Allan Gray Life-Orbis Global Balanced (RRF) Feeder Portfolio

ALLANGRAY

Inception date: 1 August 2015

31 May 2025

Portfolio objective and benchmark

The Portfolio aims to balance capital appreciation, income generation and risk of loss in a diversified global multi asset class portfolio. The benchmark is a composite consisting of 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan Global Government Bond Index.

Product profile

- This is a feeder portfolio, investing in the Orbis SICAV Global Balanced Fund which is actively managed by Orbis.

Investment specifics

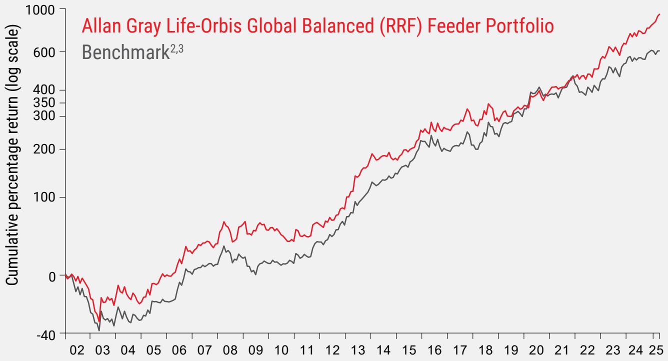
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Base Refundable Reserve Fee is levied in the underlying Orbis SICAV Global Balanced Fund.

MSCI data

*The blended returns are calculated by Orbis Investment Management Ltd 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 fees[1]

Cumulative performance since inception



% Returns[1,4]	Portfolio		Benchmark[2,3]	
	ZAR	US$	ZAR	US$
Since inception	10.2	8.1	8.7	6.6
Latest 10 years	12.5	8.2	10.5	6.2
Latest 5 years	15.5	15.0	7.7	7.2
Latest 3 years	19.5	13.8	13.1	7.7
Latest 2 years	15.3	20.7	7.2	12.2
Latest 1 year	17.9	22.8	6.4	10.8
Latest 3 months	8.8	11.3	0.2	2.6

Asset allocation on 31 May 2025

This portfolio invests solely into the Orbis SICAV Global Balanced Fund

	Total[6]	United States	UK	Europe ex-UK[5]	Japan	Other[5]	Emerging markets
Net equities	55.8	9.5	12.5	10.0	7.1	4.2	12.5
Hedged equities	17.5	10.2	0.9	4.0	0.3	0.5	1.4
Property	0.6	0.0	0.0	0.0	0.6	0.0	0.0
Commodity-linked	4.7	4.7	0.0	0.0	0.0	0.0	0.0
Bonds	19.0	12.3	0.6	1.3	0.0	0.0	4.8
Money market and cash	2.4	1.3	0.2	0.6	0.1	0.1	0.1
Total (%)[6]	**100.0**	**37.9**	**14.2**	**15.9**	**8.2**	**4.9**	**18.8**
Currency exposure	100.0	19.9	13.7	28.9	17.0	9.5	11.0
Benchmark	100.0	62.8	4.7	17.6	9.9	5.0	0.0

Portfolio information on 31 May 2025

Assets under management	R773m

1. The returns prior to 1 August 2015 are those of the Allan Gray Life Foreign Portfolio since its inception on 23 January 2002. This Portfolio invested in a mix of Orbis funds. The Investor Class Fee was levied in the underlying Orbis funds.
2. 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan Global Government Bond Index*.
3. The benchmark prior to 1 August 2015 was that of the Allan Gray Life Foreign Portfolio which is 60% of the MSCI All Country World Index and 40% of the J.P. Morgan Global Government Bond Index.
4. 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.
5. Refers to developed markets only.
6. There may be slight discrepancies in the totals due to rounding.

Top 10 holdings on 31 March 2025 (updated quarterly)

Company	% of portfolio
US TIPS >10 Years	6.6
SPDR Gold Trust	5.9
Kinder Morgan	4.1
Siemens Energy	2.8
Samsung Electronics	2.8
Nintendo	2.6
Taiwan Semiconductor Mfg	2.5
Leonardo	2.4
Burford Capital	2.0
Shell	2.0
Total (%)[6]	**33.8**

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Fund manager quarterly commentary as at 31 March 2025

Uncertainty is the order of the day in the US, and that is not what markets were expecting in January. Coming into the year, the US stock market traded at sky-high valuations, having notched two consecutive years of 20% plus returns. Strong equity returns, strong profit growth, strong economic growth and a market-friendly Trump were all priced as virtual certainties.

