

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

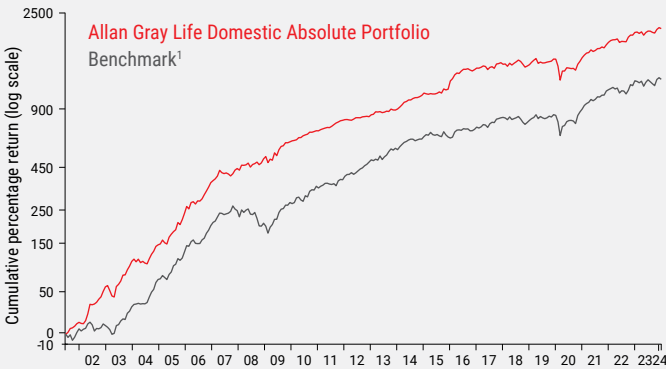
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act (“the Pension Funds Act”). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 31 January 2024

Assets under management	R335m
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Performance gross of fees

Cumulative performance since inception



- Mean of Alexander Forbes Domestic Large Manager Watch. The return for January 2024 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.

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

% Returns <sup>2</sup>	Portfolio	Benchmark <sup>1</sup>
Since inception	15.2	12.5
Latest 10 years	8.8	7.6
Latest 5 years	7.8	9.0
Latest 3 years	10.7	10.9
Latest 2 years	7.4	5.6
Latest 1 year	4.1	1.5
Latest 3 months	4.8	6.8

Asset allocation on 31 January 2024

Asset class	Total
Net equities	51.8
Hedged equities	9.6
Property	0.2
Commodity-linked	3.5
Bonds	19.9
Money market and bank deposits	15.0
Total (%)	100.0

Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
AB InBev	7.7
British American Tobacco	6.3
Woolworths	5.3
Standard Bank	4.3
Glencore	3.8
Prosus	3.4
MultiChoice	3.4
Remgro	2.9
Nedbank	2.3
Tiger Brands	2.2
Total (%)	41.7

2023 was another year full of surprising and unpredictable events. Most notably, in our opinion, global markets continue to be dominated by the announcements and actions of central banks, and expectations around those actions, rather than fundamentals. In 2022, as global inflation spiked and central banks responded by hiking interest rates, we saw a considerable sell-off in speculative, long-duration and leveraged assets, as the era of “easy money” appeared to be over. As inflation tapered during the course of 2023, and central banks have begun to signal an end to rate hiking and possible rate cuts, many of these assets rebounded sharply.

In contrast, the local economic environment remained challenging and was dominated by poor sentiment and record levels of loadshedding. It is not surprising that we have not seen the same resurgence in asset prices:

- In rands, the FTSE/JSE Capped SWIX All Share Index generated a return of 7.9% in 2023, which equates to a decline of 1.1% in US dollars, given persistent rand weakness. Within that though, there has been a large divergence in individual sector and stock performance. By way of example, within the precious metals sector, Harmony Gold has returned 105% for the year, while Impala Platinum fell by 55%, including dividends.
- The FTSE/JSE All Bond Index has fared slightly better, generating a return of 9.7% in rands and 0.6% in US dollars. Somewhat surprisingly, given the economic landscape, growing government debt and fiscal deficits, the yield on 10-year bonds has strengthened marginally from 11.1% at the start of 2023 to 10.9% at the end of the year.

In this environment, the Portfolio returned 5.1% for the fourth quarter of 2023 and 8.2% for the 2023 calendar year. This compares with benchmark<sup>1</sup> returns of 7.1% for the quarter and 9.1% for the year. Over three years, the Portfolio has delivered an annualised return of 12.5%, compared with 12.9% for the benchmark and inflation of 6.1%.

As we look to 2024 and beyond, what should we expect of inflation, and how this may impact central banks’ behaviour, interest rates and market returns?

In short: We don’t know. Our only expectation is that events are likely to surprise us, and surprise us in how the market reacts. We navigate this uncertainty by being patient and disciplined, and striving to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour, with a large margin of safety and the knowledge that we won’t always get it right.

During the quarter, the Portfolio bought AB InBev and Multichoice and sold Glencore.

One other notable event that occurred in the final quarter of 2023 was the passing of Charlie Munger, aged 99. Warren Buffett’s right-hand man, Charlie, was renowned for his investment acumen, common sense and “worldly wisdom”. A remarkable man, Charlie never shied from sharing his opinion on a variety of topics, often with biting bluntness. On the topics of inflation, forecasting and probabilities, we think Charlie said it best:

“I remember the US\$0.05 hamburger and a US\$0.40-per-hour minimum wage, so I’ve seen a tremendous amount of inflation in my lifetime. Did it ruin the investment climate? I think not.”

“People have always had this craving to have someone tell them the future. Long ago, kings would hire people to read sheep guts. There’s always been a market for people who pretend to know the future. Listening to today’s forecasters is just as crazy as when the king hired the guy to look at the sheep guts.”

“If you don’t get this elementary, but mildly unnatural, mathematics of elementary probability into your repertoire, then you go through a long life like a one-legged man in an \*ss-kicking contest.”

The investment world is a little less wise without Charlie in it.

Adapted from a commentary contributed by Rory Kutisker-Jacobson

**Fund manager quarterly commentary as at 31 December 2023**

1. Mean of Alexander Forbes Domestic Large Manager Watch

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Past performance is not indicative of future performance.

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

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## 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

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- Performance based fee.

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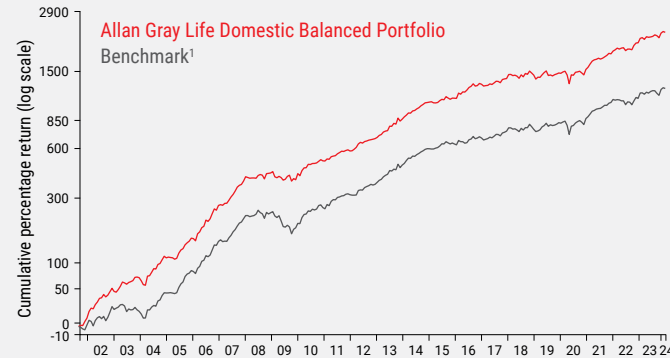
## Portfolio information on 31 January 2024

Assets under management

R9 108m

## Performance gross of fees

Cumulative performance since inception



% Returns <sup>2</sup>	Portfolio	Benchmark <sup>1</sup>
Since inception	14.9	12.7
Latest 10 years	9.0	7.6
Latest 5 years	9.2	9.0
Latest 3 years	11.6	10.9
Latest 2 years	7.5	5.6
Latest 1 year	2.9	1.5
Latest 3 months	6.0	6.8

## Asset allocation on 31 January 2024

Asset class	Total
Net equities	63.3
Hedged equities	1.5
Property	0.9
Commodity-linked	2.8
Bonds	22.4
Money market and bank deposits	9.2
<b>Total (%)</b>	<b>100.0</b>

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## Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
AB InBev	5.5
British American Tobacco	5.4
Glencore	3.9
Naspers & Prosus	3.8
Mondi	3.4
Standard Bank	3.3
Woolworths	3.0
Nedbank	2.5
Remgro	2.2
Sasol	2.0
<b>Total (%)</b>	<b>35.0</b>

2023 was another year full of surprising and unpredictable events. Most notably, in our opinion, global markets continue to be dominated by the announcements and actions of central banks, and expectations around those actions, rather than fundamentals. In 2022, as global inflation spiked and central banks responded by hiking interest rates, we saw a considerable sell-off in speculative, long-duration and leveraged assets, as the era of “easy money” appeared to be over. As inflation tapered during the course of 2023, and central banks have begun to signal an end to rate hiking and possible rate cuts, many of these assets rebounded sharply.

