Inception date: 6 July 2001

Allan Gray Life Domestic Absolute Portfolio

31 December 2021

Portfolio objective and benchmark

This Portfolio is designed for institutional investors seeking superior absolute returns (in excess of inflation) over the long term with a higher risk tolerance in the short term than the Balanced Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all local asset classes.
- Fully reflects the manager's strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Compliance with Prudential Investment Guidelines

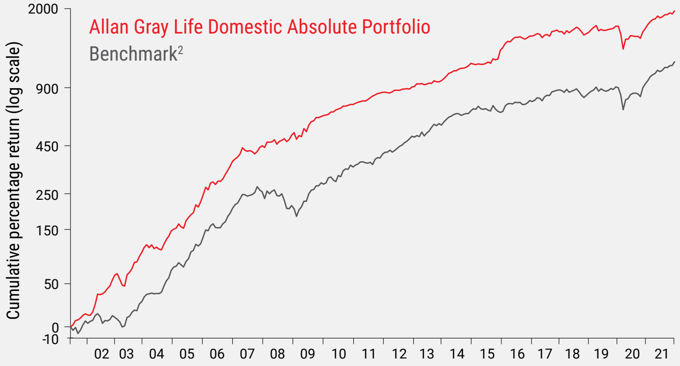
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a 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 31 December 2021

Assets under management	R597m

Performance gross of fees

Cumulative performance since inception



% Returns[1]	Portfolio	Benchmark[2]
Since inception	15.9	13.2
Latest 10 years	8.2	9.7
Latest 5 years	5.3	8.3
Latest 3 years	7.7	11.5
Latest 2 years	7.7	13.0
Latest 1 year	18.9	24.1
Latest 3 months	3.9	6.2

Asset allocation on 31 December 2021

Asset class	Total
Net SA equities	67.6
Hedged SA equities	6.9
Property	0.0
Commodity-linked	3.6
Bonds	16.6
Money market and bank deposits	5.3
Total (%)	**100.0**

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. Mean of Alexander Forbes Domestic Large Manager Watch. The return for December 2021 is an estimate.
3. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)

Company	% of Portfolio
British American Tobacco	10.3
Naspers[3]	7.2
Glencore	6.8
Woolworths	3.7
Remgro	3.6
Standard Bank	3.4
Sasol	3.0
MultiChoice	2.8
AB InBev	2.5
Nedbank	2.4
Total (%)	**45.7**

Issued: 11 January 2022

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 3.9% for the quarter and 18.9% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity and bond weighting that is higher than usual. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen equity positions. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount to its underlying investments. Indeed, the discount climbed as high as 38% during 2021.

Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have been increasing our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Portfolio. The positions in British American Tobacco and AB InBev should be considered within this context.

We remain as focused on thinking about and managing risk in the Portfolio as we are on generating real long-term returns.

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ALLANGRAY

Inception date: 1 September 2001

Allan Gray Life Domestic Balanced Portfolio

31 December 2021

Portfolio objective and benchmark

This Portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this Portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all local asset classes.
- Represents Allan Gray's 'houseview' for a domestic balanced mandate.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Compliance with Prudential Investment Guidelines

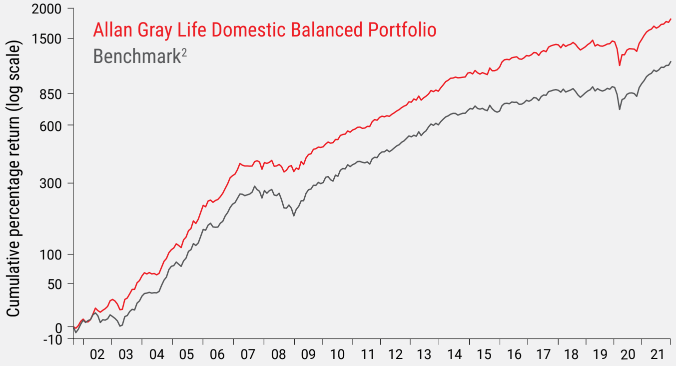
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a 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 31 December 2021

Assets under management	R2 942m

Performance gross of fees

Cumulative performance since inception



% Returns[1]	Portfolio	Benchmark[2]
Since inception	15.6	13.3
Latest 10 years	10.2	9.7
Latest 5 years	7.8	8.3
Latest 3 years	10.0	11.5
Latest 2 years	11.3	13.0
Latest 1 year	22.3	24.1
Latest 3 months	5.4	6.2

Asset allocation on 31 December 2021

Asset class	Total
Net SA equities	68.4
Hedged SA equities	1.3
Property	1.1
Commodity-linked	2.4
Bonds	22.7
Money market and bank deposits	4.0
Total (%)	**100.0**

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. Mean of Alexander Forbes Domestic Large Manager Watch. The return for December 2021 is an estimate.
3. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)

Company	% of Portfolio
Naspers[3]	6.8
British American Tobacco	6.6
Glencore	5.9
Woolworths	2.8
Nedbank	2.7
Standard Bank	2.7
Sasol	2.6
AB InBev	2.6
Remgro	2.4
Sibanye-Stillwater	2.4
Total (%)	**37.5**

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Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 5.4% for the quarter and 22.3% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity and bond weighting that is higher than usual. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen equity positions. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount to its underlying investments. Indeed, the discount climbed as high as 38% during 2021.

Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have been increasing our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Portfolio. The positions in British American Tobacco and AB InBev should be considered within this context.

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Portfolio objective and benchmark

This Portfolio is for institutional investors requiring management of a specific equity portfolio. It aims to offer superior returns to that of the FTSE/JSE Capped Shareholder Weighted All Share Index including dividends, but with a lower risk of capital loss. The benchmark is the FTSE/JSE Capped Shareholder Weighted All Share Index including dividends.

Product profile

- Actively managed pooled portfolio.
- Represents Allan Gray's 'houseview' for a specialist equity-only mandate.
- Portfolio risk is controlled by limiting the exposure to individual counters.

Investment specifics

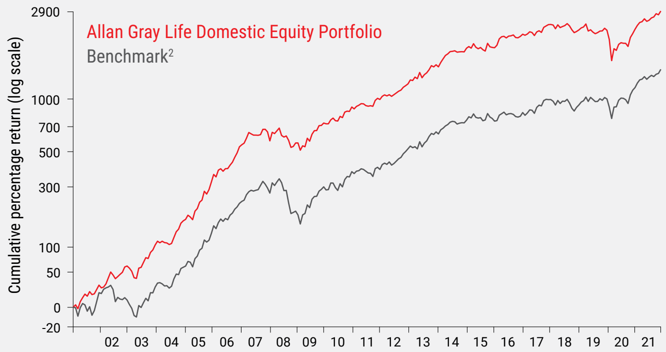
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Portfolio information on 31 December 2021

Assets under management	R3 868m

Performance gross of fees

Cumulative performance since inception



% Returns[1]	Portfolio	Benchmark[2]
Since inception[3]	17.6	13.9
Latest 10 years	10.7	12.2
Latest 5 years	6.0	11.4
Latest 3 years	8.1	15.7
Latest 2 years	10.4	17.5
Latest 1 year	29.5	27.1
Latest 3 months	7.0	8.7

Sector allocation on 31 December 2021 (updated quarterly)

	% of Portfolio	% of benchmark
Energy	0.1	0.9
Basic materials	26.3	25.0
Industrials	4.0	4.0
Consumer staples	15.2	10.8
Healthcare	3.6	3.0
Consumer discretionary	8.6	7.6
Telecommunications	1.7	7.7
Financials	27.1	24.3
Technology	9.3	11.8
Real estate	1.6	4.8
Money market and bank deposits	2.4	0.0
Bonds	0.1	0.0
Total (%)	**100.0**	**100.0**

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. FTSE/JSE Capped Shareholder Weighted All Share Index. The benchmark prior to 1 October 2020 is the FTSE/JSE All Share Index.
3. Since alignment date (1 February 2001).
4. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)

Company	% of Portfolio
Naspers[4]	8.9
British American Tobacco	8.1
Glencore	7.5
Woolworths	4.0
Standard Bank	3.9
AB InBev	3.6
Nedbank	3.4
Remgro	3.4
Sasol	3.1
Sibanye-Stillwater	2.9
Total (%)	**48.7**

Issued: 11 January 2022

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Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 7.0% for the quarter and 29.5% for the year. During the fourth quarter, the largest contributors to returns were the basic materials and consumer staples sectors. The local equity market rallied strongly into the end of 2021, but this followed a third quarter in which the market was down.

