ALLANGRAY

Fund managers: Allan Gray, Coronation, M&G, Ninety One
Inception date: 18 January 2019

Allan Gray Multi-Manager Moderate Portfolio

30 November 2023

Portfolio description and summary of investment policy

The Portfolio invests in the Balanced mandates of a minimum of three managers, all of which are managed to comply with the investment limits governing retirement funds. The Allan Gray Balanced Portfolio has a target allocation of 30% (excluding cash) in the Multi-Manager Portfolio. This allocation can change as a result of performance within pre-defined parameters. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Pension Fund and the Allan Gray Umbrella Provident Fund (collectively known as the Allan Gray Umbrella Retirement Fund).

Portfolio objective and benchmark

The Portfolio aims to achieve steady long-term growth of capital for investors within the constraints governing retirement funds. The Portfolio's benchmark is a composite benchmark, of which 60% is domestic and 40% is foreign.[2]

How we aim to achieve the Portfolio's objective

We have selected managers with a strong track record who have consistently executed on their investment approach over time. These managers have complementary investment styles which, when combined appropriately, should improve the Portfolio's potential to deliver real returns through different market cycles.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment time horizon of at least three years
- Wish to diversify risk across multiple managers

Annual management fee

Each underlying manager charges their own fee. Where performance fees are charged, this is based on the underlying manager's performance compared to its respective benchmark. The benchmark for each underlying manager may differ from the benchmark of the Portfolio.

Allan Gray charges a multi-management fee based on the net asset value of the Portfolio, excluding the portion invested in Allan Gray portfolios. This fee is 0.20% p.a. (which equates to approximately 0.14% p.a. on the entire Portfolio).

Underlying portfolio allocation on 30 November 2023

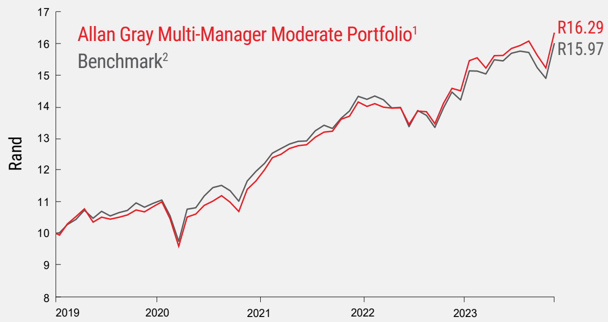
Portfolio	% of Portfolio
Allan Gray Balanced Portfolio	29.6
Coronation Global Houseview Portfolio	24.5
M&G Balanced Portfolio	19.2
Ninety One Opportunity Portfolio	25.6
Cash	1.1
Total	**100.0**

1. Performance is net of all fees and expenses.
2. 41% FTSE/JSE Capped Shareholder Weighted All Share Index, 10% FTSE/JSE All Bond Index, 9% 3-month STeFI, 24% MSCI All Country World Index and 16% J.P. Morgan GBI Global Index, all including income. From inception to 31 July 2022 the benchmark was 47% FTSE/JSE Capped Shareholder Weighted All Share Index, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index and 12% J.P. Morgan GBI Global Index, all including income. Source: IRESS BFA, Bloomberg.*
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 17 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Portfolio/benchmark (i.e. including income).
4. The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.
5. The standard deviation of the Portfolio's monthly return. This is a measure of how much an investment's return varies from its average over time.

* The blended returns are calculated by Allan Gray Proprietary Limited using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "AS IS" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information.

Performance net of all fees and expenses

Value of R10 invested at inception



% Returns	Portfolio[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	62.9	59.7
Annualised:		
Since inception (18 January 2019)	10.6	10.1
Latest 3 years	12.7	11.1
Latest 2 years	9.2	7.4
Latest 1 year	12.0	10.6
Year-to-date (not annualised)	12.6	12.6
Risk measures (since inception)		
Maximum drawdown[3]	-22.3	-23.0
Percentage positive months[4]	70.7	63.8
Annualised monthly volatility[5]	10.2	10.2

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Quarterly commentary as at 30 September 2023

Following a robust stock market rally in the first half of 2023 and a promising start to the third quarter, the trend took an unexpected turn with consecutive months of negative returns in the last two months. Globally, economic trends exhibited a mixture of outcomes and concerns regarding inflation still remain.

In the US, the economy remains resilient with growth being stronger than that experienced in Europe. This has mainly been supported by high levels of income growth despite the monetary policy tightening impact. Inflation increased to 3.7% in August, up from 3.2% in July. While the prospect of a recession has been kicked into the long grass, economic growth is expected to be a lot lower in 2024, with the slowing economy expected to be accompanied by a lower inflation rate in the region of 2.5%.

Growth in China has been slow with the property market under strain. It was reported that Country Garden Holdings, one of China's largest property developers, was likely going to default on an offshore bond and had thousands of stalled developments across the country. This follows another property developer, Evergrande, which also defaulted having racked up liabilities in the region of US$340bn. The Chinese government has launched a stimulus package to try and bolster demand. Overall, the extent to which the government could stimulate growth has been limited due to debt risk fear and the impact on the yuan of widening yield differentials due to the elevated global interest rate environment.

