hedged equity	1.0
Property	2.3
Commodity-linked	2.0
Bonds	53.6
Money market and bank deposits	6.2
Total (%)	**100.0**

Top 10 share holdings on 30 September 2021 (updated quarterly)

Company	% of Portfolio
Glencore	3.4
British American Tobacco	3.0
Naspers[5]	2.4
Woolworths	1.9
Standard Bank	1.7
Nedbank	1.6
Sasol	1.3
Sibanye-Stillwater	1.2
MultiChoice	1.2
Aspen	1.0
Total (%)	**18.8**

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Fund manager quarterly commentary as at 30 September 2021

The Portfolio continued its respectable recent run in the third quarter, adding 3.1% and taking the year-to-date return to 12.9%. After an especially strong start to the year, the FTSE/JSE All Share Index has treaded water for the last two quarters, in line with global stock markets, as investors digest the once-off post-lockdown economic boost, flare ups of the Delta variant and the prospect of normalising monetary policy. In addition, the risks posed by China, both from its slowing economy and a raft of tough new government regulations, have had an outsized impact on companies listed on our local market. The Portfolio has maintained its relatively high equity weighting (as viewed against the 40% maximum), with stock selection contributing positively to performance over the period.

Holdings in Glencore and Sasol were among the Portfolio's largest contributors to returns this quarter. We have preferred Glencore over the other large, diversified miners for some time given our cautious view on iron ore versus a more favourable outlook for base metals, to which Glencore is heavily exposed. Following the Chinese government's interventions in the market, the iron ore price has almost halved since June; however, it remains above what we consider a fair long-term level. As the world's largest producer of thermal coal for export, Glencore is also benefiting from the surge in energy prices globally, as a recovery in demand meets relatively stagnant supply. There is a possibility that this will continue as we head into the Northern Hemisphere winter, with suppliers either unwilling or unable to fulfil demand.

While this period of elevated prices may have one-off positive implications for Glencore in terms of shareholder returns, it has made a more permanent impact on Sasol, allowing the company to repair its previously precarious debt position, leading to a rerating in the share price. With a lower debt burden and capital expenditure profile going forward, Sasol is better positioned to generate cash flow sustainably and resume dividends, even at lower oil prices.

Continuing the recovery theme, Portfolio positions in companies exposed to the local economy, such as Old Mutual, Standard Bank and Remgro, among others, have also aided performance, with reported results proving less dire than market participants feared a year ago. In many instances, share prices remain at or below pre-COVID-19 levels, despite some businesses being better positioned now than they were going into the pandemic. We continue to find value in local financial and industrial counters.

Disappointingly for South African investors, the crackdowns on the Chinese technology and gaming sectors have had a material impact on Tencent, and in turn Naspers/Prosus. While many of the new regulations do not seem out of the ordinary to what you may already find in the Western world, the process has unfolded in a heavy-handed manner. This, together with fears that further strict rules may be in the offing, has led to a great deal of investor uncertainty. Although Tencent remains a good business, we have reduced our estimate of its long-term intrinsic value and have decreased the Portfolio's weighting to Naspers/Prosus slightly.

Within fixed income, our local debt market has not been immune to the increased amount of taper talk coming out of most major central banks – in other words, the incremental reversal of quantitative easing strategies as their economies recover. This has implications for emerging markets such as ours, particularly given our reliance on foreign investor flows. Already-high levels of negative sentiment, plus a record current account surplus, albeit cyclical, will help cushion some of the impact. We retain our preference for local bonds over cash and have increased duration marginally after the recent sell-off in yields.

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FTSE/JSE All Share Index

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