Returns from the JSE in 2021 were 29.2% as measured by the FTSE/JSE All Share Index (ALSI) and 27.1% as measured by the Capped SWIX. These numbers are reasonably high by historical standards. For context, over the last 40 years the ALSI has returned 16.3% per annum.

There is a seeming contradiction between strong equity market returns on the one hand and a weak South African economy on the other hand. How should we interpret this divergence? Firstly, it is very common for the performance of stock markets to diverge from economic performance, especially in the short term. Markets take a forward-looking view and often look through the short-term impact of issues like COVID-19. Secondly, the fortunes of many JSE-listed companies are not really linked to South African economic growth. This would include international businesses like Richemont and commodity exporters like Impala Platinum. On a rough analysis, earnings for about half the JSE are not directly linked to the South African economy.

Following this strong performance, the ALSI closed 2021 29% higher than it was at the start of 2020, i.e. before the onset of the pandemic. Does this mean that the JSE is now expensive? Not necessarily. Overall valuation levels are not high compared to history. The Capped SWIX has also returned only 7% per annum over the last five years, despite this recent strong performance.

Allan Gray's philosophy is to not take a top-down view of where markets are heading, but rather to do bottom-up research on individual companies. Our fundamental research approach currently reveals more than enough attractive opportunities, which makes us cautiously optimistic about medium-term returns. Of course, there are many risks from the global and South African macroeconomic environment, but these are balanced by the low prices at which many businesses are trading.

The South African banking sector is an example of where we are finding attractive valuations. Large banks like Standard Bank and Nedbank can be bought at around seven times 2022's earnings. This is very cheap by historical standards and compensates for issues such as increasing competition and a tough economic outlook. Current earnings are also still depressed but should recover to pre-COVID-19 levels in the next year or two. Bad debts have been lower than many investors had feared. Lower participation from foreign investors in the local market has contributed to depressed valuations of South African financial stocks.

Remgro is another example of an undervalued business. Remgro owns a portfolio of quality South African businesses, many of which are listed. These businesses themselves trade on reasonable valuations. On top of this, Remgro trades at a nearly 40% discount to its underlying portfolio – a large, and we think undeserved, discount compared to history and other holding companies globally. Management is taking several actions to unlock value within this portfolio. Examples include the recently announced transactions between beverage businesses Distell and Heineken and between fibre holding company CIVH and Vodacom, as well as the planned unbundling of some insurance assets by Rand Merchant Investment Holdings.

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FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index

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Allan Gray Life Domestic Optimal Portfolio

31 December 2021

Portfolio objective and benchmark

This is a long-term absolute return portfolio for the institutional investor who wishes to diversify the volatility generally associated with stock and bond markets, but still wants exposure to specialist stock-picking skills and to target a positive rate of return which is higher than that of cash. The benchmark is the daily interest rate of Nedbank Limited.

Product profile

- Actively managed pooled portfolio, seeking absolute returns.
- Little correlation to stock or bond markets, with a low level of risk of capital loss.
- Investments consist of shares offering superior fundamental value, carefully managed to reduce the risk of underperforming the market, and short index derivatives to reduce stock market risk.

Investment specifics

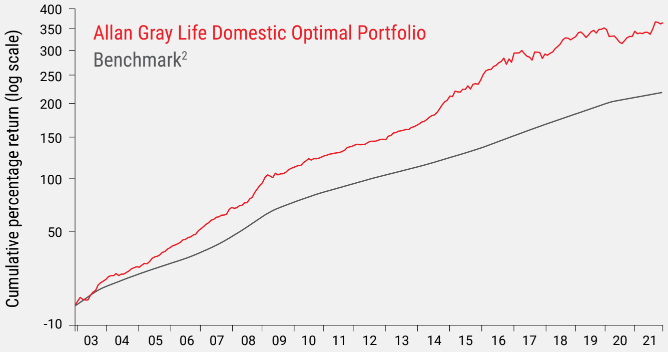
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Portfolio information on 31 December 2021

Assets under management	R396m

Performance gross of fees

Cumulative performance since inception



% Returns[1]	Portfolio	Benchmark[2]
Since inception	8.3	6.2
Latest 10 years	6.8	5.0
Latest 5 years	4.0	5.0
Latest 3 years	3.1	4.2
Latest 2 years	1.8	3.2
Latest 1 year	7.7	2.8
Latest 3 months	-0.4	0.7

Asset allocation on 31 December 2021

Asset class	Total
Net SA equities	4.5
Hedged SA equities	80.3
Property	1.8
Money market and bank deposits	13.4
Total (%)	**100.0**

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. Daily interest rate of Nedbank Limited.
3. Includes holding in stub certificates or Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)

Company	% of Portfolio
MTN	6.7
Glencore	5.9
Naspers[3]	5.8
Standard Bank	5.7
Sasol	5.6
Sibanye-Stillwater	5.0
Impala Platinum	4.3
Nedbank	4.2
AngloGold Ashanti	3.6
Anglo American Platinum	3.4
Total (%)	**50.3**

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned -0.4% in the final quarter of 2021 and 7.7% for the full year. The FTSE/JSE All Share Index performed strongly, returning 29.2% for the year and setting an all-time high in December. While the rally has been a welcome boost for local equity investors after years of lacklustre returns, it does not necessarily imply greater returns for the Portfolio; rather, it is the performance of the Portfolio's underlying shares relative to the stock market index, together with the level of short-term interest rates, that determines the performance. Stock selection has contributed positively to the Portfolio's return for 2021.

The rally in 2021 was more broad-based than was the case in 2020, when good gains for resource counters post the COVID-19 market correction were largely offset by weak performance from financials. In 2021, the gap in returns was substantially narrower, so while resources still performed best (+32.3%), financials were not far off (+29.6%), with industrials lagging (+26.5%). At a level down the disparities widen, for example, diversified miners significantly outperformed their precious metal peers and an exceptionally strong Richemont more than offset the struggling Naspers/Prosus within industrials. Our local banks fared better than the insurers, as they recovered off a lower base and reported credit losses over the course of the pandemic that were appreciably better than what the market initially feared.

Overweight positions in Glencore and Sasol were among the largest contributors to the Portfolio's return and both remain large holdings. The iron ore price has recovered somewhat from its November 2021 lows and still remains substantially higher than our estimated long-term level, hence our preference for Glencore's commodity mix over that of iron-ore exposed BHP and Anglo American (both material underweight positions). A key feature of the Portfolio's design is its ability to benefit from both up and down markets, for which platinum group metal (PGM) miners were a case in point during 2021. Prevailing commodity prices tend to dictate the direction in which the miners move, so when there was evidence of PGM prices potentially bottoming in September on news of the vehicle semiconductor chip shortage easing, we increased our exposure to the sector, reversing a previous large underweight position.

The strong performance of Richemont, to which the Portfolio has no exposure, continues to be a drag on the Portfolio's return. This was particularly hard felt in the last quarter of 2021 after the company reported better-than-expected results and the share price surged to a record high. While in hindsight it was a mistake not to own it, or at the least not to minimise the underweight, such a move is harder to justify at its current level, with the share trading on an elevated multiple of earnings that have been boosted by increased lockdown-induced consumer spending.

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FTSE/JSE All Share Index

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ALLANGRAY

Inception date: 19 April 2004

Allan Gray Life Stable Medical Scheme Portfolio

31 December 2021

Portfolio objective and benchmark

This Portfolio is specifically for Medical Schemes. 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 Portfolio is managed to comply with the limits of Annexure B to Regulation 30 of the Medical Schemes Act, 1998. 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 as permitted by Regulation 30.
- 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 component will be conservative.

