

### 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 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. 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 75%. 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. 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 create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the benchmark without assuming any more risk. The Portfolio's benchmark is a composite benchmark that comprises indices that reflect the Portfolio's mandate.

### How we aim to achieve the Portfolio's objective

We seek to buy shares at a 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 increase the Portfolio's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Portfolio's stock market exposure. By varying the Portfolio's exposure to these different asset classes over time, we seek to enhance the Portfolio's long-term returns and to manage its risk. The Portfolio's bond and money market investments are actively managed.

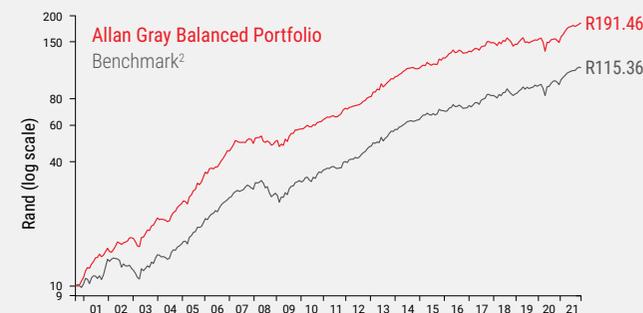
### Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Balanced (RRF) Portfolio. When assessing the Portfolio's performance and risk measures over time, including for periods before its inception (5 April 2017), the returns of the Allan Gray Life Global Balanced (RRF) Portfolio and the Allan Gray Life Global Balanced Portfolio can be used. When this data is combined, investors can get a view of the performance and risk measures of the strategy over the long term.

\*The blended returns are calculated by Allan Gray Proprietary Limited 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 utilizing any MSCI Data, models, analytics or other materials or information.

### Performance net of all fees and expenses

Value of R10 invested at alignment



1. The returns prior to 5 April 2017 are those of the Allan Gray Life Global Balanced (RRF) Portfolio since its inception on 1 August 2015. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its alignment on 1 September 2000. The returns shown are net of the fees that would have been incurred had the current fee been applied since alignment.

2. 47% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index including income and 12% J.P. Morgan GBI Global Index. From inception to 30 June 2018 the benchmark was 50% FTSE/JSE All Share Index, 15% FTSE/JSE All Bond Index, 10% Alexander Forbes 3-month Deposit Index, 15% MSCI All Country World Index and 10% J.P. Morgan GBI Global Index. Source: IRESS, Bloomberg, performance as calculated by Allan Gray as at 31 October 2021.\*

3. This is based on the latest numbers published by IRESS as at 30 September 2021.

4. Maximum percentage decline over any period. The maximum drawdown occurred from 17 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 19 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Portfolio/ benchmark (i.e. including income).

5. The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.

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 30 April 2006. 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 30 April 2003. All rolling 12-month figures for the Portfolio and the benchmark are available from our Client Service Centre on request.

% Returns	Portfolio <sup>1</sup>	Benchmark <sup>2</sup>	CPI inflation <sup>3</sup>
<b>Cumulative:</b>			
Since alignment (1 September 2000)	1814.6	1053.6	204.2
<b>Annualised:</b>			
Since alignment (1 September 2000)	15.0	12.2	5.4
Latest 10 years	10.4	11.4	5.0
Latest 5 years	7.5	10.0	4.4
Latest 3 years	8.3	11.0	4.0
Latest 2 years	11.3	11.4	4.0
Latest 1 year	27.5	23.6	5.0
Year-to-date (not annualised)	16.9	14.0	4.7
<b>Risk measures (since alignment)</b>			
Maximum drawdown <sup>4</sup>	-23.5	-24.8	n/a
Percentage positive months <sup>5</sup>	68.9	65.7	n/a
Annualised monthly volatility <sup>6</sup>	9.4	10.0	n/a
Highest annual return <sup>7</sup>	49.0	39.3	n/a
Lowest annual return <sup>7</sup>	-12.2	-20.3	n/a

### Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment horizon of at least three years

### Annual management fee

Allan Gray charges a fee based on the net asset value of the Portfolio excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Portfolio's total performance for the day, to that of the benchmark. This fee is presently exempt from VAT.

Fee for performance equal to the Portfolio's benchmark: 0.50% p.a.

For each percentage of daily performance above or below the benchmark we add or deduct 0.2%, subject to the following limits:

**Maximum fee:** 2.00% p.a. excl. VAT

**Minimum fee:** 0.50% p.a. excl. VAT

To the extent that the fee calculated exceeds the maximum fee or falls short of the minimum fee, the monetary excess or shortfall will be carried forward to the next day. Any excess or shortfall carried forward from previous day(s) will be added or subtracted to determine the fee payable.

