

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 Alexforbes.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- 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.
- Minimum investment: R20m.
- Performance based fee.
- The Base Refundable Fee Reserve is levied in the underlying Orbis funds.

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.

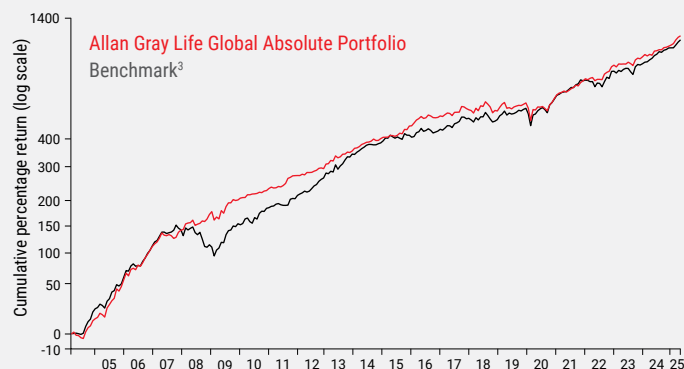
Portfolio information on 30 June 2025

Assets under management

R2 139m

Performance¹

Cumulative performance since inception²



- Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
- Since alignment date (1 March 2004).
- Mean of Alexforbes Global Large Manager Watch. The return for June 2025 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 30 June 2025.
- Underlying holdings of foreign funds are included on a look-through basis.
- Including currency hedges.
- There may be slight discrepancies in the totals due to rounding.

% Returns ⁴	Portfolio ¹	Benchmark ³
Since inception ²	13.0	12.8
Latest 10 years	9.2	9.0
Latest 5 years	13.3	13.3
Latest 3 years	14.0	14.7
Latest 2 years	13.1	13.8
Latest 1 year	18.6	17.6
Latest 3 months	7.1	7.3

Asset allocation on 30 June 2025⁵

Asset class	Total ⁷	South Africa	Foreign
Net equities	61.4	32.7	28.7
Hedged equities	14.8	6.9	7.9
Property	1.7	0.2	1.5
Commodity-linked	4.7	4.7	0.0
Bonds	12.5	8.4	4.0
Money market and cash ⁶	5.0	2.2	2.8
Total (%)⁷	100.0	55.1	44.9

Top 10 share holdings on 30 June 2025 (SA and Foreign) (updated quarterly)⁵

Company	% of portfolio
AB InBev	4.8
British American Tobacco	3.9
Naspers & Prosus	3.8
The Walt Disney Company	3.7
Woolworths	3.1
Standard Bank	3.0
AngloGold Ashanti	2.2
Nedbank	1.7
Tiger Brands	1.6
Gold Fields	1.6
Total (%)⁷	29.3

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 7.1%. 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 45%. 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 SA listed 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.

Offshore, our partner, Orbis, has delivered excellent year-to-date results despite the continued underweight to US technology shares. While we are 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

Fund manager quarterly commentary as at 30 June 2025

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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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FTSE Russell Index

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