Investment specifics

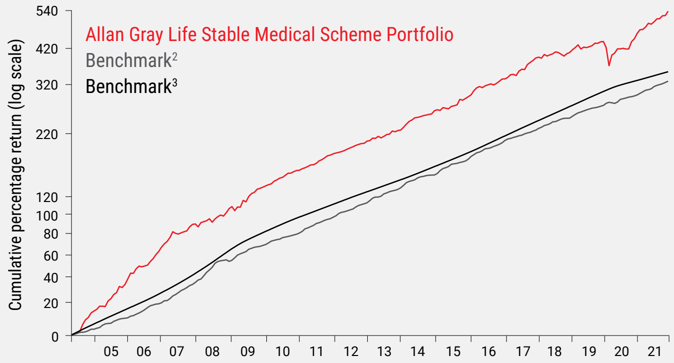
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to medical schemes.
- Minimum investment: R20m.
- Performance based fee/Fixed fee.

Portfolio information on 31 December 2021

Assets under management	R2 879m

Performance gross of fees

Cumulative performance since inception[4]



% Returns[1]	Portfolio	Benchmark[2]	Benchmark[3]
Since inception[4]	11.0	8.6	8.9
Latest 10 years	8.6	8.2	7.9
Latest 5 years	8.3	7.5	7.9
Latest 3 years	8.4	7.3	7.1
Latest 2 years	9.1	7.4	6.2
Latest 1 year	17.1	8.8	5.6
Latest 3 months	4.3	1.9	1.4

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. CPI plus 3% p.a. The return for December 2021 is an estimate.
3. Alexander Forbes 3-month Deposit Index plus 2% p.a.
4. Since alignment date (1 May 2004).
5. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)

Company	% of Portfolio
Glencore	3.4
British American Tobacco	3.1
Naspers[5]	2.4
Woolworths	1.6
AngloGold Ashanti	1.6
Nedbank	1.6
Standard Bank	1.4
Sibanye-Stillwater	1.4
Sasol	1.3
Remgro	1.2
Total (%)	**19.1**

Asset allocation on 31 December 2021

Asset class	Total	SA	Africa ex-SA	Foreign ex-Africa
Net equities	35.4	35.4	0.0	0.0
Hedged equities	0.5	0.5	0.0	0.0
Property	1.6	1.6	0.0	0.0
Commodity-linked	2.2	2.2	0.0	0.0
Bonds	39.0	32.4	1.1	5.5
Money market and bank deposits	21.4	21.1	0.0	0.3
Total (%)	**100.0**	**93.1**	**1.1**	**5.8**

Issued: 11 January 2022

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 4.3% in the last quarter of 2021, taking the annual return to 17.1%. Over longer periods, such as the last three and five years, the Portfolio has generated 8.4% and 8.3% per annum respectively, ahead of its cash plus 2% benchmark and above inflation, in line with the Portfolio's objective. While the Portfolio is managed in a cautious manner, with a major portion of assets invested in cash and bonds, some allocation to equities (subject to the 40% limit) is required to generate a sustained real return ahead of the benchmark. Our view on the attractiveness of equities, based on our bottom-up research process, together with the potential returns available in competing asset classes, informs the overall level of equity allocation.

Going into 2021, we believed the opportunities available to the Portfolio were attractive, with both local shares and bonds offering good value. In comparison, holding cash at rates similar to that of prevailing inflation looked unattractive, putting an investor at risk of losing purchasing power in inflation-adjusted terms. The high weighting to local equities and bonds, relative to the Portfolio's history, has served it well in 2021. The FTSE/JSE All Share Index returned 29.2% for the year with a new all-time high being set in December. The FTSE/JSE All Bond Index returned 8.4%, outperforming cash by 5.9%.

Importantly, we do not buy the index, but rather invest in assets that 1) trade below our assessment of intrinsic value; 2) attempt to balance potential reward with the risk taken on; and 3) position the Portfolio to perform adequately in a variety of scenarios. This process has added value over the last year, with both equity and bond selection contributing positively to the Portfolio's return.

Within our equity positions, Glencore, Aspen Pharmacare and Pepkor were among the largest contributors to performance. We have written about Glencore in past commentaries, highlighting our preference for its commodity mix over that of its diversified mining peers, which remains the case. Both Aspen and Pepkor staged strong recoveries during 2021 from overly depressed levels. When these shares, among others, have gone ahead of our fair value estimates, we trimmed our holdings and reinvested the proceeds in more attractive opportunities. Disappointingly, two of the larger Portfolio positions, Sibanye-Stillwater and British American Tobacco, detracted from returns. At current prices, both offer high potential future returns and, in the case of Sibanye-Stillwater, we have added to the Portfolio's holding.

In local fixed income, the Portfolio benefited from its exposure to inflation-linked bonds and longer-dated nominal bonds. Inflation linkers have outperformed nominal bonds by a wide margin in 2021, as inflation increased off a low base. While the longer-dated implied break-even inflation rates are now ahead of the Reserve Bank's target range, these instruments should remain in favour, as long as concerns about global inflation abound. Fiscal spending pressures have unfortunately extinguished the bulk of the commodity-driven tax revenue tailwind, negating any material change in sentiment towards South African government bonds. However, current yields do compensate investors for bearing this risk, with the Portfolio continuing to prefer bonds over cash.

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Past performance is not indicative of future performance.

FTSE/JSE All Share Index and FTSE/JSE All Bond Index

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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 local asset classes.
- 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 component will be conservative.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee/Fixed fee.

Compliance with Prudential Investment Guidelines

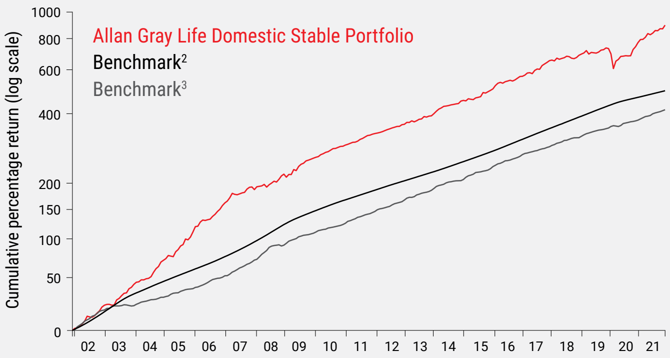
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a 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 31 December 2021

Assets under management	R1 440m

Performance gross of fees

Cumulative performance since inception[4]



% Returns[1]	Portfolio	Benchmark[2]	Benchmark[3]
Since inception[4]	12.2	9.4	8.7
Latest 10 years	8.7	7.9	8.2
Latest 5 years	8.3	7.9	7.5
Latest 3 years	8.5	7.1	7.3
Latest 2 years	9.0	6.2	7.4
Latest 1 year	17.7	5.6	8.8
Latest 3 months	4.3	1.4	1.9

Asset allocation on 31 December 2021

Asset class	Total
Net SA equities	36.4
Hedged equities	0.8
Property	1.6
Commodity-linked	2.2
Bonds	53.6
Money market and bank deposits	5.3
Total (%)	**100.0**

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. Alexander Forbes 3-month Deposit Index plus 2% p.a.
3. CPI plus 3% p.a. The return for December 2021 is an estimate.
4. Since alignment date (1 December 2001).
5. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)

Company	% of Portfolio
Glencore	3.4
British American Tobacco	3.3
Naspers[5]	2.4
AngloGold Ashanti	1.6
Woolworths	1.6
Nedbank	1.6
Standard Bank	1.5
Sibanye-Stillwater	1.4
Sasol	1.3
Remgro	1.2
Total (%)	**19.4**

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 4.3% in the last quarter of 2021, taking the annual return to 17.7%. Over longer periods, such as the last three and five years, the Portfolio has generated 8.5% and 8.3% per annum respectively, ahead of its cash plus 2% benchmark and above inflation, in line with the Portfolio's objective. While the Portfolio is managed in a cautious manner, with a large portion of assets invested in cash and bonds, some allocation to equities (subject to the 40% limit) is required to generate a sustained real return ahead of the benchmark. Our view on the attractiveness of equities, based on our bottom-up research process, together with the potential returns available in competing asset classes, informs the overall level of equity allocation.