A portion of the Portfolio may be invested in Orbis funds which are levied performance-based fees by Orbis. 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 30 September 2021 (SA and Foreign) (updated quarterly)<sup>9</sup>

Company	% of portfolio
British American Tobacco	6.2
Naspers <sup>8</sup>	5.8
Glencore	4.8
Woolworths	2.7
Sasol	2.4
Standard Bank	2.3
Remgro	2.2
Old Mutual	2.2
Nedbank	2.0
FirstRand	1.8
<b>Total (%)</b>	<b>32.4</b>

8. Includes holding in Prosus N.V., if applicable.

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

Minimum	(February 2020) 59.8%
Average	63.3%
Maximum	(July 2021) 67.9%

### Asset allocation on 31 October 2021<sup>9</sup>

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	67.0	51.8	1.5	13.6
Hedged equities	12.4	2.5	0.0	9.9
Property	1.0	0.9	0.0	0.1
Commodity-linked	2.4	2.3	0.0	0.1
Bonds	11.6	9.4	1.3	0.9
Money market and bank deposits	5.7	2.6	0.4	2.7
<b>Total (%)</b>	<b>100.0</b>	<b>69.5</b>	<b>3.2</b>	<b>27.3<sup>10</sup></b>

9. Underlying holdings of Orbis funds are included on a look-through basis.

10. The Portfolio can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements 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

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 September 2021	1yr %	3yr %
<b>Total expense ratio<sup>11</sup></b>	<b>0.57</b>	<b>0.58</b>
Fee for benchmark performance	0.53	0.53
Performance fees	0.00	0.01
Other costs excluding transaction costs	0.04	0.04
<b>Transaction costs (including VAT)<sup>12</sup></b>	<b>0.09</b>	<b>0.09</b>
<b>Total investment charge</b>	<b>0.66</b>	<b>0.67</b>

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.

The Portfolio returned 4.2% for the quarter, better than the benchmark return of 2.6% for the same period. The foreign portion of the Portfolio returned 4.7%, compared with a 60/40 benchmark of 5.0%.

The market tends to proceed in a random fashion over the short term, but it is possible to identify a few themes for the quarter:

1. **China.** China continues to pass and implement new regulations for technology companies. These played a role in reducing the prices of Naspers and Prosus by 17% and 15%, respectively. China is also seeking to limit steel production and there are doubts in the market about whether China will continue to build infrastructure and housing at the same pace as it has done for the past decade. This has caused the iron ore price to almost halve over the quarter, which has led to declines in the prices of Anglo American, BHP and Kumba Iron Ore (which is down 23%). Fortunately, Glencore, a large holding in the Portfolio, has no exposure to iron ore and was up 16% for the quarter. Xi Jinping's common prosperity agenda has put pressure on Richemont, because presumably a more equal society means that fewer Cartier watches will be bought by the wealthy. The Portfolio has no exposure to Richemont at the moment. To read more about China risk, please refer to the commentary for the Life Domestic Equity Portfolio.
2. **Fossil fuels.** We have been reminded that the world has not yet been able to transition to clean energy and that the demand for energy is very inelastic: Consumers will pay whatever is demanded to drive to work or heat their homes. The price of oil hit US\$80 per barrel and Sasol was up 31% for the quarter. The price of metallurgical coal doubled and thermal coal was up more than 75%. We think there is potential for a further spike in the oil price because the industry has been underinvesting for nearly a decade.

3. **Platinum group metals (PGMs).** The platinum miners had a poor quarter. The prices of palladium and rhodium fell by more than 30%, which means Royal Bafokeng Platinum (RBPlat), Impala, Sibanye and Northam were some of the worst-performing shares on the market. All of them were down more than 17%. We are underweight the sector, but we still have some exposure to these shares. Despite the lower platinum and palladium prices, Sibanye, Impala and RBPlat are still trading at around five times free cash flow. It is possible that demand for PGMs will increase when the chip shortage is alleviated and car production resumes at the normal pace. But a longer-term concern, and the reason for our underweight position, is that battery-powered cars will have an increasingly negative impact on the demand for PGMs.
4. **Buyouts.** When trade buyers step forward, it can be a sign that valuations are cheap. Distell, Liberty and Imperial Logistics are all in the process of being bought. Food and beverage company AVI is under cautionary – possibly a sign that an international buyer is interested in the company.
5. **SA Inc has been a mixed bag.** Remgro was up 19% in the quarter, possibly on the hopes of more action to unlock value for shareholders. KAP Industrial was up 18% in the quarter. Financials such as Old Mutual and FirstRand were also strong. On the other hand, most retailers and many of the property companies had a poor quarter.

It seems that our patience, and our clients' patience, has been rewarded to some extent over the past few months. Many long-time underperformers held in the Portfolio are being seen in a more favourable light by other market participants. We continue to see value in the Portfolio and good opportunities for outperforming the market.

### **Portfolio manager quarterly commentary as at 30 September 2021**

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This pooled portfolio is underwritten by Allan Gray Life Ltd, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray (Pty) Ltd is Allan Gray Life Ltd's appointed investment manager.

Past performance is not indicative of future performance.

### J.P. Morgan GBI Global Index

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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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