

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.

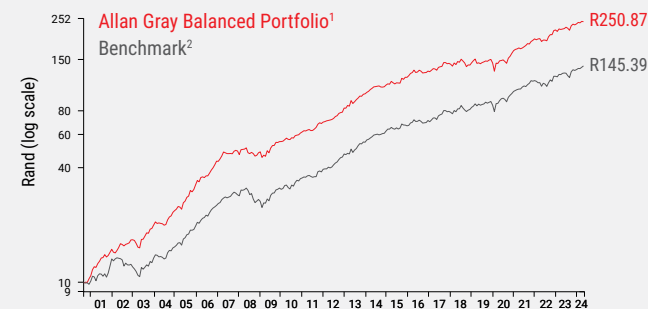
Portfolio history

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 of 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



- 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.
- 41% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 10% FTSE/JSE All Bond Index, 9% 3-month STeFI, 24% MSCI All Country World Index including income and 16% J.P. Morgan GBI Global Index. From 01 July 2018 to 31 July 2022 the benchmark was 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 2024.*
- This is based on the latest numbers published by IRESS as at 31 May 2024.
- 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).
- The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.
- 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.
- 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 ¹	Benchmark ²	CPI inflation ³
Cumulative:			
Since alignment (1 September 2000)	2408.7	1353.9	255.9
Annualised:			
Since alignment (1 September 2000)	14.5	11.9	5.5
Latest 10 years	8.4	8.9	5.0
Latest 5 years	10.7	9.9	5.0
Latest 3 years	11.8	10.0	6.0
Latest 2 years	13.0	13.4	5.7
Latest 1 year	9.5	9.6	5.2
Year-to-date (not annualised)	3.1	4.8	2.3
Risk measures (since alignment)			
Maximum drawdown ⁴	-23.5	-24.8	n/a
Percentage positive months ⁵	68.2	64.3	n/a
Annualised monthly volatility ⁶	9.1	9.9	n/a
Highest annual return ⁷	49.0	39.3	n/a
Lowest annual return ⁷	-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 June 2024 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
British American Tobacco	4.5
AB InBev	3.4
Naspers & Prosus	3.3
Glencore	2.3
Nedbank	2.1
Standard Bank	2.0
Woolworths	1.9
Mondi	1.8
Remgro	1.4
FirstRand	1.4
Total (%)	24.0

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	(February 2020) 59.8%
Average	63.8%
Maximum	(July 2021) 67.9%

Asset allocation on 30 June 2024⁸

Asset class	Total	South Africa	Foreign
Net equities	65.8	39.4	26.4
Hedged equities	11.4	2.0	9.4
Property	0.9	0.4	0.5
Commodity-linked	2.4	2.4	0.0
Bonds	11.7	8.3	3.4
Money market and bank deposits ⁹	7.9	5.2	2.7
Total (%)	100.0	57.6	42.4¹⁰

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 30 June 2024	1yr %	3yr %
Total expense ratio¹¹	0.78	0.89
Fee for benchmark performance	0.53	0.53
Performance fees	0.21	0.32
Other costs excluding transaction costs	0.04	0.04
Transaction costs (including VAT)¹²	0.06	0.07
Total investment charge	0.84	0.96

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 MSCI World Index continues to trade near all-time highs, mainly driven by large-cap US shares. The S&P 500 was up 4.3% for the quarter. The FTSE/JSE All Share Index was up 8.2% in rands and 12.4% in US dollars.

In our Q1 2024 factsheet commentary, we highlighted that 2024 would be a year of above-average political risk due to the significant number of elections taking place globally. We said, "In the normal course of thinking about investments, we don't pay special attention to politics, but we don't believe this is a normal election cycle. The outcome of some of the elections could drastically change many policies that affect some of our underlying holdings."

We are now halfway through 2024, and although the US election is still to come, we have already witnessed several important elections take place in Taiwan, the European Union, India and South Africa. As we expected, they have moved asset prices and triggered potentially significant sociopolitical change:

- Taiwan elected a pro-independence leader despite pressure from China.
- The incumbent parties in Europe were decimated, especially in Germany and France. The French government called for a snap election, which led to a sell-off of French assets and broader European markets in sympathy.
- In India, Modi's Bharatiya Janata Party lost its majority in parliament, which initially led to a sell-off in the Indian market. However, the market recovered as Modi remained prime minister – albeit with less power.
- In South Africa, the African National Congress lost its majority, which has led to the formation of a government of national unity.

While it is still very early days in South Africa, we seem to have avoided, or at least reduced the probability of, the left-tail risk scenario (a sharp move to radical policies) and consequently increased the probability of the right-tail, very positive economic scenario.

In response, South African assets have rallied, with strong price movements in what investors collectively term SA Inc stocks, such as retailers, banks and

property REITs. As discussed in previous commentaries, many of these shares had been trading at very depressed levels when measured in US dollars. This was due to South Africa's poor economic fundamentals and exacerbated by investors waiting on the sidelines until the outcome of the election was known. When speaking to various sell-side institutions, we have heard that there was little foreign investor buying during the initial rally. Foreign investors are underweight South African markets in aggregate, so their potential buying could provide another leg up to the rally. Investors have also started taking a less constructive view on Mexico and Brazil, given some of their proposed political and economic changes. Any proceeds from reducing their positions in these markets may be switched into South African assets.

Of course, South Africa still faces significant social and economic headwinds, and it will be a herculean task to overcome them successfully, no matter who is running the country. The underlying fundamentals will have to improve to support the increase in asset prices if we are to avoid a repeat of the years post the Ramaphoria rally of 2018, which saw South African equities perform poorly.

These global and local geopolitical trends provide both risks and opportunities. We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes. The Portfolio has exposure to offshore assets, locally listed shares that are international businesses, attractively valued domestic businesses, high-yielding cash and bonds as well as precious metals. We believe running a successful asset allocation portfolio requires a holistic view that allows us to balance the opportunities and risks derived from our positioning.

During the quarter, the Portfolio increased its exposure to Standard Bank and Sasol and reduced its positions in Sibanye-Stillwater and MultiChoice.

Commentary contributed by Duncan Artus

**Portfolio manager
quarterly commentary
as at 30 June 2024**

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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.

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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J.P. Morgan Index

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