Going into 2021, we believed the opportunities available to the Portfolio were attractive, with both shares and bonds offering good value. In comparison, holding cash at rates similar to that of prevailing inflation looked unattractive, putting an investor at risk of losing purchasing power in inflation-adjusted terms. The high weighting to equities and bonds, relative to the Portfolio's history, has served it well in 2021. The FTSE/JSE All Share Index returned 29.2% for the year with a new all-time high being set in December. The FTSE/JSE All Bond Index returned 8.4%, outperforming cash by 5.9%.

Importantly, we do not buy the index, but rather invest in assets that 1) trade below our assessment of intrinsic value; 2) attempt to balance potential reward with the risk taken on; and 3) position the Portfolio to perform adequately in a variety of scenarios. This process has added value over the last year, with both equity and bond selection contributing positively to the Portfolio's return.

Within our equity positions, Glencore, Aspen Pharmacare and Pepkor were among the largest contributors to performance. We have written about Glencore in past commentaries, highlighting our preference for its commodity mix over that of its diversified mining peers, which remains the case. Both Aspen and Pepkor staged strong recoveries during 2021 from overly depressed levels. When these shares, among others, have gone ahead of our fair value estimates, we trimmed our holdings and reinvested the proceeds in more attractive opportunities. Disappointingly, two of the larger Portfolio positions, Sibanye-Stillwater and British American Tobacco, detracted from returns. At current prices, both offer high potential future returns and, in the case of Sibanye-Stillwater, we have added to the Portfolio's holding.

In the fixed income portion of the Portfolio, exposure to inflation-linked bonds and longer-dated nominal bonds have been beneficial. Inflation linkers have outperformed nominal bonds by a wide margin in 2021 as inflation increased off a low base. While the longer-dated implied break-even inflation rates are now ahead of the Reserve Bank's target range, these instruments should remain in favour, as long as concerns about global inflation abound. Fiscal spending pressures have unfortunately extinguished the bulk of the commodity-driven tax revenue tailwind, negating any material change in sentiment towards South African government bonds. However, current yields do compensate investors for bearing this risk, with the Portfolio continuing to prefer bonds over cash.

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ALLANGRAY

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

Inception date: 1 August 2015

31 December 2021

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 GBI Global 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

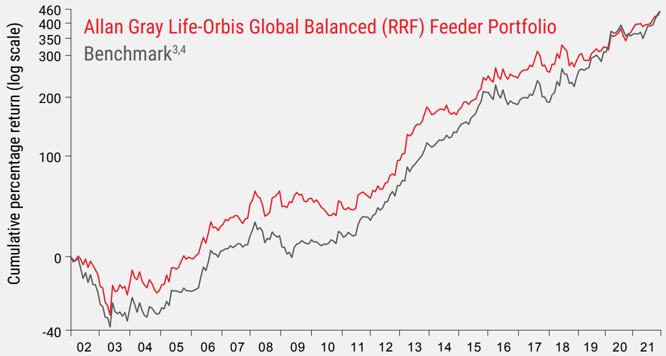
*The blended returns are calculated by Orbis Investment Management Ltd using end-of-day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, 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.

Portfolio information on 31 December 2021

Assets under management	R600m

Performance net of fees[1]

Cumulative performance since inception



% Returns[1,2]	Portfolio		Benchmark[3,4]	
	ZAR	US$	ZAR	US$
Since inception	9.0	7.3	9.0	7.3
Latest 10 years	13.7	6.3	15.5	8.0
Latest 5 years	9.5	6.3	13.7	10.3
Latest 3 years	12.7	8.9	18.2	14.2
Latest 2 years	14.8	7.7	19.3	12.0
Latest 1 year	16.1	6.9	19.2	9.8
Latest 3 months	6.1	0.3	10.4	4.3

Asset allocation on 31 December 2021

This portfolio invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	62.0	15.4	25.0	8.6	10.4	2.5
Hedged equities	19.8	9.9	5.6	1.3	1.5	1.5
Fixed interest	11.5	8.8	0.5	0.1	0.3	1.8
Commodity-linked	6.7	0.0	0.0	0.0	0.0	6.7
Net current assets	0.0	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**34.1**	**31.1**	**10.0**	**12.2**	**12.6**
Currency exposure						
Fund	100.0	37.2	36.1	13.4	10.3	3.1
Index	100.0	62.8	23.4	11.1	0.7	2.0

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. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
3. 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan GBI Global Index*.
4. The benchmark prior to 1 August 2015 is 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 GBI Global Index.
5. Underlying holdings of Orbis funds are included on a look-through basis.

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

Top 10 share holdings on 31 December 2021 (SA and Foreign) (updated quarterly)[5]

Company	% of Portfolio
SPDR Gold Trust	6.7
Samsung Electronics	5.9
BP	3.0
Royal Dutch Shell	2.7
Taiwan Semiconductor Mfg.	2.5
Drax Group	2.4
UnitedHealth Group	2.3
Schlumberger	2.2
ING Groep	2.0
Mitsubishi	1.9
Total (%)	**31.6**

Issued: 11 January 2022

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Fund manager quarterly commentary as at 31 December 2021

It has been quite a ride. Coming into COVID-19, the Portfolio was positioned well for continued economic activity. That, of course, is the opposite of what happened, and the Portfolio suffered along with the market in the initial crash. At that time, the best thing we could do was dedicate ourselves to taking advantage of the opportunities to upgrade the Portfolio's upside and quality so that it could outperform in the recovery.

That's what we did, and the Portfolio outperformed significantly from the March 2020 lows. By the end of May 2021, when the Delta variant was first named, the Portfolio had recovered all of its underperformance from the initial COVID-19 crash and then some.

With the emergence of new variants since then, popular trends of the past decade have re-emerged – low bond yields, a preference for virtual businesses, and a strong US dollar and stock market. Those have weighed on performance, undoing the Portfolio's outperformance in the first half of 2021.

As a competitor, I am frustrated by the performance, but as an analyst, I'm more excited about the Portfolio than I was a year ago. The businesses we invest in are performing well for us, but for many, their stock prices are not. While in other parts of the market, less profitable or outright money-losing businesses are attracting increasingly bubbly prices.

As a result, the gradient between the bubbly stocks and the other three-quarters or so of the market is the most extreme I've seen in my 35 years of professional investing. That is nirvana for a valuation-focused stockpicker. So as managers of meme-friendly funds feel emboldened to dismiss contrarians as dinosaurs and valuations as a chump's pursuit, we remain committed to and excited about our approach. The most difficult times, as a contrarian, are created when market momentum around a certain group of stocks goes far enough for long enough that we eventually rotate out of the things that have done well into opportunities that are fundamentally more attractive. This usually works well, as momentum typically has a short shelf life, but every once in a while, trends persist to the point of notable extremes. One feature of the recent market momentum regime has been the seeking out of companies that don't have to invest much in physical plant and equipment to produce earnings. An Apple or a Microsoft or a Google doesn't have to buy a lot of plant and equipment to run their business. They've been called virtual companies.

Because virtual companies have so captivated investors, it's become almost religion that you don't own the opposite – you don't own companies that have to invest a lot in capital expenditures to maintain their business. Something like a semiconductor manufacturer sits at this undesirable end of the spectrum, where each plant costs US$15-20 billion and takes five to six years to build, during which time the plant produces no revenues. Similarly, building a copper mine will cost money for years before producing any copper. Same for a polyethylene plant, or a refinery, or a cardboard factory.

These "maker" businesses are perceived as very unattractive and have been punished with very low valuations. Said another way, investors are supplying less capital to businesses that make physical things. The wonderful irony (for us anyway) is that demand for those things is exploding – including from the "virtual" businesses.

