ALLAN GRAY

Fund managers: Duncan Artus, Sean Munsie, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 16 August 2017

Allan Gray Stable Portfolio

31 March 2024

Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 45% offshore. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 40%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio or a balanced portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Retirement Fund.

Portfolio objective and benchmark

The Portfolio aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Portfolio's benchmark is the Consumer Price Index, plus 3%.

How we aim to achieve the Portfolio's objective

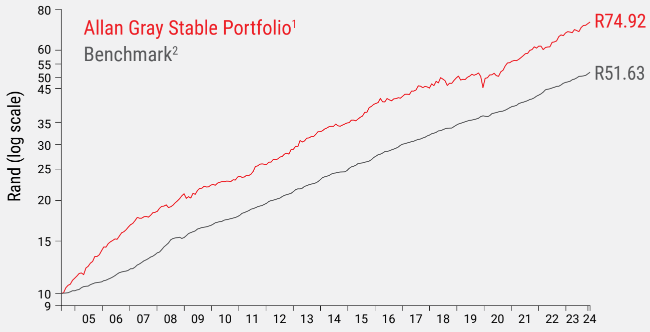
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Portfolio's stock market exposure in consideration of the Portfolio's capital preservation objectives. The Portfolio may also invest in bonds, property and commodities. The Portfolio's bond and money market investments are actively managed.

Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Stable Portfolio. When assessing the Portfolio's performance and risk measures over time, for periods before its inception (16 August 2017), the returns of the Allan Gray Life Global Stable Portfolio can be used. The combined history reflects the performance and risk of the strategy over the long term.

Performance net of all fees and expenses

Value of R10 invested at alignment



% Returns	Portfolio[1]	Benchmark[2]	CPI inflation[3]
Cumulative:			
Since alignment (1 August 2004)	649.2	416.3	187.6
Annualised:			
Since alignment (1 August 2004)	10.8	8.7	5.5
Latest 10 years	8.4	8.1	5.1
Latest 5 years	8.7	8.2	5.1
Latest 3 years	10.6	9.2	6.1
Latest 2 years	10.1	9.3	6.3
Latest 1 year	10.6	8.5	5.6
Year-to-date (not annualised)	2.6	2.7	1.1
Risk measures (since alignment)			
Maximum drawdown[4]	-10.3	-0.9	n/a
Percentage positive months[5]	74.3	98.3	n/a
Annualised monthly volatility[6]	5.4	1.5	n/a
Highest annual return[7]	27.5	17.1	n/a
Lowest annual return[7]	-6.9	5.0	n/a

1. The returns prior to 16 August 2017 are those of the Allan Gray Life Global Stable Portfolio since its alignment on 1 August 2004. The returns are shown net of the fees that would have been incurred had the current fee applied since alignment.
2. The Portfolio's benchmark is the Consumer Price Index plus 3%, performance as calculated by Allan Gray as at 31 March 2024.
3. This is based on the latest numbers published by IRESS as at 29 February 2024.
4. Maximum percentage decline over any period. The maximum drawdown occurred from January 2020 to March 2020. Drawdown is calculated on the total return of the Portfolio (i.e. including income).
5. The percentage of calendar months in which the Portfolio produced a positive monthly return since alignment.
6. The standard deviation of the Portfolio's monthly return. This is a measure of how much an investment's return varies from its average over time.
7. These are the highest or lowest consecutive 12-month returns since alignment. This is a measure of how much the Portfolio and the benchmark returns have varied per rolling 12-month period. The Portfolio's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 31 August 2008. The Portfolio's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 May 2020.

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Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a portfolio that complies with retirement fund investment limits

Annual management fee

Allan Gray charges a fixed fee of 0.70% p.a. on the Portfolio assets excluding the portion invested in the range of Orbis funds. This fee is presently exempt from VAT.

