ALLANGRAY

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

30 April 2025

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

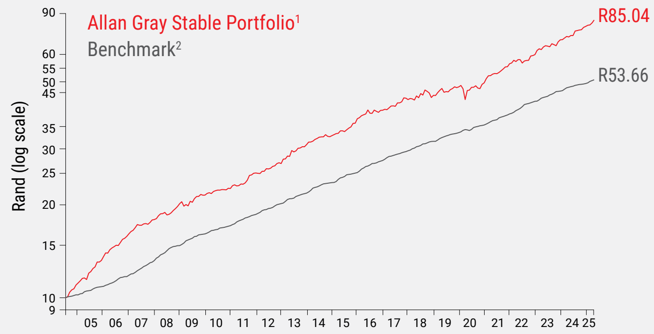
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term 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)	750.4	436.6	197.9
Annualised:			
Since alignment (1 August 2004)	10.8	8.4	5.4
Latest 10 years	8.9	7.9	4.9
Latest 5 years	11.5	8.0	4.8
Latest 3 years	10.7	8.0	5.0
Latest 2 years	10.9	7.1	4.0
Latest 1 year	14.0	5.9	2.7
Year-to-date (not annualised)	5.0	3.0	1.7
Risk measures (since alignment)			
Maximum drawdown[4]	-10.3	-0.7	n/a
Percentage positive months[5]	75.1	98.0	n/a
Annualised monthly volatility[6]	5.3	1.4	n/a
Highest annual return[7]	27.5	15.0	n/a
Lowest annual return[7]	-6.9	4.9	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 30 April 2025.
3. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 31 March 2025 (source: IRESS).
4. Maximum percentage decline over any period calculated from monthly returns. 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 2025 (SA and Foreign) (updated quarterly)[8]

Company	% of portfolio
AB InBev	3.3
British American Tobacco	2.6
AngloGold Ashanti	1.9
Gold Fields	1.5
Woolworths	1.3
Nedbank	1.2
Standard Bank	1.2
Remgro	1.1
Marriott International Inc	0.8
Unilever	0.7
Total (%)	**15.7**

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

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

Minimum	23.7% (September 2023)
Average	32.2%
Maximum	40.1% (December 2018)

Asset allocation on 30 April 2025[8]

Asset class	Total	South Africa	Foreign
Net equities	24.4	12.1	12.3
Hedged equities	24.3	11.9	12.4
Property	1.1	0.1	0.9
Commodity-linked	2.1	1.4	0.6
Bonds	32.8	26.1	6.8
Money market and bank deposits[9]	15.4	13.3	2.1
Total (%)	**100.0**	**65.0**	**35.0[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.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2025	1yr %	3yr %
Total expense ratio[11]	**1.11**	**0.96**
Fee for benchmark performance	0.73	0.73
Performance fees	0.35	0.20
Other costs excluding transaction costs	0.03	0.03
Transaction costs (including VAT)[12]	**0.04**	**0.04**
Total investment charge	**1.15**	**1.00**

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.

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Portfolio manager quarterly commentary as at 31 March 2025

The first quarter of 2025 saw the local equity market add to the strong gains posted in the preceding year, with the FTSE/JSE All Share Index returning 5.9%. Among the largest contributors to returns at the index level were precious metal miners, telecommunications providers and the dual-listed consumer goods companies, including AB InBev, British American Tobacco and Richemont. Gains for the local banks, insurers and retailers have either begun to stall or go backwards, while the diversified miners and other cyclical rand hedges Sasol and Mondi have continued to struggle in the new year. The FTSE/JSE All Bond Index eked out a 0.7% gain for the quarter, as the risk premium on local government bonds increased, particularly on longer-dated instruments. The faltering US market contributed to declines in the MSCI World Index and the S&P 500, which returned -1.8% and -4.4% in US dollars respectively over the quarter.

Against this backdrop, the Portfolio returned 2.7% for the quarter, slightly behind its benchmark[1].

Portfolio holdings in AB InBev and gold miners were among the largest contributors to performance. Gains for AngloGold Ashanti, Gold Fields and DRDGOLD have been particularly strong, with share prices more than 50% higher year to date in rands – this as the gold price breached US$3 000 per ounce for the first time and continued to set new highs. Predominant trends, including diversification away from the US dollar with increased interest in gold as a reserve asset, fears of stagflation in developed economies as growth slows, and political and trade uncertainties, remain more relevant than ever. Despite this, equity investors remain sceptical of the trajectory of the gold price, with valuations of the miners, including those mentioned above, screening as very compelling at the spot price.

The offshore component of the Portfolio was a contributor to overall returns, primarily driven by stock selection. Defence-related holdings were among the leading contributors, having benefited from increased global defence spending and European government commitments to future defence investment. US dollar weakness also aided returns, given the Portfolio's underweight exposure. The offshore component has been positioned against the narrative of American exceptionalism for some time and continues to have limited US exposure.

It is worthwhile noting that events occurring immediately post quarter end pose a possible threat to wider risk asset returns – namely, the sustainability of the government of national unity locally following the conflict-ridden Budget process and the ratcheting up of global trade tensions after President Donald Trump's "Liberation Day" tariff announcements. Last quarter, we wrote about our concerns regarding unsustainable valuation levels both locally and globally, and what this may mean for future returns. This, coupled with geopolitical pressures and elevated uncertainty, makes for increased market volatility ahead.

In our opinion, the Portfolio's current defensive positioning in terms of stock selection, a 24% net equity weight (which is below the 40% maximum), its sizeable asset allocation towards hedged equities, and its lower-duration bond holdings ensure that we are well placed to navigate these challenges.

During the quarter, the Portfolio added to its existing AB InBev holding, initiated a new position in Aspen Pharmacare and trimmed its exposure to British American Tobacco.

Commentary contributed by Sean Munsie

1. Consumer Price Index plus 3%

Important information for investors

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FTSE/JSE All Share Index, FTSE/JSE Resources Index, FTSE/JSE All Bond Index and FTSE/JSE Financials Index

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FTSE Russell Index

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MSCI Index

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