That made us cautious. When prices are high, expectations are high, and when expectations are high, so is risk. We were positioned against the consensus narrative of American exceptionalism, and we are still positioned that way, because prices haven't changed all that much.

Net of hedging, we have less exposure to stock market risk than the 60/40 index benchmark, and our fixed income holdings are longer-term than they have ever been. In addition to valuations, we have concerns about the US economy's dependence on the stock market.

Two-thirds of US gross domestic product (GDP) is consumer spending. Over half of that spending, and all of the spending growth over the last two years, has been driven by the top 20% of households by income, who have been happy to keep splurging because they own lots of stocks, which have been up. As the stock market has soared, it has grown larger versus the US economy. Today, the S&P 500 is valued at about 160% of US GDP.

Said another way, the US economy has become more dependent on the stock market. Researchers from Moody's estimate that for every extra dollar in household wealth, households spend an extra two or three cents. Over the past few years, this has been a boon for the economy. But now, the economy depends on consumer spending, the only consumers spending are the rich ones, and their spending depends on rising stock markets. The market, for the moment anyway, has stopped going up. What does that spell for the economy?

This time, the government doesn't seem inclined to help. The American poet Maya Angelou said, "*When someone shows you who they are, believe them the first time.*" Investors would do well to heed that advice, particularly regarding President Donald Trump and Treasury Secretary Scott Bessent. A selection of quotes from Trump:

"There is a period of transition."
"I hate to predict things like that [recessions]."
"Look, we're going to have disruption, but we're okay with that."
"There'll always be a little short-term interruption."
"I'm not even looking at the stock market."

And from Bessent:

"There is no [Trump] put."
"There's going to be a detox period."
"We'll see whether there's pain."
"Could we be seeing this economy that we inherited starting to roll a bit? Sure."
"Can you guarantee there is not going to be a recession? I can't guarantee anything."

If the President and Treasury secretary are willing to stomach a recession in pursuit of their longer-term policy goals, who are we to argue? Both are explicit in their desire to bring down the 10-year US Treasury yield, and allowing a short-term recession would be one way to do that.

Normally, it would then fall to the central bank to support the economy, but the Federal Reserve (the Fed) is stuck between its dual goals of limiting inflation and limiting unemployment. If the Fed raises interest rates to fight inflation, it risks crushing the economy, but if it cuts rates to support the economy, inflation expectations could rise rapidly.

Both scenarios would be reasonable for US Treasury Inflation Protected Securities (TIPS). As a reminder, TIPS are Treasury bonds where the repayment amount is adjusted for inflation. If interest rates and bond yields decline, TIPS should benefit, as bond prices go up when bond yields go down. If rates stay high or rise, the most likely reason would be high inflation, and TIPS should benefit from adjustments to their repayment amount.

Over the past quarter, we have meaningfully increased our positions in long-term TIPS, and they are now among the Portfolio's top holdings. The 2.3% inflation-protected yield on 30-year TIPS is both above average versus historical bond returns and, in our view, unsustainably high given America's government debt problem.

If we can lock in a 2.3% real return on a fairly safe asset, this raises the bar for everything else in the Portfolio. With equity valuations still reasonable outside the US, we've found plenty of opportunities, but the biggest competition for capital in the Portfolio today is between TIPS and hedged equity.

Hedged equity lets us buy stocks we like in markets we don't. We buy individual stocks that we believe are undervalued, then hedge out some of the associated stock market risk, leaving us with the difference between the relative return of our stock versus its local market, plus a cash-like return. Today, the riskiest-looking market – the US – is also the market with the highest interest rates, so US hedged equity offers a cash return of about 4%, plus the relative return of our stock selections. That makes hedged equity a very competitive option for the lower-risk part of the Portfolio.

With little exposure to the US stock market and the US dollar, defensive positioning in TIPS and hedged equity, and a collection of attractively valued shares, we believe the Portfolio is well positioned to both handle market volatility and deliver pleasing long-term returns.

We exited the position in US-based managed care organisation (MCO) UnitedHealth Group on concerns that it may face increased regulatory scrutiny and reallocated capital to another US MCO, Elevance Health. In addition, we established a new position in Microchip Technology, a US-based semiconductor manufacturer of microcontrollers and analogue chips.

Adapted from a commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda, and Rob Perrone, Orbis Portfolio Management (Europe) LLP, London

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MSCI Index

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