In contrast, the local economic environment remained challenging and was dominated by poor sentiment and record levels of loadshedding. It is not surprising that we have not seen the same resurgence in asset prices:

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As we look to 2024 and beyond, what should we expect of inflation, and how this may impact central banks’ behaviour, interest rates and market returns?

In short: We don’t know. Our only expectation is that events are likely to surprise us, and surprise us in how the market reacts. We navigate this uncertainty by being patient and disciplined, and striving to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour, with a large margin of safety and the knowledge that we won’t always get it right.

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The investment world is a little less wise without Charlie in it.

Adapted from a commentary contributed by Rory Kutisker-Jacobson

## Fund manager quarterly commentary as at 31 December 2023

1. Mean of Alexander Forbes Domestic Large Manager Watch

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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.

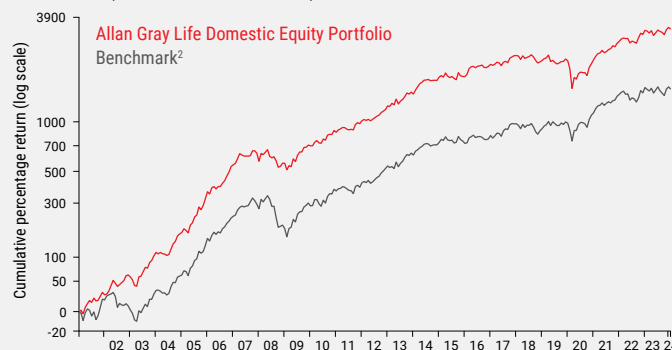
## Portfolio information on 31 January 2024

Assets under management

R3 528m

## Performance gross of fees

Cumulative performance since inception<sup>1</sup>



% Returns <sup>3</sup>	Portfolio	Benchmark <sup>2</sup>
Since inception <sup>1</sup>	16.8	13.0
Latest 10 years	8.5	8.7
Latest 5 years	8.2	10.5
Latest 3 years	13.8	10.5
Latest 2 years	8.0	3.4
Latest 1 year	1.5	-2.0
Latest 3 months	7.2	8.3

## Sector allocation on 31 December 2023 (updated quarterly)

	% of equities <sup>4</sup>	% of benchmark <sup>2</sup>
Financials	26.5	29.4
Basic materials	22.1	22.6
Consumer staples	21.6	12.1
Consumer discretionary	10.9	7.5
Industrials	7.3	4.2
Technology	5.8	10.9
Telecommunications	2.2	5.3
Healthcare	1.8	2.2
Real estate	1.3	4.5
Energy	0.5	1.3
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

- Since alignment date (1 February 2001).
- FTSE/JSE Capped Shareholder Weighted All Share Index. The benchmark prior to 1 October 2020 was the FTSE/JSE All Share Index.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.
- Includes listed property.

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

## Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
AB InBev	7.8
British American Tobacco	7.5
Naspers & Prosus	5.7
Glencore	5.4
Mondi	5.0
Standard Bank	4.9
Woolworths	4.4
Nedbank	3.7
Remgro	3.3
FirstRand	2.8
<b>Total (%)</b>	<b>50.4</b>

## Asset allocation on 31 January 2024

Asset class	Total
Net equities	95.9
Hedged equities	0.0
Property	1.2
Commodity-linked	1.1
Bonds	0.1
Money market and bank deposits	1.8
<b>Total (%)</b>	<b>100.0</b>

The Allan Gray Life Domestic Equity Portfolio returned 9% in rands in 2023, ahead of its benchmark<sup>1</sup>. Things look less impressive from an international perspective, as the Portfolio returned 0% in US dollars.

A year ago I wrote, "It seems like the tide has turned for government bonds, technology stocks and cryptocurrencies." I could not have been more mistaken. The yield on the US 30-year government bond is almost exactly where it started the year 2023, the Nasdaq is up 45% and trading at its all-time high, and the price of Bitcoin went up by 163% over the year. It's a good thing our approach to investing relies more on bottom-up fundamental analysis than on analysing market trends.

Very few of the market fears from a year ago have materialised. Despite the ongoing war in Ukraine and a new conflict in the Middle East, wheat and energy prices are lower than they were a year ago. The US saw some bank failures in March, but the crisis blew over quickly. Aside from China, property prices in most of the world have not fallen as much as we would have expected given higher interest rates. And even when it comes to China, the sharp slowdown in new building has surprisingly not led to a lower price for iron ore.

Since these factors can have a material impact on South African stocks, we remain cognisant of the global environment when looking at the local opportunity set. Here, there was no dominant theme – though it was a good idea to avoid platinum stocks. We largely managed this, with the exception of Sibanye-Stillwater, which was a detractor from performance.

We often saw a big discrepancy in performance within sectors. For example:

- Gold Fields gave a total return of 63%, but AngloGold gave only 9%.
- Mondi gave 31%, but investors in Sappi lost 5%.
- Investec gave 25%, but investors in Absa lost 9%.
- Fortress A, Fortress B, Shaftesbury and Hammerson all gave a total return of more than 30%, but Growthpoint and MAS PLC were both down more than 10%.
- Shoprite gave a total return of 25%, but Pick n Pay did -57%.

We think the stocks in the Portfolio show good value and will provide reasonable returns in a range of macroeconomic outcomes. By way of example, AB InBev, our largest stock, is trading at almost 22 times consensus earnings for 2023. This is not an eye-watering multiple for a well-run company that converts most of its earnings to cash, but if the share price stays where it is, the multiple should come down with strong earnings growth over the next two years.

For the 12 months to the end of December 2023, the contributors to performance were overweight positions in AB InBev and Mondi and underweight positions in platinum stocks and Anglo American. The detractors from performance were overweight positions in British American Tobacco and Sibanye-Stillwater.

In the final quarter of 2023, the Portfolio returned 7%, lagging its benchmark which returned 8%.

During the quarter, we bought shares in British American Tobacco and AB InBev, and we reduced our positions in Glencore and Mondi.

Adapted from a commentary contributed by Jacques Plaut

**Fund manager quarterly commentary as at 31 December 2023**

1. FTSE/JSE Capped Shareholder Weighted All Share Index



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## 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

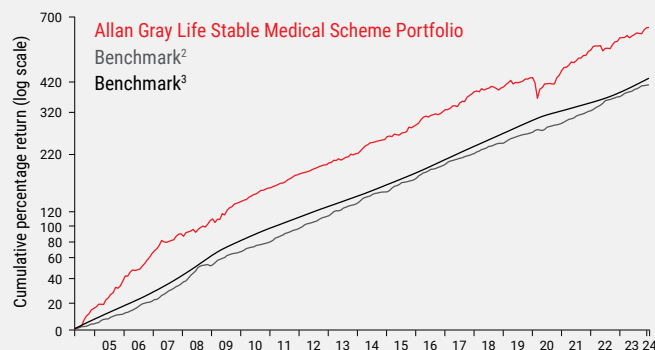
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to medical schemes.
- Minimum investment: R20m.
- Performance based fee/Fixed fee.

