ALLANGRAY

Inception date: 15 July 2004

Allan Gray Life Global Stable Portfolio

30 April 2021

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 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.
- 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 portfolio will be conservative.

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/Fixed fee.

Compliance with Prudential Investment Guidelines

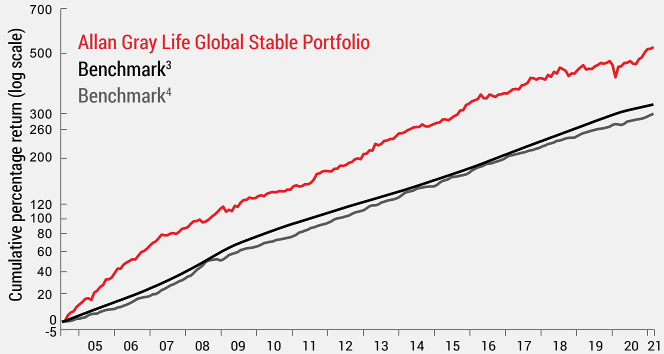
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a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

Assets under management	R5 285m

Performance[1]

Cumulative performance since inception[5]



% Returns[2]	Portfolio	Benchmark[3]	Benchmark[4]
Since inception[5]	11.5	9.0	8.6
Latest 10 years	9.7	8.1	8.2
Latest 5 years	7.2	8.4	7.4
Latest 3 years	6.4	7.9	7.0
Latest 2 years	6.2	7.3	6.7
Latest 1 year	14.1	5.8	7.4
Latest 3 months	3.6	1.3	2.7

1. Performance gross of local fees, net of foreign fees.
2. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 April 2021.
3. Alexander Forbes 3-month Deposit Index plus 2%.
4. CPI plus 3%. The return for April 2021 is an estimate.
5. Since alignment date (1 August 2004).
6. Including currency hedges.
7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Includes holding in Prosus NV if applicable.

Asset allocation on 30 April 2021

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equity	35.7	22.4	2.0	11.2
Hedged equity	17.1	6.0	0.0	11.1
Property	2.9	2.7	0.0	0.1
Commodity-linked	3.9	2.8	0.0	1.0
Bonds	34.0	26.1	3.1	4.9
Money market and bank deposits	6.5	3.5	0.7[6]	2.4
Total (%)	**100.0**	**63.5**	**5.7**	**30.8**

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

Top 10 share holdings on 31 March 2021 (SA and Foreign) (updated quarterly)[7]

Company	% of Portfolio
British American Tobacco	3.6
Naspers[8]	3.6
Glencore	2.7
Sibanye Stillwater	1.5
Woolworths	1.3
Taiwan Semiconductor Mfg.	1.2
Standard Bank	1.2
Nedbank	1.1
MultiChoice	1.0
SPDR Gold Trust	1.0
Total (%)	**18.3**

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Fund manager quarterly commentary as at 31 March 2021

The Portfolio recovered some of its 2020 underperformance in the first quarter, returning 6.4% p.a. as measured over the last two years. The announcement of effective vaccines last November, together with a well-received Democratic win in the US elections, has allowed financial markets to look through the current uncertainty to a more normalised post-COVID-19 world, with the expectation of an economic upswing, as growth and inflation accelerate from a recessionary base, also known as the "reflation trade".

Reflation is typically seen as positive for more cyclical assets, commodities and emerging markets in general as investors reallocate from "safer" asset classes to those offering higher prospective returns. This has allowed many global equity indices to reach new highs this quarter, including our local market. There is reason to retain some caution given 1) the positive sentiment could be derailed by, for example, stuttering vaccine roll-outs or economic data not confirming expectations; or 2) the unprecedented monetary and fiscal stimulus embarked upon in 2020, mainly in developed markets, creating pockets of exuberance, the unwind of which could have a wider impact on financial markets. As always, we prefer to try and look through the shorter-term volatility and concentrate on the intrinsic value of each asset, based on fundamentals.

The Portfolio has benefited in recent quarters from a higher net equity weight of 34.9% (viewed against the 40% maximum). Approximately two-thirds of this exposure is to locally listed shares. Positions that have contributed to returns on an absolute and relative basis over the last year include Glencore, Sibanye-Stillwater and Cashbuild, all of which remain material holdings in the Portfolio. While these shares traded at very depressed levels a year ago, the reasons for their subsequent advances are varied. Demand for the base metals that Glencore produces is often viewed as a leading indicator of economic growth given their input into industrial and consumer products, with prices for many of these metals now at multi-year highs. Similarly, Sibanye-Stillwater has benefited from exposure to higher platinum group metal prices, particularly palladium and rhodium, where supply deficits are expected to remain over the medium term. Lastly, Cashbuild has seen demand for its home-improvement products as people spend more time at home during lockdowns.

Disappointingly, British American Tobacco (BTI) has detracted from performance recently. In our opinion, the current valuation is undemanding for a company that continues to grow its US dollar earnings in real terms while paying a healthy dividend. BTI, together with the Portfolio's other more defensive shares and its exposure to precious metals, provides a counter to the reflation trade, should some of the risks mentioned above materialise.

Within fixed income, the Portfolio retains its preference for local bonds over cash given the steep yield curve and the low real return that holding cash currently offers. The Portfolio's bond holdings provide a real yield well ahead of what cash currently provides with an inflation outlook that is relatively muted. While the market welcomed the commitments made to fiscal discipline in the February Budget, execution risk remains high. Portfolio duration has increased marginally but remains below that of the FTSE/JSE All Bond Index. In the offshore portion, we continue to prefer hedged equities over global sovereign bonds which, despite the recent sell-off, in our view still offer poor value.

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FTSE/JSE All Bond Index

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