We are seeing the results. Supply chains are roiled, and many don't have enough capacity of the basic inputs that these makers make. That's been caused, in part, by years of shareholders yelling at these companies to stop investing. So we've been able to buy lots of makers, many of which provide support critical to the success of more glamorous companies, at very low prices.

The best example is also the largest equity holding in the Portfolio – Samsung Electronics, the world's largest maker of memory semiconductors. The company invests a great deal – nearly US$40 billion in the last 12 months alone. But with a long-term return on equity close to 20%, Samsung does make a lot of money on what they invest.

That is the key for us. We share others' dislike for companies that invest heavily in low-return pursuits, but for Samsung that's not the case. The latest manufacturing method employed by Samsung, called extreme ultraviolet lithography, manipulates light with a precision akin to shooting an arrow at the moon and hitting an apple off a person's head. Samsung memory enables everyone from Apple to Microsoft to offer their products. Yet, after accounting for the cash on its balance sheet, Samsung trades at just 10 times earnings. We strongly believe that Samsung's remarkable skill is worth something much closer to 20 times earnings, similar to the multiple afforded to the wider stock market today.

We think that kind of perception against makers is going to change, and not just for Samsung. The Portfolio is now dominated by companies that make things that are important to everyday life, including six of the top 10 positions.

The world is coming to realise that it needs Samsung to produce memory chips, and BP and Schlumberger to produce oil and gas. The UK needs Drax to produce electricity, and Japan needs Mitsubishi to produce and import metals, food, and energy. A third of all natural gas in the world is touched by Royal Dutch Shell, and TSMC is probably the most important company on earth, responsible for producing the brains for most of the world's computers. As that realisation continues to become clearer, we believe each of these companies should be rewarded with materially higher valuations.

Over half of the Orbis SICAV Global Balanced Fund today is invested in the equity or debt of companies that we consider "makers".

Those makers contribute to a portfolio that looks very different from the market as a whole. In aggregate, the equities in the Portfolio have lower returns on equity and revenue growth than the wider market – but the Portfolio is fully 45% cheaper than the market on a forward price-earnings basis, and on a free cash flow basis, the discount to the broader market has never been wider.

We tend to feel best about the Portfolio just when we feel worst about performance. That is a feature, not a bug, of our approach. We intend to stick with it. Being a contrarian is difficult – until it becomes wonderful.

Adapted from a commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda

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MSCI Index

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Portfolio objective and benchmark

This Portfolio is designed for institutional investors seeking superior absolute returns (in excess of inflation) over the long term with a higher risk tolerance in the short term than the Balanced Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively 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.
- Fully reflects the manager's strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio.

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.
- The Base Refundable Fee Reserve is levied in the underlying Orbis funds.

Compliance with Prudential Investment Guidelines

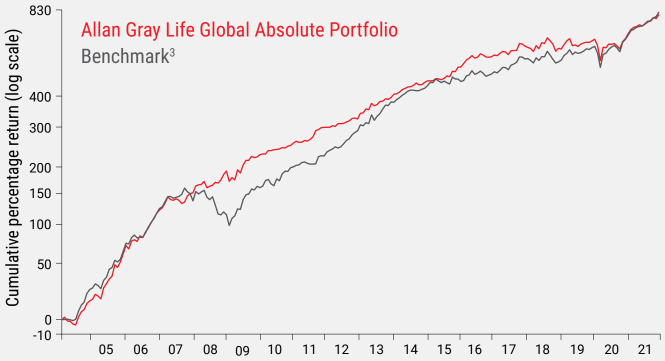
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a 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 31 December 2021

Assets under management	R2 176m

Performance[1]

Cumulative performance since inception[4]



% Returns[2]	Portfolio	Benchmark[3]
Since inception[4]	13.2	13.3
Latest 10 years	8.5	11.0
Latest 5 years	6.3	9.4
Latest 3 years	8.5	12.8
Latest 2 years	10.0	13.8
Latest 1 year	19.0	21.8
Latest 3 months	4.4	6.9

Asset allocation on 31 December 2021

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	67.0	51.4	3.4	12.2
Hedged equities	14.1	6.1	0.0	8.0
Property	0.1	0.1	0.0	0.1
Commodity-linked	3.7	3.6	0.0	0.1
Bonds	9.0	8.4	0.0	0.6
Money market and bank deposits	6.0	3.9	0.2[5]	1.9
Total (%)	**100.0**	**73.6**	**3.6**	**22.9**

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 31 December 2021.
3. Mean of Alexander Forbes Global Large Manager Watch. The return for December 2021 is an estimate.
4. Since alignment date (1 March 2004).
5. Including currency hedges.
6. Underlying holdings of Orbis funds are included on a look-through basis.
7. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (SA and Foreign) (updated quarterly)[6]

Company	% of Portfolio
British American Tobacco	7.9
Naspers[7]	5.8
Glencore	5.8
Woolworths	2.7
Standard Bank	2.5
Remgro	2.4
Sasol	2.4
AB InBev	2.2
Nedbank	1.9
MultiChoice	1.8
Total (%)	**35.4**

Issued: 11 January 2022

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 4.4% for the quarter and 19.0% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

We remain significantly underweight US equities, which make up over 60% of the MSCI World Index. Instead, we find depressed European, UK and emerging market equities more attractive. Although this has hurt relative returns in the short term, we find the valuation disparity compelling. We continue to own no long-dated developed world sovereign bonds and rather have a position in gold. The Portfolio has been increasingly tilted towards managing the risks that may arise from higher realised global inflation and interest rates.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity and bond weighting that is higher than usual. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen equity positions. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount to its underlying investments. Indeed, the discount climbed as high as 38% during 2021. Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have been increasing our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Portfolio. The positions in British American Tobacco and AB InBev should be considered within this context.

We remain as focused on thinking about and managing risk in the Portfolio as we are on generating real long-term returns.

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MSCI Index

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Allan Gray Life Global Balanced Portfolio

31 December 2021

Portfolio objective and benchmark

This Portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this Portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively 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.
- Represents Allan Gray's 'houseview' for a global balanced mandate.

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.
- The Investor Class Fee is levied on the Orbis funds.

Compliance with Prudential Investment Guidelines

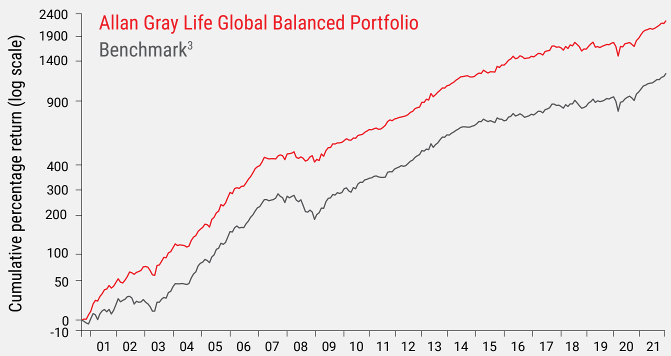
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately,except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable 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 31 December 2021

Assets under management	R2 321m

Performance[1]

Cumulative performance since inception[4]



% Returns[2]	Portfolio	Benchmark[3]
Since inception[4]	16.0	13.0
Latest 10 years	11.2	11.0
Latest 5 years	8.2	9.4
Latest 3 years	10.5	12.8
Latest 2 years	12.7	13.8
Latest 1 year	20.5	21.8
Latest 3 months	5.1	6.9

Asset allocation on 31 December 2021

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	67.2	51.5	1.7	14.0
Hedged equities	11.7	2.6	0.0	9.1
Property	0.9	0.9	0.0	0.1
Commodity-linked	2.4	2.4	0.0	0.1
Bonds	11.6	9.5	1.2	0.9
Money market and bank deposits	6.2	3.4	0.3[5]	2.5
Total (%)	**100.0**	**70.2**	**3.2**	**26.6**