## Portfolio information on 31 January 2024

Assets under management	R2 959m
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## Performance gross of fees

Cumulative performance since inception<sup>1</sup>



% Returns <sup>4</sup>	Portfolio	Benchmark <sup>2</sup>	Benchmark <sup>3</sup>
Since inception <sup>1</sup>	10.7	8.6	8.8
Latest 10 years	8.8	8.2	8.2
Latest 5 years	8.3	8.1	7.6
Latest 3 years	10.1	8.9	7.5
Latest 2 years	7.9	9.1	8.5
Latest 1 year	7.2	8.2	10.0
Latest 3 months	4.3	0.7	2.5

## Asset allocation on 31 January 2024

Asset class	Total	South Africa	Foreign <sup>5</sup>
Net equities	18.3	18.3	0.0
Hedged equities	6.7	6.7	0.0
Property	0.9	0.9	0.0
Commodity-linked	1.8	1.8	0.0
Bonds	49.7	38.2	11.5
Money market and bank deposits	22.6	21.9	0.8
<b>Total (%)</b>	<b>100.0</b>	<b>87.8</b>	<b>12.2</b>

- Since alignment date (1 May 2004).
- CPI plus 3% p.a. The return for January 2024 is an estimate.
- Alexander Forbes 3-month Deposit Index plus 2% p.a.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.
- The Africa ex-SA and foreign ex-Africa exposures have been consolidated.

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

## Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
British American Tobacco	2.9
AB InBev	2.7
Standard Bank	1.7
Woolworths	1.6
Nedbank	1.4
Glencore	1.4
Remgro	1.2
MultiChoice	1.2
AngloGold Ashanti	1.0
Sasol	0.9
<b>Total (%)</b>	<b>16.1</b>

The Portfolio aims to deliver real absolute returns at low risk of capital loss through the cycle. The prospective returns available at any point in time in the cycle are to a large degree dependent on starting valuations. Given the Portfolio's significant exposure to fixed income instruments, the real returns offered by cash and low-duration bonds are an important determinant in delivering on its objective. The additional exposure to equities, capped at a maximum of 40% of the Portfolio, provides the opportunity to increase the overall return above that offered by fixed income.

Theoretically, the Portfolio's outlook is positive when real short-term interest rates are high, combined with cheap equities, and vice versa. In the second scenario, where we want to avoid overvalued equities by holding more cash, it is difficult to achieve the benchmark until equities are attractive enough to be upweighted.

Local fixed income is offering attractive real yields. We can construct a fixed income allocation for the Portfolio that not only has an attractive yield but also a low modified duration, which is a measure of risk to changes in interest rates. The Portfolio's local fixed income has a yield of 9.1% with a modified duration of 2.4. We have invested about a third of our money market exposure into five-year fixed deposits yielding 10%. Offshore fixed income is attractive with hard currency US dollar short-term rates paying 5% and higher. This includes floating-rate debt in high-quality US financial institutions. While we might be close to the peak of the rate cycle, with the result that some of the high yields roll off over time, the yields remain attractive. We think there is a reasonable chance that rates stay higher than the market is currently discounting.

The Portfolio's net equity weighting of 20% is below the maximum of 40%. This reflects our efforts to balance the attractiveness of low-duration fixed income and the risks we see in equity markets. Many South African equities remain attractively valued, and this is similar globally – outside of the mega-cap US shares. One way to take advantage of this is to own the equities we think are attractive and then hedge out the overall equity market risk by selling index futures. When considering equities for the Portfolio, we think about how they would react in scenarios that may be negative for local fixed income. Gold mining shares such as Gold Fields and AngloGold are examples. In addition, we own high-quality global businesses, such as AB InBev and British American Tobacco.

While high real short-term rates offer an attractive opportunity locally, they are also a tough benchmark to outperform while simultaneously limiting risk of capital loss. We think carefully about constructing the Portfolio and believe the current combination of assets increases the probability that the Portfolio will achieve and hopefully outperform its benchmark over the medium term.

Over the quarter, the Portfolio purchased longer-dated bank negotiable certificates of deposits and AB InBev and reduced its weightings in Glencore and FirstRand.

Adapted from a commentary contributed by Duncan Artus

**Fund manager quarterly  
commentary as at  
31 December 2023**

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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 or fixed fee.

## Compliance with Prudential Investment Guidelines

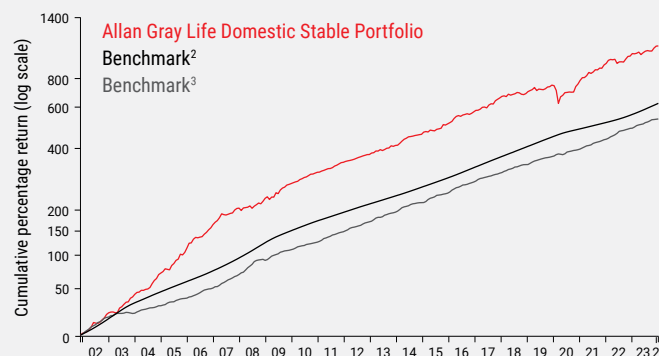
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

## Portfolio information on 31 January 2024

Assets under management	R1 514m
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## Performance gross of fees

Cumulative performance since inception<sup>1</sup>



- Since alignment date (1 December 2001).
- Alexander Forbes 3-month Deposit Index plus 2% p.a.
- CPI plus 3% p.a. The return for January 2024 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.

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

% Returns <sup>4</sup>	Portfolio	Benchmark <sup>2</sup>	Benchmark <sup>3</sup>
Since inception <sup>1</sup>	11.8	9.3	8.7
Latest 10 years	8.9	8.2	8.2
Latest 5 years	8.1	7.6	8.1
Latest 3 years	10.3	7.5	8.9
Latest 2 years	7.8	8.5	9.1
Latest 1 year	6.8	10.0	8.2
Latest 3 months	4.5	2.5	0.7

## Asset allocation on 31 January 2024

Asset class	Total
Net equities	18.7
Hedged equities	6.8
Property	0.9
Commodity-linked	1.8
Bonds	51.8
Money market and bank deposits	20.0
<b>Total (%)</b>	<b>100.0</b>

## Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
British American Tobacco	2.9
AB InBev	2.7
Standard Bank	1.7
Woolworths	1.6
Nedbank	1.4
Glencore	1.4
Remgro	1.3
MultiChoice	1.2
AngloGold Ashanti	1.1
Sasol	0.9
<b>Total (%)</b>	<b>16.2</b>

The Portfolio aims to deliver real absolute returns at low risk of capital loss through the cycle. The prospective returns available at any point in time in the cycle are to a large degree dependent on starting valuations. Given the Portfolio's significant exposure to fixed income instruments, the real returns offered by cash and low-duration bonds are an important determinant in delivering on its objective. The additional exposure to equities, capped at a maximum of 40% of the Portfolio, provides the opportunity to increase the overall return above that offered by fixed income.