In South Africa, the August inflation rate stood at 4.8% which was a 0.3% month-on-month increase from July. Despite this increase, the inflation rate remained within the South African Reserve Bank's (SARB's) 3-6% target range. The SARB expects inflation to rise before it reverts to the midpoint of the target range in 2025. The Monetary Policy Committee (MPC) of the SARB kept the repo rate at 8.25% at their last meeting. The SARB indicated that, at the current repo rate, policy is restrictive, consistent with the inflation outlook and expectation of inflation increases.

The FTSE/JSE Capped Shareholder Weighted All Share Index ("Capped SWIX") further declined with a return of -3.8% in rand terms over the third quarter of 2023. The industrials sector continued to see a decline in returns, delivering -6.2% over the quarter, while the resources and financial sectors returned -4.4% and 2.2% respectively over the same period. As was the case during the previous quarter, the Capped SWIX dollar return trailed that of the MSCI All Country World Index (MSCI ACWI) (-3.3%) as the rand weakened by a further 0.4% this quarter.

The Portfolio returned -1.3% and 16% (net of fees) for the quarter and latest one year respectively. For both periods, the returns were ahead of the benchmark which returned -2.9% and 14.1% respectively over the same periods.

On a look-through basis, the top 10 equity holdings remained similar over the third quarter, with Sasol replacing MTN (MTN had replaced Sasol during the previous quarter). While there were changes to the asset allocation across local and offshore, these changes were muted.

Commentary contributed by Tonderai Makeke

Issued: 13 December 2023

Top 10 share holdings on 30 September 2023 (updated quarterly)

Company	% of Portfolio
Naspers & Prosus	4.2
British American Tobacco	2.7
Standard Bank	2.1
Mondi	1.9
Glencore	1.5
Compagnie Financiere Richemont SA	1.4
AB InBev	1.3
FirstRand	1.3
Remgro	1.2
Sasol	1.0
Total (%)	**18.8**

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

Asset allocation on 30 November 2023

Asset Class	Total	South Africa	Foreign
Net equities	66.8	36.1	30.8
Hedged equities	4.4	1.0	3.4
Property	1.9	1.3	0.6
Commodity-linked	1.5	1.5	0.0
Bonds	17.4	13.1	4.3
Money market, bank deposits and currency hedge	8.0	7.8	0.2
Total (%)	**100.0**	**60.7**	**39.3**

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2023[8]	1yr %	3yr %
Total expense ratio[6]	1.12	1.00
Fee for benchmark performance	0.67	0.66
Performance fees	0.30	0.20
Other costs excluding transaction costs	0.15	0.14
Transaction costs[7]	0.08	0.09
Total investment charge	**1.20**	**1.09**

6. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.
7. Transaction costs are a necessary cost in administering the Portfolio and impacts Portfolio returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER.
8. This estimate is based on information provided by the underlying managers.

Commentary from underlying fund managers as at 30 September 2023

M&G Balanced Portfolio

Performance review

The Portfolio returned -2.78% for the third quarter of 2023, while for both the 12-month and three-year periods ending 30 September 2023, its return was 14.23% and 14.03% per annum respectively.

Looking at the Portfolio's asset allocation, global cash added the most value to absolute performance for the quarter, while SA cash also added some value. The contributions from SA listed property and SA inflation-linked bonds were flat. All other asset classes detracted from performance in Q3, with SA equities being the largest detractor.

Within SA equities, our overweight holdings in Sasol, Exxaro, Glencore and Sappi added value to the Portfolio's absolute and relative performance during the quarter, as did our collective overweight exposure to SA banks like Standard Bank, Absa and Investec. China-exposed shares like Naspers/Prosus and Richemont were the largest detractors from performance, while gold and platinum shares also detracted. MTN was another detractor for the quarter as, despite resilient results reported in August, the share price declined by 18% over the period.

Strategy and positioning

Starting with our view on offshore vs local asset allocation, during the quarter our relative exposure remained largely unchanged, as we continued to prefer more attractively valued SA assets compared to their global counterparts.

In global equities, the MSCI ACWI 12-month forward price-to-earnings ratio fell to around 15.9 times at quarter end from 16.4 times at the beginning of the quarter as stock prices slumped. We pared our position slightly as the growth outlook appeared to worsen, while we retained our ongoing concerns that earnings expectations, particularly in the US, still do not fully reflect the downside risks to corporate earnings associated with central banks' steep interest rate hikes and the increased likelihood of rates remaining elevated for longer. While we did see meaningful downward revisions to GDP forecasts for 2024 during the quarter, corporate earnings forecasts have remained remarkably resilient. As such we continue to be selective around our global equity holdings and have moved slightly underweight in the Portfolio.