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 31 December 2021.
3. Mean of Alexander Forbes Global Large Manager Watch. The return for December 2021 is an estimate.
4. Since alignment date (1 September 2000).
5. Including currency hedges.
6. Underlying holdings of Orbis funds are included on a look-through basis.
7. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (SA and Foreign) (updated quarterly)[6]

Company	% of Portfolio
British American Tobacco	6.5
Naspers[7]	5.6
Glencore	4.8
Woolworths	2.4
Nedbank	2.2
Sasol	2.1
AB InBev	2.1
Remgro	2.1
Standard Bank	2.1
Sibanye-Stillwater	1.9
Total (%)	**31.7**

Issued: 11 January 2022

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 5.1% for the quarter and 20.5% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

We remain significantly underweight US equities, which make up over 60% of the MSCI World Index. Instead, we find depressed European, UK, and emerging market equities more attractive. Although this has hurt relative returns in the short term, we find the valuation disparity compelling. We continue to own no long-dated developed world sovereign bonds and rather have a position in gold. The Portfolio has been increasingly tilted towards managing the risks that may arise from higher realised global inflation and interest rates.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity weighting that is greater than usual, as well as a high allocation to local bonds. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen equity positions. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount to its underlying investments. Indeed, the discount climbed as high as 38% during 2021. Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have increased our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Portfolio. The positions in British American Tobacco and AB InBev should be considered within this context.

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MSCI Index

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Inception date: 1 August 2015

Allan Gray Life Global Balanced (RRF) Portfolio

31 December 2021

Portfolio objective and benchmark

This Portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this Portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively 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.
- Represents Allan Gray's 'houseview' for a global balanced mandate.

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.
- The Base Refundable Reserve Fee is levied on the Orbis funds.

Compliance with Prudential Investment Guidelines

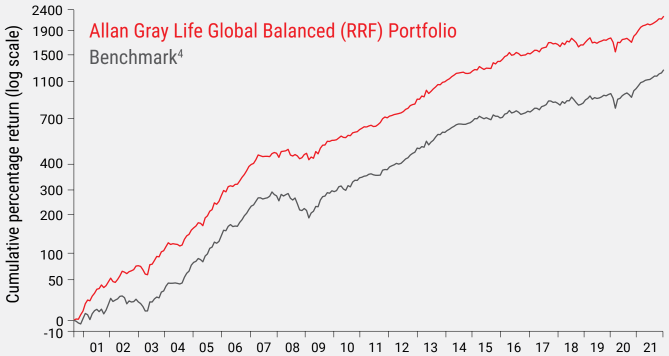
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a 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 31 December 2021

Assets under management	R33 939m

Performance[1,2]

Cumulative performance since inception



% Returns[2,3]	Portfolio	Benchmark[4]
Since inception	16.0	13.0
Latest 10 years	11.2	11.0
Latest 5 years	8.4	9.4
Latest 3 years	10.5	12.8
Latest 2 years	12.5	13.8
Latest 1 year	20.3	21.8
Latest 3 months	5.1	6.9

Asset allocation on 31 December 2021

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	66.9	51.3	1.7	14.0
Hedged equities	11.7	2.6	0.0	9.1
Property	0.9	0.9	0.0	0.1
Commodity-linked	2.4	2.3	0.0	0.1
Bonds	11.6	9.5	1.2	0.9
Money market and bank deposits	6.5	3.7	0.3[5]	2.5
Total (%)	**100.0**	**70.2**	**3.2**	**26.6**

1. Performance gross of local fees, net of foreign fees.
2. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its inception on 31 August 2000. The Investor Class Fee was levied in the underlying Orbis funds.
3. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
4. Mean of Alexander Forbes Global Large Manager Watch. The return for December 2021 is an estimate.
5. Including currency hedges.
6. Underlying holdings of Orbis funds are included on a look-through basis.
7. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (SA and Foreign) (updated quarterly)[6]

Company	% of Portfolio
British American Tobacco	6.5
Naspers[7]	5.7
Glencore	4.8
Woolworths	2.4
Nedbank	2.2
Sasol	2.1
Remgro	2.1
Standard Bank	2.1
AB InBev	2.1
Sibanye-Stillwater	1.9
Total (%)	**31.8**

Issued: 11 January 2022

Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 5.1% for the quarter and 20.3% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

We remain significantly underweight US equities, which make up over 60% of the MSCI World Index. Instead, we find depressed European, UK, and emerging market equities more attractive. Although this has hurt relative returns in the short term, we find the valuation disparity compelling. We continue to own no long-dated developed world sovereign bonds and rather have a position in gold. The Portfolio has been increasingly tilted towards managing the risks that may arise from higher realised global inflation and interest rates.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity weighting that is greater than usual, as well as a high allocation to local bonds. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen equity positions. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount to its underlying investments. Indeed, the discount climbed as high as 38% during 2021. Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have been increasing our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Portfolio. The positions in British American Tobacco and AB InBev should be considered within this context.

We remain as focused on thinking about and managing risk in the Portfolio as we are on generating real long-term returns.

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MSCI Index

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Allan Gray Life Global Stable Portfolio

31 December 2021

Inception date: 15 July 2004

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

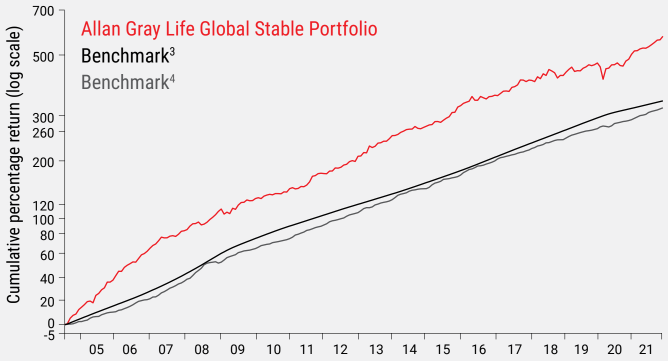
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a 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 31 December 2021

Assets under management	R5 552m

Performance[1]

Cumulative performance since inception[5]



% Returns[2]	Portfolio	Benchmark[3]	Benchmark[4]
Since inception[5]	11.6	8.9	8.6
Latest 10 years	9.5	7.9	8.2
Latest 5 years	8.3	7.9	7.5
Latest 3 years	9.0	7.1	7.3
Latest 2 years	9.9	6.2	7.4
Latest 1 year	16.4	5.6	8.8
Latest 3 months	4.2	1.4	1.9

Asset allocation on 31 December 2021

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	36.6	26.4	1.7	8.6
Hedged equities	12.2	2.9	0.0	9.3
Property	1.4	1.1	0.0	0.3
Commodity-linked	3.2	2.3	0.0	0.8
Bonds	38.1	31.1	3.0	4.0
Money market and bank deposits	8.5	4.1	0.5[6]	3.8
Total (%)	**100.0**	**67.9**	**5.2**	**26.9**

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 31 December 2021.
3. Alexander Forbes 3-month Deposit Index plus 2%.
4. CPI plus 3%. The return for December 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 N.V.,if applicable.

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

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

Company	% of Portfolio
British American Tobacco	2.7
Glencore	2.4
Naspers[8]	2.3
Nedbank	1.4
Standard Bank	1.4
Sibanye-Stillwater	1.3
AngloGold Ashanti	1.3
Sasol	1.2
Woolworths	1.2
Remgro	1.1
Total (%)	**16.4**

Issued: 11 January 2022

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Fund manager quarterly commentary as at 31 December 2021

The Portfolio returned 4.2% in the last quarter of 2021, taking the annual return to 16.4%. Over longer periods, such as the last three and five years, the Portfolio has generated 9.0% and 8.3% per annum respectively, ahead of its cash plus 2% benchmark and above inflation, in line with the Portfolio's objective. While the Portfolio is managed in a cautious manner, with a large portion of assets invested in cash and bonds, some allocation to equities (subject to the 40% limit) is required to generate a sustained real return ahead of the benchmark. Our view on the attractiveness of equities, based on our bottom-up research process, together with the potential returns available in competing asset classes, informs the overall level of equity allocation.