Theoretically, the Portfolio's outlook is positive when real short-term interest rates are high, combined with cheap equities, and vice versa. In the second scenario, where we want to avoid overvalued equities by holding more cash, it is difficult to achieve the benchmark until equities are attractive enough to be upweighted.

Local fixed income is offering attractive real yields. We can construct a fixed income allocation for the Portfolio that not only has an attractive yield but also a low modified duration, which is a measure of risk to changes in interest rates. The Portfolio's local fixed income has a yield of 6.6% with a modified duration of 2.2. We have invested almost a third of our money market exposure into five-year fixed deposits yielding 10%. While we might be close to the peak of the rate cycle, with the result that some of the high yields roll off over time, the yields remain attractive. We think there is a reasonable chance that rates stay higher than the market is currently discounting.

The Portfolio's net equity weighting of 21% is below the maximum of 40%. This reflects our efforts to balance the attractiveness of low-duration fixed income and the risks we see in equity markets. Many South African equities remain attractively valued, and this is similar globally – outside of the mega-cap US shares. One way to take advantage of this is to own the equities we think are attractive and then hedge out the overall equity market risk by selling index futures. When considering equities for the Portfolio, we think about how they would react in scenarios that may be negative for local fixed income. Gold mining shares such as Gold Fields and AngloGold, are examples. In addition, we own high-quality global businesses, such as AB InBev and British American Tobacco.

While high real short-term rates offer an attractive opportunity locally, they are also a tough benchmark to outperform while simultaneously limiting risk of capital loss. We think carefully about constructing the Portfolio and believe the current combination of assets increases the probability that the Portfolio will achieve and hopefully outperform its benchmark over the medium term.

Over the quarter, the Portfolio purchased Gold Fields and AB InBev and reduced its weightings in shorter-dated bank paper and Glencore.

**Adapted from a commentary contributed by Duncan Artus**

**Fund manager quarterly  
commentary as at  
31 December 2023**

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## 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

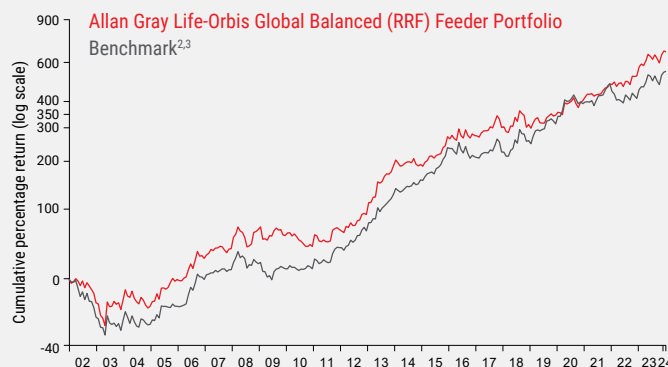
\*The blended returns are calculated by Orbis Investment Management Ltd using end-of-day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns,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

## Portfolio information on 31 January 2024

Assets under management	R583m
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## Performance net of fees<sup>1</sup>

Cumulative performance since inception



% Returns <sup>1,4</sup>	Portfolio		Benchmark <sup>2,3</sup>	
	ZAR	US\$	ZAR	US\$
Since inception	9.5	7.2	8.7	6.4
Latest 10 years	10.0	4.6	10.9	5.4
Latest 5 years	14.4	6.9	13.6	6.2
Latest 3 years	14.3	6.4	9.5	1.9
Latest 2 years	15.5	5.3	9.3	-0.3
Latest 1 year	14.4	6.8	17.6	9.8
Latest 3 months	10.3	10.4	12.5	12.6

## Asset allocation on 31 January 2024

This portfolio invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	57.3	12.9	19.3	9.3	13.3	2.6
Hedged equities	18.5	10.4	5.3	0.5	1.3	1.0
Property	0.1	0.0	0.0	0.1	0.0	0.0
Commodity-linked	5.2	0.0	0.0	0.0	0.0	5.2
Bonds	17.5	13.4	4.0	0.0	0.0	0.1
Money market & cash	1.4	0.3	0.5	0.3	0.2	0.1
<b>Total</b>	<b>100.0</b>	<b>37.0</b>	<b>29.1</b>	<b>10.2</b>	<b>14.7</b>	<b>9.0</b>

- 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.
- 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan Global Government Bond Index\*.
- 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.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.

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

## Top 10 holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
SPDR Gold Trust	4.8
Samsung Electronics	4.6
Kinder Morgan	3.3
Taiwan Semiconductor Mfg.	3.0
US TIPS 1 - 3 Years	2.9
Burford Capital	2.6
US TIPS 5 - 7 Years	2.4
US TIPS 3 - 5 Years	2.4
Nintendo	2.2
Mitsubishi Heavy Industries	1.8
<b>Total (%)</b>	<b>30.2</b>



2023 was a healthy year for economies and markets, though a sometimes frustrating one for us. Across most of the developed world, interest rates rose, inflation slowed, wages grew, unemployment numbers napped, and equity markets flew. Central bankers have not quite toasted themselves for painlessly reducing inflation, but they have clearly started to chill the champagne. To many, the year felt like a warm encore to the investing environment of the last 15 years and a welcome pivot from 2022's tentative return to valuation rationality.

Company fundamentals, asset prices and common sense tell us that a re-run of the last 15 years is unlikely. Accordingly, the Portfolio hasn't changed much on the surface. Its asset class exposures are roughly where they were a year ago. Between regions, we still favour Japan, the UK and Europe over the US. Within sectors, our best ideas are still in energy, semiconductor manufacturers, energy transition businesses, financials and defence contractors, with minimal exposure to the US tech juggernauts that dominated markets in 2023. In part, that stability is deliberate. The classic value investor's mistake is to buy a cheap share on the way down, sweat anxiously until it starts to recover, then sell with relief as soon as it gets back to the purchase price. To us, that's like hopping off a train on the middle of a bridge. An extremely cheap stock that performs well may still be very cheap, and sometimes the hardest thing to do is sit on your hands.

But the Portfolio's apparent stability belies a number of changes under the surface. During the year, we made notable changes to the Portfolio's energy, energy transition and semiconductor holdings.

In energy, we trimmed exposure to oil and gas producers in favour of specialist service companies. As producers have ramped up supply, oil prices fell from an average of US\$100 per barrel in 2022 to an average of US\$85 in 2023. Higher supply is not great for producers, but it is rewarding for their service providers. Yet all of our services companies trade for less than 10 times what we expect them to earn in a few years.

We have also rotated within the Portfolio's energy transition holdings. Among utilities, we bought US nuclear energy generator Constellation, whose scale and cost advantages should help it benefit as reliable, clean power sources become more highly valued. And we added to our largest utility position, Drax, to take advantage of share price weakness driven by short-term concerns.

In semiconductors, we have written repeatedly about long-held Samsung Electronics and Taiwan Semiconductor Manufacturing Company (TSMC) which remain major holdings. In 2023, we bought Intel and added to memory maker Micron.