Within global bonds, real yields became much more attractive over the quarter and in our view offer more-than-fair compensation for the risk involved, which primarily reflects investors' views of "higher for longer" global interest rates. We moved to an overweight position in global government bonds in Q3 from our previously broadly neutral stance, adding to our holdings of 30-year US Treasuries, 30-year UK gilts and long-dated German bonds. Duration also rose given our preference for long-dated paper. We are also holding moderate levels of local currency sovereign EM bonds where the real yields are high and the currency is trading at fair-to-cheap levels. The Portfolio was underweight global corporate credit at quarter end, based on our view of credit spreads as unattractive for the risk involved versus their government counterparts.

The Portfolio still favoured SA equities at the end of Q3 2023, with our positioning largely unchanged. SA equity valuations (as measured by the 12-month forward price-to-earnings ratio of the FTSE/JSE Capped SWIX) were also little moved over the quarter at 9.5 times, experiencing similar declines in both earnings expectations and share prices.

During the quarter, we remained tilted away from SA listed property as property sector risks remained high relative to other sectors. We still prefer exposure to non-property shares that we believe offer better value propositions for less risk. Conditions in the local property sector remain uncertain given expectations for "higher for longer" interest rates (many property companies are reliant on finance to expand their portfolios) and relatively weak growth prospects, among other fundamental factors.

Despite their further weakness in September, we did not increase our exposure to SA nominal bonds, maintaining our significant preference for these assets in the Portfolio. From a yield of 11.4% at the start of the quarter, the 10-year SA government bond reached a high of around 12.28% on 28 September before recouping some of the losses on the last day of the quarter. This is not far from the 12.4% high reached during the height of COVID-19. While we acknowledge the heightened risks to the local economy, we continue to believe SA nominal bond valuations are attractive relative to other fixed income assets and to their own longer-term history, and will more than compensate investors for their associated risks over time. The Portfolio has no meaningful exposure to SA inflation-linked bonds (ILBs).

Lastly, the Portfolio remained tilted away from SA cash, given that other SA asset classes offer higher real yields on both an absolute and relative basis.

Ninety One Opportunity Portfolio

The Portfolio delivered a negative absolute return for the quarter.

Among the largest detractors from performance over the quarter was the Portfolio's exposure to offshore equities. Global indices struggled in Q3 amidst stronger US growth data and a peak in interest rates.

The Portfolio's exposure to local equities was another detractor from absolute performance over the quarter. For the period, the FTSE/JSE All Share Index closed lower at -3.5%, weighed down by a resurgence in loadshedding and multiple headwinds facing consumers. Our overall exposure reduced marginally on the back of market movement and position trims, as we struggle to find attractive opportunities. Our quarter-end allocation to domestic equities is just under 26%.

On a more positive note, contributing to performance over the quarter was the Portfolio's exposure to domestic cash. Cash, our default asset class, has become increasingly attractive given the Portfolio's objective of capital protection and generating inflation-beating returns. Given the increase in rates on the back of persistently high inflation and in line with global banks, cash now provides an attractive real return for investors.

Commentary from underlying fund managers as at 30 September 2023

The Portfolio's bond allocation also contributed to performance over the quarter. Inflation-linked bonds were the main driver of returns, followed by nominal bonds contributing at the margin.

Consensus suggests that while the global economy is slowing, inflation has proved sticky and employment robust. A tension between opposing forces has created an environment where the direction of travel is less clear as markets digest when interest rates will peak.

As the global economic outlook remains under pressure, we believe it is the resilient earnings demonstrated by high-quality, global businesses that will increasingly prove critical for investors. We hold many of these types of companies and the fundamentals of these businesses remain strong. We remain confident about the runway for growth and the ability of these companies to compound their cash flows. We are extremely mindful of the narrowness of the market and valuation risks within certain themes. Global equity remains our preferred asset class.

The outlook for the South African economy has not improved materially as we face headwinds on a multitude of fronts, which seesaw between globally driven events and idiosyncratic issues. We continue to struggle to find compelling locally listed equity ideas within the framework of our investment capability. The majority of our exposure is focused on businesses that generate the bulk of their earnings offshore and are not beholden to the vagaries of our economy.

Locally, the best opportunity remains domestic government bonds. South Africa's real interest rates (the interest rates after subtracting inflation) remain among the highest in the world, with a 10-year government bond equivalent yielding 11.5% (at the time of writing), well ahead of inflation, which has moderated materially and is now back within the SARB's target band. Despite building fiscal risks and the possibility of further moves up in yields, we argue the yield underpin (the highest real yield in the world) helps to mitigate these risks. These instruments offer higher risk-adjusted return potential than most South African shares.

We, therefore, maintain a balance of exposures that blends the best of growth assets with the income on offer from defensive assets, while generating inflation-beating returns over the medium to long term. After a strong start to the year and with volatility likely to tick up, we do not believe that it is appropriate to position the Portfolio for a particular outcome. As the stewards of your capital, we remain unwavering in our commitment to growing your capital in a judicious and discriminate manner.

Important information for investors

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J.P. Morgan GBI Global Index

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