Allan Gray Life Global Stable Portfolio

31 May 2025

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 Alexforbes 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

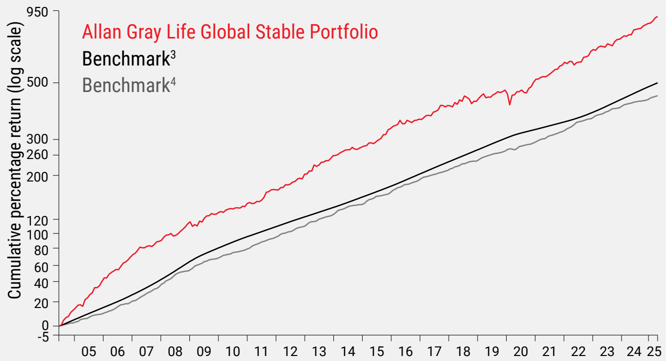
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 May 2025

Assets under management	R5 323m

Performance[1]

Cumulative performance since inception[2]



% Returns[5]	Portfolio[1]	Benchmark[3]	Benchmark[4]
Since inception[2]	11.5	8.9	8.4
Latest 10 years	9.8	8.4	7.9
Latest 5 years	12.2	7.9	8.2
Latest 3 years	11.7	9.4	7.8
Latest 2 years	11.5	10.1	7.0
Latest 1 year	14.4	9.9	5.9
Latest 3 months	5.1	2.3	1.7

Asset allocation on 31 May 2025[6]

Asset class	Total[8]	South Africa	Foreign
Net equities	23.6	11.4	12.2
Hedged equities	24.5	12.6	11.9
Property	1.0	0.1	0.9
Commodity-linked	2.0	1.4	0.6
Bonds	33.8	27.1	6.7
Money market and cash[7]	15.0	12.6	2.5
Total (%)[8]	**100.0**	**65.2**	**34.8**

1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
2. Since alignment date (1 August 2004).
3. Alexforbes 3-month Deposit Index plus 2%.
4. CPI plus 3% p.a. The return for May 2025 is an estimate. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 30 April 2025 (source: Iress).
5. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 May 2025.
6. Underlying holdings of foreign funds are included on a look-through basis.
7. Including currency hedges.
8. There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 31 March 2025 (SA and Foreign) (updated quarterly)[6]

Company	% of portfolio
AB InBev	3.3
British American Tobacco	2.6
AngloGold Ashanti	1.9
Gold Fields	1.5
Woolworths	1.3
Nedbank	1.2
Standard Bank	1.2
Remgro	1.1
Marriott International Inc	0.8
Unilever Plc	0.7
Total (%)[8]	**15.7**

Fund manager quarterly commentary as at 31 March 2025

The first quarter of 2025 saw the local equity market add to the strong gains posted in the preceding year, with the FTSE/JSE All Share Index returning 5.9%. Among the largest contributors to returns at the index level were precious metal miners, telecommunications providers and the dual-listed consumer goods companies, including AB InBev, British American Tobacco and Richemont. Gains for the local banks, insurers and retailers have either begun to stall or go backwards, while the diversified miners and other cyclical rand hedges Sasol and Mondi have continued to struggle in the new year. The FTSE/JSE All Bond Index eked out a 0.7% gain for the quarter, as the risk premium on local government bonds increased, particularly on longer-dated instruments. The faltering US market contributed to declines in the MSCI World Index and the S&P 500, which returned -1.8% and -4.4% in US dollars respectively over the quarter.

Against this backdrop, the Portfolio returned 2.8% for the quarter, slightly ahead of its benchmark[1].

Portfolio holdings in AB InBev and gold miners were among the largest contributors to performance. Gains for AngloGold Ashanti, Gold Fields and DRDGOLD have been particularly strong, with share prices more than 50% higher year to date in rands – this as the gold price breached US$3 000 per ounce for the first time and continued to set new highs. Predominant trends, including diversification away from the US dollar with increased interest in gold as a reserve asset, fears of stagflation in developed economies as growth slows, and political and trade uncertainties, remain more relevant than ever. Despite this, equity investors remain sceptical of the trajectory of the gold price, with valuations of the miners, including those mentioned above, screening as very compelling at the spot price.

The offshore component of the Portfolio was a contributor to overall returns, primarily driven by stock selection. Defence-related holdings were among the leading contributors, having benefited from increased global defence spending and European government commitments to future defence investment. US dollar weakness also aided returns, given the Portfolio's underweight exposure. The offshore component has been positioned against the narrative of American exceptionalism for some time and continues to have limited US exposure.

It is worthwhile noting that events occurring immediately post quarter end pose a possible threat to wider risk asset returns – namely, the sustainability of the government of national unity locally following the conflict-ridden Budget process and the ratcheting up of global trade tensions after President Donald Trump's "Liberation Day" tariff announcements. Last quarter, we wrote about our concerns regarding unsustainable valuation levels both locally and globally, and what this may mean for future returns. This, coupled with geopolitical pressures and elevated uncertainty, makes for increased market volatility ahead.

In our opinion, the Portfolio's current defensive positioning in terms of stock selection, a 24% net equity weight (which is below the 40% maximum), its sizeable asset allocation towards hedged equities, and its lower-duration bond holdings ensure that we are well placed to navigate these challenges.

During the quarter, the Portfolio added to its existing AB InBev holding, initiated a new position in Aspen Pharmacare and trimmed its exposure to British American Tobacco.

Commentary contributed by Sean Munsie

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

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FTSE/JSE All Share Index, FTSE/JSE Resources Index, FTSE/JSE All Bond Index and FTSE/JSE Financials Index

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FTSE Russell Index

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MSCI Index

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