A portion of the Portfolio may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

Top 10 share holdings on 31 March 2024 (SA and Foreign) (updated quarterly)[8]

Company	% of portfolio
British American Tobacco	2.7
AB InBev	2.1
Woolworths	1.4
Nedbank	1.3
MultiChoice	1.2
Gold Fields	1.2
AngloGold Ashanti	1.2
Marriott International	1.1
Sappi	1.0
Glencore	1.0
Total (%)	**14.2**

8. Underlying holdings of foreign funds are included on a look-through basis.

Asset allocation on 31 March 2024[8]

Asset class	Total	South Africa	Foreign
Net equities	25.8	13.6	12.2
Hedged equities	22.2	9.1	13.2
Property	1.2	0.7	0.4
Commodity-linked	2.4	1.7	0.7
Bonds	32.0	24.5	7.6
Money market and bank deposits[9]	16.4	13.8	2.6
Total (%)	**100.0**	**63.4**	**36.6**[10]

9. Including currency hedges.

10. The Portfolio can invest a maximum of 45% offshore. Market movements may periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

Since inception, the Portfolio's month-end net equity exposure has varied as follows:

Minimum	(September 2023) 23.7%
Average	33.3%
Maximum	(December 2018) 40.1%

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2024	1yr %	3yr %
Total expense ratio[11]	**0.85**	**0.83**
Fee for benchmark performance	0.74	0.72
Performance fees	0.08	0.08
Other costs excluding transaction costs	0.03	0.03
Transaction costs (including VAT)[12]	**0.04**	**0.05**
Total investment charge	**0.89**	**0.88**

11. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.

12. Transaction costs are a necessary cost in administering the Portfolio and impacts Portfolio returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER.

Portfolio manager quarterly commentary as at 31 March 2024

The optimism that greeted our local market in the latter part of 2023 has not extended into the current year. The FTSE/JSE Capped SWIX declined by 2.3% in the first quarter. The weak performance of our market, particularly when measured in US dollars, is in stark contrast to other global equity indices which have continued to post fresh all-time highs on the back of expected looser monetary policy and a continuing rally in AI-related stocks. A lacklustre commodity price environment, low economic growth and market participants keeping an eye on the upcoming national elections are all contributing to generally poor sentiment towards South African equities.

In comparison, global bonds have struggled to gain traction with investors becoming increasingly cautious on the quantum of interest rate cuts anticipated over the next year. US growth prospects remain strong and global inflation remains higher than targeted levels, particularly in the more labour-intensive services economy. The FTSE World Government Bond Index returned -2.4%, while the local FTSE/JSE All Bond Index posted a 4.1% decline in US dollars (-1.8% in rands) over the quarter.

Against this challenging backdrop for risk assets, the Portfolio's return for the first quarter was 2.6%, marginally behind the benchmark return of 2.7%. The Portfolio's foreign assets were the main contributor to performance, while the hedged equity portion and bonds also added to returns.

At the end of this quarter, the Portfolio's allocation to local cash and bonds is 38.3% of assets, with the split across instruments made with the objective of generating an acceptable overall real return (i.e. after adjusting for inflation), under a variety of possible scenarios. This comprises low-risk money market instruments yielding 9%, higher nominal South African government bonds at more than 12% and inflation linkers at 4.5% to 6.0% real rates. In sum, this combination should provide a decent return without taking on excessive credit and interest rate risk, which is attractive relative to local inflation at 5.6%. In addition to local fixed income, the Portfolio holds offshore US dollar-denominated low-duration bonds at yields of 5% and higher.

A net equity weight of 25.8%, split evenly across local and foreign stocks, reflects a more cautious stance when viewed against the 40% maximum allowable allocation. We are wary of parts of the market that appear expensive (such as US mega-cap technology shares) and what that may entail for absolute equity returns if stark valuation discrepancies begin to unwind. We seek to exploit this potential opportunity with our allocation to hedged equities, which should provide a return profile more akin to cash plus the alpha generated via our bottom-up stockpicking process.

It is worth reiterating the Portfolio's dual objective of providing long-term returns ahead of cash together with offering a high degree of capital stability. Current high cash rates do present a steep performance hurdle. It is important that the appropriate balance is struck between the risk and return required in meeting and surpassing this hurdle, especially in an environment of uncertainty both locally and offshore.

This quarter, the Portfolio added to positions in gold miners, including Pan African Resources and AngloGold Ashanti. We trimmed the Portfolio's exposure to Standard Bank and Nedbank.

Adapted from a commentary contributed by Sean Munsie

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