The memory chip industry has just rounded out a vicious downcycle, and the recovery should benefit both Micron and Samsung. Having consolidated from a half dozen competitors to just three, the industry is fundamentally better than it was a decade ago, but this is hardly reflected in valuations – Micron trades for about 10 times our estimates of 2025 earnings.

While Intel had fallen behind TSMC and Samsung in manufacturing, the company's shares got much cheaper in early 2023, and in an increasingly fraught environment where Taiwan is a flash point, being an American company with American factories is a huge asset. Even after a share price recovery in 2023, the valuation suggests the market remains sceptical.

Within stock markets, we still see plenty of value, but the MSCI World Index remains expensive in aggregate. While 2022 took some of the absurdity out of valuations, the bubble was just starting to unwind. In 2023, richly priced shares got richer while cheap stocks mostly stayed cheap.

That creates interesting conditions on the lower-risk side of the Portfolio.

Hedged equity remains a wonderful tool for us. When we buy undervalued shares and sell their local market index, we capture the relative return of our stocks versus the index, plus a cash interest rate. In the US, that cash-like return is now 5% p.a. – a nice boost for our hedged equity exposure.

In bonds, the real yield on a 10-year US Treasury Inflation Protected Security, or TIPS, is now a little less than 2%, against market inflation expectations of 2.2% for the foreseeable future. That combination looks attractive to us, and it raises the bar for everything else in the Portfolio. If a super liquid, super safe, reasonably stable asset will give us about 2% per year after inflation, anything riskier we buy needs to offer substantially higher returns. Today, we can find higher returns without leaving the bond world, and our team has uncovered a number of attractive corporate bond ideas.

Which leaves gold. In 2023, gold managed to beat bonds and set a new record high. We clipped the position into this strength, but we continue to like the diversification gold brings to the Portfolio.

We continue to think our Portfolio offers a better balance of risk and return than the benchmark, aided by the diversification provided from assets that can hold their own against inflation. For risk management, that diversification is helpful. But we have always believed the best way to reduce risk without sacrificing return is to simply own undervalued assets. In aggregate, the equities in the Portfolio trade at just 16 times earnings, compared to 24 times for the MSCI World Index. That leaves us excited by the low expectations and undervaluation we see across the Portfolio.

We added to the Portfolio's exposure to TIPS, as we believe the exposure offers low risk, a positive real yield and inflation protection at a reasonable price. We exited our position in Bayer in order to reallocate capital to higher-conviction holdings.

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

**Fund manager quarterly commentary as at 31 December 2023**

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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

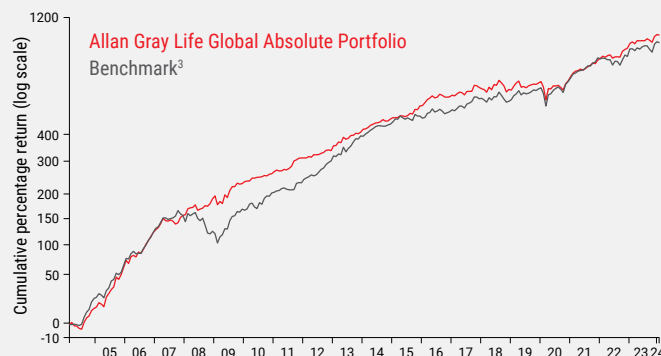
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## Portfolio information on 31 January 2024

Assets under management

R2 167m

## Performance<sup>1</sup>

Cumulative performance since inception<sup>2</sup>


% Returns <sup>4</sup>	Portfolio <sup>1</sup>	Benchmark <sup>3</sup>
Since inception <sup>2</sup>	12.9	12.5
Latest 10 years	8.2	8.1
Latest 5 years	9.6	10.0
Latest 3 years	12.2	10.3
Latest 2 years	10.2	6.9
Latest 1 year	7.2	5.3
Latest 3 months	6.1	8.2

## Asset allocation on 31 January 2024<sup>5</sup>

Asset class	Total	South Africa	Foreign
Net equities	58.7	34.3	24.4
Hedged equities	17.1	8.2	8.9
Property	0.7	0.2	0.5
Commodity-linked	3.7	3.7	0.0
Bonds	13.0	8.4	4.6
Money market and bank deposits <sup>6</sup>	6.7	3.5	3.3
<b>Total (%)</b>	<b>100.0</b>	<b>58.4</b>	<b>41.6</b>

- Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
- Since alignment date (1 March 2004).
- Mean of Alexander Forbes Global Large Manager Watch. The return for January 2024 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.
- Underlying holdings of foreign funds are included on a look-through basis.
- Including currency hedges.

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

## Top 10 share holdings on 31 December 2023 (SA and Foreign) (updated quarterly)<sup>5</sup>

Company	% of portfolio
AB InBev	6.0
British American Tobacco	4.5
Woolworths	4.1
Standard Bank	3.1
Naspers & Prosus	2.8
Glencore	2.7
MultiChoice	2.3
Nedbank	1.8
Booking Holdings Inc	1.7
Tiger Brands	1.6
<b>Total (%)</b>	<b>30.6</b>

2023 was another year full of surprising and unpredictable events. Most notably, in our opinion, global markets continue to be dominated by the announcements and actions of central banks, and expectations around those actions, rather than fundamentals. In 2022, as global inflation spiked and central banks responded by hiking interest rates, we saw a considerable sell-off in speculative, long-duration and leveraged assets, as the era of "easy money" appeared to be over. As inflation tapered during the course of 2023, and central banks have begun to signal an end to rate hiking and possible rate cuts, many of these assets have rebounded sharply:

- After selling off in 2022, global equity markets rebounded and were once again dominated by US stocks, and in particular large-cap US technology stocks. For the year ending 31 December 2023, the MSCI World Index was up 24%, the S&P 500 up 26% and the Nasdaq up 45% – in US dollars. The largest US stocks (Apple, Alphabet, Meta, Microsoft, Tesla, Nvidia and Amazon) have come to be known as the "magnificent seven", and in 2023, magnificent they were. The "worst" performing of the group was Apple, up 49%, while the best, Nvidia, buoyed by the excitement around artificial intelligence and the related demand for their chips, was up over 200%. In absolute terms, the market value of Nvidia increased by over US\$800bn.
- Cryptocurrencies have also seen a resurgence. After being down over 64% in 2022, Bitcoin has bounced more than 160% to end the year at US\$42 085. Remarkably, that is still below where it began in 2022. This mathematical fact highlights how important avoiding large losses is to successful long-term investing. If you buy something that subsequently halves in value, you need it to increase by 100% to get your money back. In this particular case, Bitcoin speculators who bought on 31 December 2021 need to see a price recovery of 178% from 31 December 2022 to get their money back in nominal terms.
- One asset class that hasn't seen as strong a recovery is the bond market. At the end of 2020, at the peak of the "easy money" era, there were roughly US\$18tn of negative-yielding bonds. That is to say, at that point in the market cycle, there was US\$18tn of debt where lenders were paying borrowers to borrow money from them! As interest rates began increasing in 2021 and increased further through 2022, bond holders began to suffer. The J.P. Morgan Global Government Bond Index fell by 6.5% in 2021 and a further 17.2% in 2022. It has failed to recover meaningfully in 2023, returning 4.0%. Those who held long-duration "safe-haven" developed market bonds have fared much worse. In 2022, investors in US and UK 30-year bonds lost a third and half of their investments, respectively – only to see further declines in prices during the course of 2023, with a marginal recovery by year end.

