Allan Gray Life Global Stable Portfolio

ALLANGRAY

Inception date: 15 July 2004

31 March 2024

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 or fixed fee.

Compliance with Prudential Investment Guidelines

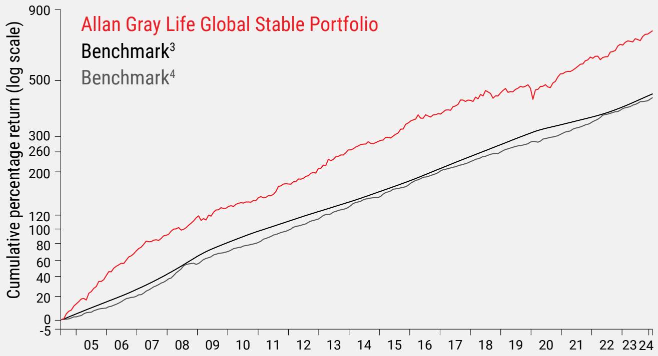
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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	R4 576m

Performance[1]

Cumulative performance since inception[2]



% Returns[5]	Portfolio[1]	Benchmark[3]	Benchmark[4]
Since inception[2]	11.4	8.8	8.7
Latest 10 years	9.1	8.2	8.1
Latest 5 years	9.2	7.7	8.2
Latest 3 years	11.2	7.8	9.2
Latest 2 years	10.7	8.9	9.3
Latest 1 year	11.2	10.2	8.5
Latest 3 months	2.7	2.5	2.7

Asset allocation on 31 March 2024[6]

Asset class	Total	South Africa	Foreign
Net equities	25.8	13.6	12.2
Hedged equities	22.2	9.1	13.2
Property	1.1	0.7	0.4
Commodity-linked	2.4	1.7	0.7
Bonds	32.0	24.5	7.6
Money market and bank deposits[7]	16.4	13.8	2.6
Total (%)	**100.0**	**63.4**	**36.6**

1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
2. Since alignment date (1 August 2004).
3. Alexander Forbes 3-month Deposit Index plus 2%.
4. CPI plus 3%. The return for March 2024 is an estimate.
5. 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.
6. Underlying holdings of foreign funds are included on a look-through basis.
7. Including currency hedges.

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

Top 10 share holdings on 31 March 2024 (SA and Foreign) (updated quarterly)[6]

Company	% of portfolio
British American Tobacco	2.4
AB InBev	2.1
Woolworths	1.4
Nedbank	1.3
MultiChoice	1.2
Gold Fields	1.2
AngloGold Ashanti	1.2
Marriott International	1.1
Sappi	1.0
Glencore	1.0
Total (%)	**13.8**

Issued: 10 April 2024

Fund manager quarterly commentary as at 31 March 2024

The optimism that greeted our local market in the latter part of 2023 has not extended into the current year. The FTSE/JSE Capped SWIX declined by 2.3% in the first quarter. The weak performance of our market, particularly when measured in US dollars, is in stark contrast to other global equity indices which have continued to post fresh all-time highs on the back of expected looser monetary policy and a continuing rally in AI-related stocks. A lacklustre commodity price environment, low economic growth and market participants keeping an eye on the upcoming national elections are all contributing to generally poor sentiment towards South African equities.

In comparison, global bonds have struggled to gain traction with investors becoming increasingly cautious on the quantum of interest rate cuts anticipated over the next year. US growth prospects remain strong and global inflation remains higher than targeted levels, particularly in the more labour-intensive services economy. The FTSE World Government Bond Index returned -2.4%, while the local FTSE/JSE All Bond Index posted a 4.1% decline in US dollars (-1.8% in rands) over the quarter.

Against this challenging backdrop for risk assets, the Portfolio's return for the first quarter was 2.7%, marginally ahead of the benchmark[1] return of 2.5%. The Portfolio's foreign assets were the main contributor to performance, while the hedged equity portion and bonds also added to returns.

At the end of this quarter, the Portfolio's allocation to local cash and bonds is 38.3% of assets, with the split across instruments made with the objective of generating an acceptable overall real return (i.e. after adjusting for inflation), under a variety of possible scenarios. This comprises low-risk money market instruments yielding 9%, higher nominal South African government bonds at more than 12% and inflation linkers at 4.5% to 6.0% real rates. In sum, this combination should provide a decent return without taking on excessive credit and interest rate risk, which is attractive relative to local inflation at 5.6%. In addition to local fixed income, the Portfolio holds offshore US dollar-denominated low-duration bonds at yields of 5% and higher.

A net equity weight of 25.8%, split evenly across local and foreign stocks, reflects a more cautious stance when viewed against the 40% maximum allowable allocation. We are wary of parts of the market that appear expensive (such as US mega-cap technology shares) and what that may entail for absolute equity returns if stark valuation discrepancies begin to unwind. We seek to exploit this potential opportunity with our allocation to hedged equities, which should provide a return profile more akin to cash plus the alpha generated via our bottom-up stockpicking process.

It is worth reiterating the Portfolio's dual objective of providing long-term returns ahead of cash together with offering a high degree of capital stability. Current high cash rates do present a steep performance hurdle. It is important that the appropriate balance is struck between the risk and return required in meeting and surpassing this hurdle, especially in an environment of uncertainty both locally and offshore.

This quarter, the Portfolio added to positions in gold miners, including Pan African Resources and AngloGold Ashanti. We trimmed the Portfolio's exposure to Standard Bank and Nedbank.

Adapted from a commentary contributed by Sean Munsie

1. Alexander Forbes 3-month Deposit Index plus 2% p.a.

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Important information for investors

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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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FTSE Russell Index

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