Allan Gray Balanced Portfolio

30 June 2022

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 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.

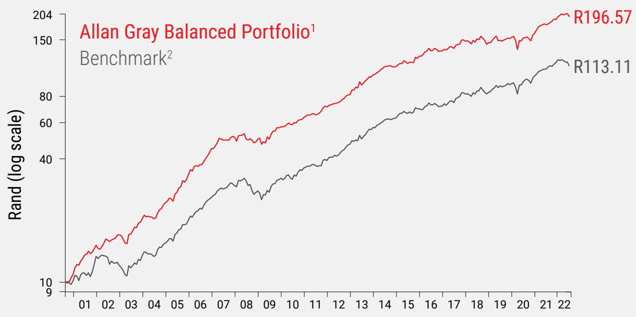
Portfolio history

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



% Returns	Portfolio[1]	Benchmark[2]	CPI inflation[3]
Cumulative:			
Since alignment (1 September 2000)	1865.7	1031.1	218.2
Annualised:			
Since alignment (1 September 2000)	14.6	11.8	5.5
Latest 10 years	10.1	10.5	5.1
Latest 5 years	7.4	8.6	4.5
Latest 3 years	9.2	7.6	4.6
Latest 2 years	12.7	9.3	5.9
Latest 1 year	9.4	3.5	6.5
Year-to-date (not annualised)	0.1	-6.7	3.7
Risk measures (since alignment)			
Maximum drawdown[4]	-23.5	-24.8	n/a
Percentage positive months[5]	68.7	65.3	n/a
Annualised monthly volatility[6]	9.3	9.9	n/a
Highest annual return[7]	49.0	39.3	n/a
Lowest annual return[7]	-12.2	-20.3	n/a

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 30 June 2022.*
3. This is based on the latest numbers published by IRESS as at 31 May 2022.
4. Maximum percentage decline over any period. The maximum drawdown occurred from 17 January 2020 to 23 March 2020 and maximum benchmark drawdown occured 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.

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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 June 2022 (SA and Foreign) (updated quarterly)[9]

Company	% of portfolio
British American Tobacco	5.8
Naspers[8]	5.5
Glencore	4.6
Sasol	2.7
Woolworths	2.7
Nedbank	2.6
AB InBev	2.3
Remgro	2.1
Sibanye-Stillwater	1.9
Standard Bank	1.6
Total (%)	**31.7**

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	63.7%
Maximum	(July 2021) 67.9%

Asset allocation on 30 June 2022[9]

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	66.3	51.0	1.7	13.5
Hedged equities	13.7	3.4	0.0	10.3
Property	0.9	0.9	0.0	0.0
Commodity-linked	2.3	2.3	0.0	0.0
Bonds	10.8	8.7	1.2	0.8
Money market and bank deposits	6.0	2.6	0.1	3.2
Total (%)	**100.0**	**69.0**	**3.1**	**27.9**[10]

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

10. The Portfolio can invest a maximum of 45% offshore. 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 June 2022	1yr %	3yr %
Total expense ratio[11]	**0.81**	**0.65**
Fee for benchmark performance	0.52	0.53
Performance fees	0.26	0.08
Other costs excluding transaction costs	0.03	0.04
Transaction costs (including VAT)[12]	**0.09**	**0.09**
Total investment charge	**0.90**	**0.74**

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 30 June 2022

The second quarter of 2022 will not easily be forgotten by many investors owing to significant drawdowns in both equities and fixed income and the strength of the US dollar. Interest rates on both the short and long end of the interest rate curve had sharp upward moves across many developed world markets. This resulted in capital losses for what global investors typically consider "safe" assets, in particular, long-dated developed world sovereign bonds. As most clients are aware, we have been bearish on these assets for several years. A meaningful portion of our offshore exposure was rather invested in hedged equities, which hedge out underlying equity risk by selling index futures. Given the market sell-off, this protected part of the Portfolio and added returns as our underlying holdings outperformed the overall market.

The rise in interest rates and the rapid pace thereof also led to the significant decline in long-duration equities, as represented mainly by technology, e-commerce and what we would call "disruptor" stocks. The large declines in the disruptor stocks should not come as a huge surprise when one considers the valuations on which they were trading, often with very little history of generating actual earnings. What took many investors by surprise was the decline in the mega-cap technology shares, which have been leading the market and generating most of the returns for several years. Our colleagues at Orbis have written about the large disparity in valuations on many occasions.

Fortunately, the Portfolio was relatively well positioned for the above, given our overweight positions in energy and selected shares that stand to benefit from the forecast energy transition, and our significant underweight exposure to the mega-cap technology shares. Many defensive shares have held up well relative to the market, in particular British American Tobacco, given its low valuation. Locally, we are still finding it tough to identify obvious shares to sell. This gives us reasonable confidence in the prices we are paying relative to the value we are receiving, despite the well-known South Africa-specific risks.

While we are bottom-up investors, we still want to be on the right end of long-term trends. We continue to believe that the future will be characterised by higher realised inflation, higher interest rates and an increasingly geopolitically divided world relative to the recent past. These trends provided performance tailwinds given our relative positioning this year, but it is of some short-term concern that being long commodities and energy has become a more consensus view. Indeed, we have seen a correction in the last two weeks of the quarter: Commodity and energy stocks have come under pressure as the market worries about the potential demand destruction brought about by slower global growth in response to higher interest rates and quantitative tightening.

With the current high levels of cost inflation, there is potential for a significant squeeze on the profit margins of many businesses that won't be able to pass price increases on to their customers. We are actively thinking about what opportunities may arise when profits invariably come under pressure.

During the quarter, we added to the Portfolio's positions in BHP and Sibanye-Stillwater and reduced our holdings in Glencore and British American Tobacco.

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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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MSCI Index

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