Domestically, the economic environment remains challenging, dominated by poor sentiment and record levels of loadshedding. It is not surprising that we have not seen the same resurgence in asset prices:

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

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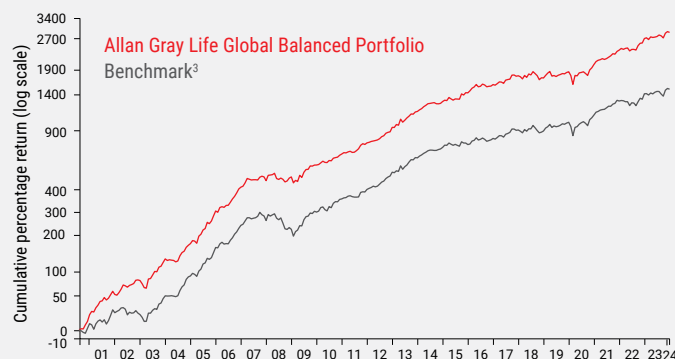
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## Portfolio information on 31 January 2024

Assets under management

R1 703m

## Performance<sup>1</sup>

Cumulative performance since inception<sup>2</sup>

- Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
- Since alignment date (1 September 2000).
- Mean of Alexander Forbes Global Large Manager Watch. The return for January 2024 is an estimate.
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% Returns <sup>4</sup>	Portfolio <sup>1</sup>	Benchmark <sup>3</sup>
Since inception <sup>2</sup>	15.5	12.4
Latest 10 years	9.4	8.1
Latest 5 years	10.9	10.0
Latest 3 years	12.9	10.3
Latest 2 years	10.6	6.9
Latest 1 year	7.2	5.3
Latest 3 months	6.4	8.2

## Asset allocation on 31 January 2024<sup>5</sup>

Asset class	Total	South Africa	Foreign
Net equities	65.1	39.6	25.4
Hedged equities	12.9	2.6	10.4
Property	1.1	0.5	0.6
Commodity-linked	2.5	2.5	0.0
Bonds	11.3	7.9	3.4
Money market and bank deposits <sup>6</sup>	7.1	4.8	2.3
<b>Total (%)</b>	<b>100.0</b>	<b>57.9</b>	<b>42.1</b>

## Top 10 share holdings on 31 December 2023 (SA and Foreign) (updated quarterly)<sup>5</sup>

Company	% of portfolio
British American Tobacco	4.3
AB InBev	4.0
Glencore	2.6
Naspers & Prosus	2.5
Mondi	2.2
Woolworths	2.1
Nedbank	2.0
Standard Bank	1.8
Remgro	1.7
Sasol	1.4
<b>Total (%)</b>	<b>24.4</b>



2023 was another year full of surprising and unpredictable events. Most notably, in our opinion, global markets continue to be dominated by the announcements and actions of central banks, and expectations around those actions, rather than fundamentals. In 2022, as global inflation spiked and central banks responded by hiking interest rates, we saw a considerable sell-off in speculative, long-duration and leveraged assets, as the era of "easy money" appeared to be over. As inflation tapered during the course of 2023, and central banks have begun to signal an end to rate hiking and possible rate cuts, many of these assets have rebounded sharply:

- After selling off in 2022, global equity markets rebounded and were once again dominated by US stocks, and in particular large-cap US technology stocks. For the year ending 31 December 2023, the MSCI World Index was up 24%, the S&P 500 up 26% and the Nasdaq up 45% – in US dollars. The largest US stocks (Apple, Alphabet, Meta, Microsoft, Tesla, Nvidia and Amazon) have come to be known as the "magnificent seven", and in 2023, magnificent they were. The "worst" performing of the group was Apple, up 49%, while the best, Nvidia, buoyed by the excitement around artificial intelligence and the related demand for their chips, was up over 200%. In absolute terms, the market value of Nvidia increased by over US\$800bn.
- Cryptocurrencies have also seen a resurgence. After being down over 64% in 2022, Bitcoin has bounced more than 160% to end the year at US\$42 085. Remarkably, that is still below where it began in 2022. This mathematical fact highlights how important avoiding large losses is to successful long-term investing. If you buy something that subsequently halves in value, you need it to increase by 100% to get your money back. In this particular case, Bitcoin speculators who bought on 31 December 2021 need to see a price recovery of 178% from 31 December 2022 to get their money back in nominal terms.
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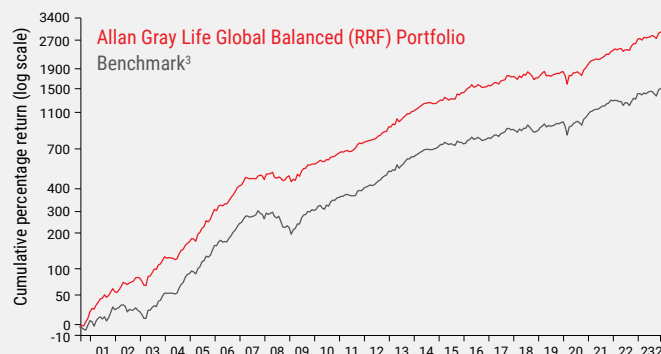
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Assets under management	R29 833m
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## Performance<sup>1,2</sup>

Cumulative performance since inception



% Returns <sup>2,4</sup>	Portfolio <sup>1</sup>	Benchmark <sup>3</sup>
Since inception	15.6	12.4
Latest 10 years	9.5	8.1
Latest 5 years	11.0	10.0
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Asset class	Total	South Africa	Foreign
Net equities	65.0	39.5	25.5
Hedged equities	12.9	2.5	10.4
Property	1.1	0.5	0.6
Commodity-linked	2.5	2.5	0.0
Bonds	11.4	8.1	3.2
Money market and bank deposits <sup>6</sup>	7.1	4.8	2.4
<b>Total (%)</b>	<b>100.0</b>	<b>57.9</b>	<b>42.1</b>

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### FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

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### MSCI 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 asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest portfolio will be conservative.