Going into 2021, we believed the opportunities available to the Portfolio were attractive, with both local shares and bonds offering good value. In comparison, holding cash at rates similar to that of prevailing inflation looked unattractive, putting an investor at risk of losing purchasing power in inflation-adjusted terms. The high weighting to local equities and bonds, relative to the Portfolio's history, has served it well in 2021. The FTSE/JSE All Share Index returned 29.2% for the year with a new all-time high being set in December. The FTSE/JSE All Bond Index returned 8.4%, outperforming cash by 5.9%.

Importantly, we do not buy the index, but rather invest in assets that 1) trade below our assessment of intrinsic value; 2) attempt to balance potential reward with the risk taken on; and 3) position the Portfolio to perform adequately in a variety of scenarios. This process has added value over the last year, with both equity and bond selection contributing positively to the Portfolio's return.

Within our equity positions, Glencore, Aspen Pharmacare and Pepkor were among the largest contributors to performance. We have written about Glencore in past commentaries, highlighting our preference for its commodity mix over that of its diversified mining peers, which remains the case. Both Aspen and Pepkor staged strong recoveries during 2021 from overly depressed levels. When these shares, among others, have gone ahead of our fair value estimates, we trimmed our holdings and reinvested the proceeds in more attractive opportunities. Disappointingly, two of the larger Portfolio positions, Sibanye-Stillwater and British American Tobacco, detracted from returns. At current prices, both offer high potential future returns and, in the case of Sibanye-Stillwater, we have added to the Portfolio's holding.

In local fixed income, the Portfolio benefited from its exposure to inflation-linked bonds and longer-dated nominal bonds. Inflation linkers have outperformed nominal bonds by a wide margin in 2021 as inflation increased off a low base. While the longer-dated implied break-even inflation rates are now ahead of the Reserve Bank's target range, these instruments should remain in favour, as long as concerns about global inflation abound. Fiscal spending pressures have unfortunately extinguished the bulk of the commodity-driven tax revenue tailwind, negating any material change in sentiment towards South African government bonds. However, current yields do compensate investors for bearing this risk, with the Portfolio continuing to prefer bonds over cash.

Our offshore investment partner, Orbis, had a mixed year with its large underweight to the US technology sector weighing on relative performance. We share their concerns over absolute valuation levels in the US where the longer duration technology companies, which have increasingly driven index performance, are materially exposed to changes in the interest rate environment. The collection of shares that Orbis is invested in looks very different from the headline stock indices. Rand weakness in the latter part of 2021 was a tailwind for Portfolio performance.

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FTSE/JSE All Share Index and FTSE/JSE All Bond Index

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Allan Gray Life-Orbis Global Equity Portfolio

31 December 2021

Portfolio objective and benchmark

The objective of the Portfolio is to outperform the FTSE World Index at no greater-than-average risk of loss in its sector. The benchmark is the FTSE World Index, including income.

Product profile

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

Investment specifics

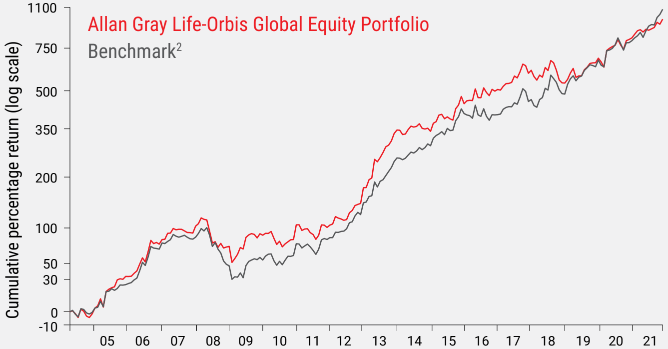
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Investor Class Fee is levied in the underlying Orbis Global Equity Fund.

Portfolio information on 31 December 2021

Assets under management	R366m

Performance net of fees

Cumulative performance since inception[1]



% Returns[1]	Portfolio		Benchmark[2]	
	ZAR	US$	ZAR	US$
Since inception	14.5	9.1	15.0	9.6
Latest 10 years	18.5	10.8	20.7	12.8
Latest 5 years	12.5	9.1	18.8	15.3
Latest 3 years	18.9	14.9	25.8	21.6
Latest 2 years	19.5	12.1	26.4	18.6
Latest 1 year	18.0	8.7	31.3	20.9
Latest 3 months	7.0	1.1	13.7	7.4

Asset allocation on 31 December 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	99.0	40.2	26.8	10.7	14.2	7.2
Net current assets	1.0	0.0	0.0	0.0	0.0	1.0
Total	**100.0**	**40.2**	**26.8**	**10.7**	**14.2**	**8.1**
Currency exposure of the Orbis Global Equity Fund						
Fund	100.0	44.1	28.0	10.8	10.0	7.2
Index	100.0	67.0	17.9	6.7	5.1	3.3

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
2. FTSE World Index, including income.
3. Underlying holdings of Orbis funds are included on a look-through basis.
4. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)[3]

Company	% of Portfolio
British American Tobacco	5.9
GXO Logistics	3.5
XPO Logistics	3.4
UnitedHealth Group	3.2
Naspers[4]	3.2
Anthem	3.0
ING Groep	2.8
Global Payments	2.8
FLEETCOR Technologies	2.7
Comcast	2.5
Total (%)	**33.0**

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Fund manager quarterly commentary as at 31 December 2021

As 2021 draws to a close, we are as frustrated about the performance of the Portfolio as we are confident about the opportunities in it.

The market environment has been shaped by investor psychology around COVID-19. At times, it's felt like the market is valuing companies for the next 10 years based on the COVID-19 outlook for the next 10 weeks. From November 2020 through May 2021, vaccine optimism was a tailwind for our relative performance, but since then, variant pessimism has been a headwind.

While we naturally cannot control the environment, what we can control is which companies we choose to own in the Portfolio.

Some stocks that we haven't owned in the Portfolio, or haven't owned as large positions, such as Apple, Microsoft, and Google, performed fantastically well in 2021, especially from May through November. In fact, just five stocks accounted for almost all of the return of the FTSE World Index over that period.

But many of the highest-flying stocks in 2021 do not have anything like the entrenched dominance or firehose-like cash generation of the tech giants. Some 70 shares in the US trade for more than 10 times revenues, or 10 times money coming in the door before any expenses. With such sky-high valuations, in our view many of today's glamour darlings are likely to leave investors nursing losses. We remain happy to avoid the froth. Closer to home, some stocks we have owned have performed poorly, with a nearly eight percentage point drag on the Portfolio's returns from the 10 largest detractors.

We still hold nine of those 10. We think the value of our companies is little changed, but the market has reassessed them far more negatively. As a result, we think the discount to intrinsic value is wider – in some cases much wider – than it was six months ago. The same is true for many other holdings. That has been a frustrating experience to date, but it leaves us more enthusiastic about the Portfolio today.

The best way to understand that enthusiasm is to look at the Portfolio as we do – from the bottom up, company by company. The following positions, which together represent over a quarter of the Portfolio, exemplify the value we see.

Growth cyclicals

Investors have grown accustomed to thinking of growth as synonymous with tech – virtual businesses that can deliver growth regardless of the economic cycle. Yet companies with exposure to the economic cycle can offer attractive growth potential, too. We believe we've found five such opportunities in the US: XPO and GXO Logistics, which we discussed in March, as well as Howmet Aerospace and two specialised payments companies.

Howmet Aerospace makes precision aerospace parts. That is a good business – specifications are demanding, reliability is paramount, and customers insist on proven suppliers. The parts Howmet makes are so specialised that in some cases it is the only company on earth capable of producing them. The company has faced headwinds as COVID-19 took an axe to commercial air travel, but cut costs substantially and raised prices, managing to keep margins relatively flat and free cash flow positive despite a substantial hit to revenues. In a more normal demand environment, we believe Howmet can eventually earn US$3 a share – roughly triple its 2019 earnings – making its current US$32 share price a bargain for long-term investors prepared to wait out the recovery in air travel.