## Investment specifics

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

## Compliance with Prudential Investment Guidelines

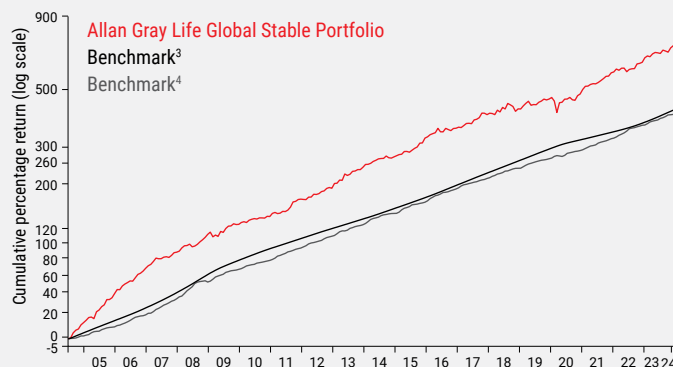
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

## Portfolio information on 31 January 2024

Assets under management	R4 709m
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## Performance<sup>1</sup>

Cumulative performance since inception<sup>2</sup>



% Returns <sup>5</sup>	Portfolio <sup>1</sup>	Benchmark <sup>3</sup>	Benchmark <sup>4</sup>
Since inception <sup>2</sup>	11.4	8.8	8.6
Latest 10 years	8.9	8.2	8.2
Latest 5 years	9.6	7.6	8.1
Latest 3 years	11.1	7.5	8.9
Latest 2 years	10.0	8.5	9.1
Latest 1 year	9.3	10.0	8.2
Latest 3 months	4.9	2.5	0.7

## Asset allocation on 31 January 2024<sup>6</sup>

Asset class	Total	South Africa	Foreign
Net equities	24.2	12.9	11.4
Hedged equities	20.8	8.7	12.1
Property	1.0	0.7	0.3
Commodity-linked	2.1	1.6	0.6
Bonds	31.5	23.6	7.9
Money market and bank deposits <sup>7</sup>	20.3	17.5	2.9
<b>Total (%)</b>	<b>100.0</b>	<b>64.9</b>	<b>35.1</b>

- Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
- Since alignment date (1 August 2004).
- Alexander Forbes 3-month Deposit Index plus 2%.
- CPI plus 3%. The return for January 2024 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.
- Underlying holdings of foreign funds are included on a look-through basis.
- Including currency hedges.

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

## Top 10 share holdings on 31 December 2023 (SA and Foreign) (updated quarterly)<sup>6</sup>

Company	% of portfolio
British American Tobacco	2.5
AB InBev	2.3
Woolworths	1.3
Nedbank	1.3
Standard Bank	1.3
Remgro	1.2
Marriott International	1.1
Glencore	1.1
Gold Fields	0.9
MultiChoice	0.9
<b>Total (%)</b>	<b>14.0</b>

The Portfolio aims to deliver real absolute returns at low risk of capital loss through the cycle. The prospective returns available at any point in time in the cycle are to a large degree dependent on starting valuations. Given the Portfolio's significant exposure to fixed income instruments, the real returns offered by cash and low-duration bonds are an important determinant in delivering on its objective. The additional exposure to equities, capped at a maximum of 40% of the Portfolio, provides the opportunity to increase the overall return above that offered by fixed income.

Theoretically, the Portfolio's outlook is positive when real short-term interest rates are high, combined with cheap equities, and vice versa. In the second scenario, where we want to avoid overvalued equities by holding more cash, it is difficult to achieve the benchmark until equities are attractive enough to be upweighted. The Portfolio can invest up to 45% of its assets offshore. While we are unlikely to be at or close to this maximum, outside of extremes, the offshore exposure adds diversification. In our view, this offsets the potential increase in the short-term volatility of rand returns and protects against the risk of a substantially weaker currency.

Local fixed income is offering attractive real yields. We can construct a fixed income allocation for the Portfolio that not only has an attractive yield but also a low modified duration, which is a measure of risk to changes in interest rates. The Portfolio's local fixed income has a yield of 8.8% with a modified duration of 2.3. We have invested almost a third of our money market exposure into five-year fixed deposits yielding 10%. Offshore fixed income is attractive with hard currency US dollar short-term rates paying 5% and higher. This includes floating-rate debt in high-quality US financial institutions. While we might be close to the peak of the

rate cycle, with the result that some of the high yields roll off over time, the yields remain attractive. We think there is a reasonable chance that rates stay higher than the market is currently discounting.

The Portfolio's net equity weighting of 25% is below the maximum of 40%. This reflects our efforts to balance the attractiveness of low-duration fixed income and the risks we see in equity markets. Many South African equities remain attractively valued, and this is similar globally – outside of the mega-cap US shares. One way to take advantage of this is to own the equities we think are attractive and then hedge out the overall equity market risk by selling index futures. When considering equities for the Portfolio, we think about how they would react in scenarios that may be negative for local fixed income. Gold mining shares such as Gold Fields, AngloGold and Barrick, are examples. In addition, we own high-quality global businesses, such as AB InBev and Marriott International.

While high real short-term rates offer an attractive opportunity locally, they are also a tough benchmark to outperform while simultaneously limiting risk of capital loss. We think carefully about constructing the Portfolio and believe the current combination of assets increases the probability that the Portfolio will achieve and hopefully outperform its benchmark over the medium term.

Over the quarter, the Portfolio purchased shorter duration treasury bills and AB InBev and reduced its weightings in shorter-dated bank paper and Glencore.

**Adapted from a commentary contributed by Duncan Artus**

**Fund manager quarterly  
commentary as at  
31 December 2023**

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## 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

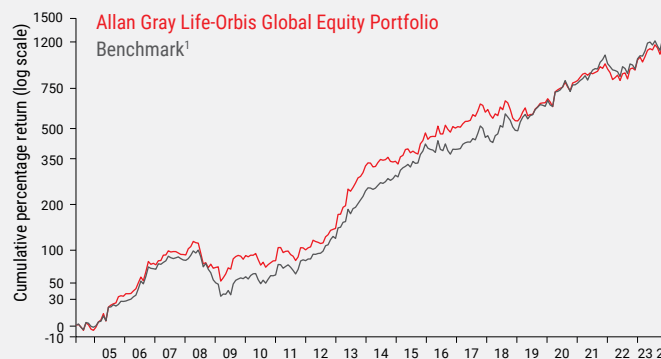
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Investor Class Fee is levied in the underlying Orbis Global Equity Fund.

## Portfolio information on 31 January 2024

Assets under management	R208m
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## Performance net of fees

Cumulative performance since inception



% Returns <sup>2</sup>	Portfolio		Benchmark <sup>1</sup>	
	ZAR	US\$	ZAR	US\$
Since inception	14.1	8.4	14.5	8.7
Latest 10 years	11.8	6.3	15.1	9.4
Latest 5 years	15.7	8.1	19.3	11.5
Latest 3 years	12.8	5.0	16.1	8.0
Latest 2 years	13.7	3.6	14.4	4.3
Latest 1 year	19.0	11.1	25.3	16.9
Latest 3 months	12.9	13.0	15.9	16.0

## Asset allocation on 31 January 2024

This portfolio invests solely into the Orbis Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	98.1	52.9	19.0	12.9	12.1	1.2
Money market & cash	1.9	2.1	-0.2	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>55.0</b>	<b>18.7</b>	<b>12.9</b>	<b>12.2</b>	<b>1.2</b>

- FTSE World Index, including income.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.

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

## Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
FLEETCOR Technologies	6.0
Global Payments	4.3
Sumitomo Mitsui Fin.	4.1
GXO Logistics	4.0
Intel	3.4
Constellation Energy	3.4
Interactive Brokers Group	3.0
Nintendo	2.8
UnitedHealth Group	2.6
Shell	2.6
<b>Total (%)</b>	<b>36.1</b>



2023 felt like we were running on a treadmill, while Mr Market took the flying carpet. The Portfolio returned 19.6% in dollars<sup>1</sup>, an attractive absolute return, but not quite enough to match the benchmark<sup>2</sup>, which rose 24.2%.

It's always frustrating to come up short versus our benchmark, even when absolute returns are good. But it's not uncommon for us to lag strongly rising markets, especially when they are driven by a handful of shares – in this case, the US technology companies dubbed the "magnificent seven": Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla.

In 2023, approximately 60% of the Portfolio was invested in winners versus the market, and our average winner won by as much as our average loser lost. If that were all we knew about performance in 2023, we would guess we had beaten the benchmark. But apart from a small position in Alphabet, the Portfolio did not own the magnificent seven, and not holding them dented relative returns three times more than the biggest loser actually owned by the Portfolio. While we prefer to focus on what's *in* the Portfolio, sometimes what *isn't* is the bigger driver of our returns versus the benchmark.

An intuitive (but flawed) understanding of passive investing would suggest that out of 100 active portfolios, an index tracker will come in 50th place. But 2023 showed that's not quite true. In a Monte Carlo simulation, had 100 investors picked 50 equal-weighted stocks at random from the MSCI World Index at the start of the year, a remarkable 92 of those portfolios would have trailed the Index.

In reality, global equity funds did better than just picking stocks at random. Still, the Index managed to beat 73% of active managers – a feat only topped during the build-up to the tech bubble in the 1990s.

2023 was an outlier on the positive side for indexation, but if a passive strategy can deliver a 92nd percentile result, then an 8th percentile result is also possible. That kind of outcome isn't just theoretical. A passive strategy lagged nearly all simulations as recently as 2009 (3rd percentile) and, before that, in 2000 (2nd percentile).

A passive approach, it turns out, is a distinct portfolio with its own risks and exposures. The difference is how the portfolio is constructed. While we build portfolios based on shares that we believe offer the most attractive value, traditional market capitalisation-weighted passive funds allocate strictly according to index weighting, paying no mind to value or risk.

By design, traditional index funds are naturally overexposed to the most overvalued parts of a market. It follows that the environment where a passive approach will rank highest versus peers is one where the most overvalued shares get even more overvalued.

Indeed, the more the valuation gap between overvalued and undervalued stocks widens, the more the passive strategy outperforms, the greater its allocation to the overvalued stocks, the more money it attracts to keep the cycle in motion – and the more risky it becomes.

The converse is also true: the environment where a passive approach will do worst is one where the most overvalued shares sell off hardest (e.g. 2000) or the most overlooked shares recover most strongly (e.g. 2009).

As a barometer of current market conditions, 2023's 92nd percentile performance from the Index is a fascinating tell – and 2023 isn't alone. Though 2022 was a break from the recent pattern, US index-tracking strategies have now beaten the combined wisdom of active investors for eight of the last 10 years.

Never before has following the crowd made so much money. Nor, in our estimation, so little sense. But just look at the opportunities the crowd has left for those of us willing to take a different view.

We could wax lyrical about the glaring difference in value between Korean banks priced at 4 times earnings, versus Apple at approximately 28 times, despite diverging fundamentals. Or how the thick margin of safety at Intel, backed by listed stakes and real saleable assets, compares to the slim margin for error at Nvidia, trading at 13 times 2024's projected revenue. We could marvel at Mr Market's willingness to extrapolate dominance for the magnificent seven while putting little value on Nintendo's exceptional intellectual property.

But those deep dives would only cover a fraction of the Portfolio, which risks diluting the message on how distorted the overall opportunity set has become.

Not since the inception of the first Orbis funds in 1990 has one country's benchmark weight punched so far above its share of global GDP (then Japan, now the US). Nor since Allan Gray's creation in 1973 have a handful of shares commanded such a large proportion of the market. Today, the magnificent seven stocks command as much market value as the five largest developed stock markets outside the US by market value, yet the magnificent seven contribute less than half the profits of those stock markets.

The decisions to launch investment funds at those times were far from coincidental. Our founder, Allan W B Gray, was always a big believer in putting clients first. He considered moments when the market was dominated by one hot theme to be invaluable opportunities for us to pick up the bargains left behind for our clients. Looking at today's distorted investment environment, we believe he'd be every bit as excited as we are.

We established a position in RenaissanceRe Holdings, a global provider of reinsurance. We also added to the Portfolio's position in Nintendo, a Japanese entertainment and game company. We exited the Portfolio's position in Samsung Electronics to concentrate capital in higher-conviction positions.

Adapted from a commentary contributed by Ben Preston, Orbis Portfolio Management (Europe) LLP, London and Eric Marais, Orbis Investment Advisory Pty Limited, Sydney

## Fund manager quarterly commentary as at 31 December 2023

1. Net-of-fee return for 2023  
2. FTSE World Index, including income



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## 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.

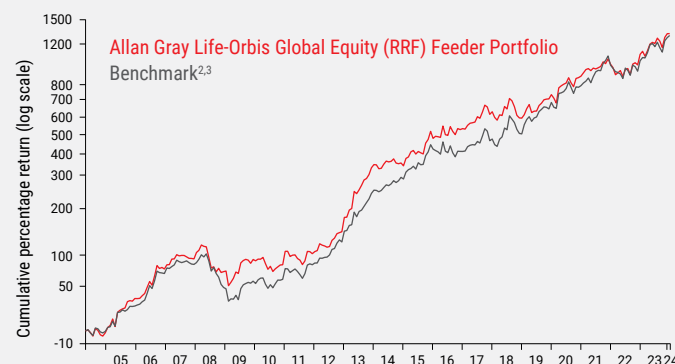
## Portfolio information on 31 January 2024

Assets under management

R828m

## Performance net of fees<sup>1</sup>

Cumulative performance since inception



- 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.
- The benchmark prior to 1 April 2015 was that of the Allan Gray Life-Orbis Global Equity Portfolio which was the FTSE World Index, including income.
- MSCI World Index, with net dividends reinvested.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.

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

% Returns <sup>1,4</sup>	Portfolio		Benchmark <sup>2,3</sup>	
	ZAR	US\$	ZAR	US\$
Since inception	14.4	8.7	14.3	8.6
Latest 10 years	12.4	6.9	14.8	9.1
Latest 5 years	16.3	8.7	19.2	11.4
Latest 3 years	13.5	5.6	16.1	8.1
Latest 2 years	14.6	4.5	14.2	4.1
Latest 1 year	20.4	12.4	25.3	17.0
Latest 3 months	13.1	13.2	16.0	16.1

## Asset allocation on 31 January 2024

This portfolio invests solely into the Orbis Institutional Global Equity Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	97.6	52.7	19.0	12.9	11.9	1.1
Money market & cash	2.4	2.6	-0.2	0.0	0.0	0.0
<b>Total (%)</b>	<b>100.0</b>	<b>55.2</b>	<b>18.8</b>	<b>12.9</b>	<b>11.9</b>	<b>1.1</b>

## Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of portfolio
FLEETCOR Technologies	5.9
Global Payments	4.2
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GXO Logistics	4.0
Intel	3.4
Constellation Energy	3.4
Interactive Brokers Group	3.0
Nintendo	2.8
BAE Systems	2.7
Shell	2.6
<b>Total (%)</b>	<b>36.0</b>

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### MSCI Index

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