Fleetcor and Global Payments are payments businesses focused on small business niches. The two shares were roundly thrashed over the past few months following disappointing spending data from Visa and weak trading among many small businesses. In our view, the sell-off is a clear overreaction to short-term concerns, and over the long term, both businesses offer outstanding growth potential. By focusing on their customer niches, we believe both Fleetcor and Global Payments can grow earnings by roughly 20% per annum over the long term, a far faster rate than the average stock, yet today both trade at just 15 times our estimate of forward earnings, a substantial discount to the wider market.

The boring middle

We've never found the distinction between "growth" and "value" to be all that useful. Yet investors often rush to bucket stocks into one or the other camp, focusing on expensive, fast-growing upstarts or cheap, slow-growing dinosaurs. That neglects plenty of stocks in the "boring" middle – letting us find several compelling ideas there. In addition to US health management organisation UnitedHealth Group, which we discussed last quarter, this group also includes Comcast and Dollar General.

Comcast is the leading cable and broadband provider in the US, and it also owns NBC Universal, and Sky in the UK. We got an exceptional opportunity to buy Comcast in 2020, when investors punished the stock as COVID-19 hurt the film, theme park, and sports broadcasting businesses. A year on, we believe the stock is still underappreciated due to worries about COVID-19 and cord cutting (when a customer drops TV in favour of streaming services). COVID-19 challenges will recede in time, and cord cutting is actually beneficial for Comcast's margins – as customers tend to purchase more bandwidth when switching to streaming services. Our proprietary data analysis suggests that Comcast should be able to out-compete slower service from competitors. We believe Comcast can grow earnings at a double-digit rate over our investment horizon, yet it trades at a steep discount to the wider market.

Dollar General is the original dollar store and still the leader, with over 17 000 stores in the US. Over the long term, the company has steadily grown earnings by 16% per annum while generating above-average returns on capital. By focusing on smaller stores, building those stores more cheaply, staffing them more efficiently, and filling them with only essential goods, Dollar General generates much higher returns than its peers on each store it opens. While Amazon offers cheap goods too, delivery is slower and more costly in rural areas, often making Dollar General a more convenient choice for rural customers. And because it focuses on lower-cost goods, Dollar General's sales are often counter-cyclical, benefiting as consumers become more price-conscious in recessions. Yet today, we do not have to pay up for these attractive fundamental strengths – we see Dollar General as a much-better-than-average business trading at an average price.

Chinese internet

We remain enthusiastic holders of NetEase and Naspers (whose key asset is a stake in Chinese internet goliath Tencent) despite the turbulence of 2021. As we wrote last quarter, we believe both shares trade at larger discounts to intrinsic value following their recent share price weakness, though the position sizes are tempered by our sober assessment of the potential regulatory risks.

The whole Portfolio

The stocks above show a pattern that is common to the wider Portfolio: getting much better quality than we are paying for. In aggregate, the companies in the Portfolio have grown revenues more quickly than the average business over the long term, while generating similar returns on equity. Yet today our shares trade at a 35% discount to the average stock. Getting similar or better quality at a 35% discount strikes us as exceptionally good value – value that leaves us both excited and confident about the opportunities ahead.

Adapted from a commentary contributed by Rob Perrone, Orbis Investment Advisory Limited, London

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FTSE Russell Index

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

31 December 2021

ALLAN GRAY

Inception date: 1 April 2015

Portfolio objective and benchmark

The objective of the Portfolio is to outperform the MSCI World Index at no greater-than-average risk of loss in its sector. The benchmark is the MSCI World Index, with net dividends reinvested.

Product profile

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

Investment specifics

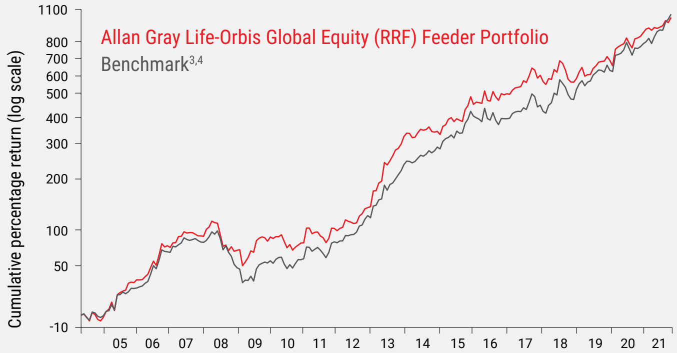
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Base Refundable Reserve Fee is levied in the underlying Orbis Institutional Global Equity Fund.

Portfolio information on 31 December 2021

Assets under management	R595m

Performance net of fees[1]

Cumulative performance since inception



% Returns[1,2]	Portfolio		Benchmark[3,4]	
	ZAR	US$	ZAR	US$
Since inception	14.8	9.3	14.9	9.5
Latest 10 years	19.0	11.2	20.5	12.6
Latest 5 years	13.4	10.1	18.6	15.0
Latest 3 years	19.2	15.2	25.9	21.7
Latest 2 years	19.5	12.1	26.6	18.8
Latest 1 year	18.2	8.9	32.2	21.8
Latest 3 months	7.0	1.1	14.0	7.8

Asset allocation on 31 December 2021

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	98.7	40.7	26.3	10.5	14.0	7.1
Net current assets	1.3	0.0	0.0	0.0	0.0	1.3
Total (%)	**100.0**	**40.7**	**26.3**	**10.5**	**14.0**	**8.4**
Currency exposure of the Orbis Institutional Global Equity Fund						
Fund	100.0	44.6	27.9	10.6	9.8	7.1
Index	100.0	72.3	18.2	6.2	1.1	2.2

1. The returns prior to 1 April 2015 are those of the Allan Gray Life-Orbis Global Equity Portfolio since its inception on 18 May 2004. The Investor Class Fee was levied in the underlying Orbis Global Equity Fund.
2. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2021.
3. MSCI World Index, with net dividends reinvested.
4. The benchmark prior to 1 April 2015 is that of the Allan Gray Life-Orbis Global Equity Portfolio which is the FTSE World Index, including income.
5. Underlying holdings of Orbis funds are included on a look-through basis.
6. Includes holding in Prosus N.V., if applicable.

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

Top 10 share holdings on 31 December 2021 (updated quarterly)[5]

Company	% of Portfolio
British American Tobacco	6.0
GXO Logistics	3.6
XPO Logistics	3.4
UnitedHealth Group	3.2
Naspers[6]	3.1
Anthem	3.1
Global Payments	2.8
ING Groep	2.8
FLEETCOR Technologies	2.7
Howmet Aerospace	2.6
Total (%)	**33.4**

Issued: 11 January 2022

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The market environment has been shaped by investor psychology around COVID-19. At times, it's felt like the market is valuing companies for the next 10 years based on the COVID-19 outlook for the next 10 weeks. From November 2020 through May 2021, vaccine optimism was a tailwind for our relative performance, but since then, variant pessimism has been a headwind.

While we naturally cannot control the environment, what we can control is which companies we choose to own in the Portfolio.

Some stocks that we haven't owned in the Portfolio, or haven't owned as large positions, such as Apple, Microsoft, and Google, performed fantastically well in 2021, especially from May through November. In fact, just five stocks accounted for almost all of the return of the FTSE World Index over that period.

But many of the highest-flying stocks in 2021 do not have anything like the entrenched dominance or firehose-like cash generation of the tech giants. Some 70 shares in the US trade for more than 10 times revenues, or 10 times money coming in the door before any expenses. With such sky-high valuations, in our view many of today's glamour darlings are likely to leave investors nursing losses. We remain happy to avoid the froth. Closer to home, some stocks we have owned have performed poorly, with a nearly eight percentage point drag on the Portfolio's returns from the 10 largest detractors.

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Adapted from a commentary contributed by Rob Perrone, Orbis Investment Advisory Limited, London

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MSCI Index

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FTSE Russell Index

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