

Portfolio objective and benchmark

This Portfolio is for institutional investors requiring management of a specific equity portfolio. It aims to offer superior returns to that of the FTSE/JSE Capped Shareholder Weighted All Share Index including dividends, but with a lower risk of capital loss. The benchmark is the FTSE/JSE Capped Shareholder Weighted All Share Index including dividends.

Product profile

- Actively managed pooled portfolio.
- Represents Allan Gray's 'houseview' for a specialist equity-only mandate.
- Portfolio risk is controlled by limiting the exposure to individual counters.

Investment specifics

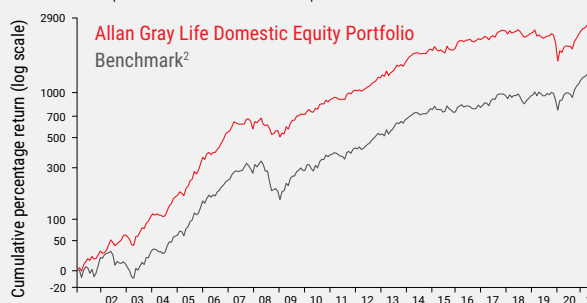
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Portfolio information on 30 June 2021

Assets under management	R4 022m
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Performance gross of fees

Cumulative performance since inception



% Returns ¹	Portfolio	Benchmark ²
Since inception ³	17.4	13.7
Latest 10 years	10.1	11.1
Latest 5 years	3.9	8.5
Latest 3 years	2.0	8.7
Latest 2 years	4.9	10.9
Latest 1 year	30.3	27.2
Latest 3 months	1.3	0.6

Sector allocation on 30 June 2021 (updated quarterly)

	% of Portfolio	% of benchmark
Energy	0.0	1.0
Basic materials	25.0	26.1
Industrials	3.2	4.0
Consumer staples	13.8	11.0
Healthcare	3.9	2.7
Consumer discretionary	9.0	7.4
Telecommunications	1.6	6.4
Financials	28.4	24.2
Technology	10.9	12.4
Commodity-linked	0.0	0.0
Real estate	1.6	4.9
Other	0.1	0.0
Money market and bank deposits	2.5	0.0
Total (%)	100.0	100.0

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

- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 June 2021.
- FTSE/JSE Capped Shareholder Weighted All Share Index. The benchmark prior to 1 October 2020 is the FTSE/JSE All Share Index.
- Since alignment date (1 February 2001).
- Includes holding in Prosus NV if applicable.

Top 10 share holdings on 30 June 2021 (updated quarterly)

Company	% of Portfolio
Naspers ⁴	10.9
British American Tobacco	8.2
Glencore	6.5
Woolworths	4.7
Standard Bank	3.3
Remgro	3.3
Nedbank	3.2
Old Mutual	3.2
FirstRand	3.1
Reinet	3.1
Total (%)	49.4

The Portfolio returned 1.3% for the quarter, slightly better than the benchmark, which was up 0.6% over the period.

As often happens, the performance of shares within the benchmark has not been uniform. Many "SA Inc" stocks have done well, with shares like Nedbank, Investec, Foschini and Pep up more than 20%. Naspers and the gold stocks had a poor quarter. The same thing has happened over the past year: SA Inc stocks have done well; Naspers and gold have done poorly.

There was some good news during the quarter for Life Healthcare (Life), one of the holdings in the Portfolio. The US Food and Drug Administration (FDA) approved a new drug for treating Alzheimer's disease. The new drug is not owned by Life, so how does the FDA approval help? Life has an important role to play in the diagnosis of Alzheimer's. It owns a tracer called Neuraceq, which is used during PET-CT scanning to identify the amyloid plaques in the brain that are associated with Alzheimer's. There are only three such tracers currently approved by the FDA. The expectation is that the availability of a treatment, and a very large need (there are tens of millions of people suffering from Alzheimer's), will lead to a big increase in the demand for diagnostic scans.

A lot still has to happen before it would be prudent to assign a big value to Neuraceq. For example, you don't necessarily need a PET-CT scan in order to diagnose Alzheimer's. Fortunately, Life is probably a cheap share even without Neuraceq. Earnings are depressed because of COVID-19. Believe it or not, the pandemic has been bad for private healthcare, because elective surgeries are delayed. If earnings recover – something which we expect to happen – Life will be on a low-teens earnings multiple (without counting any benefit from Neuraceq). This is attractive for a company that converts most of its earnings to free cash flow, that has about one-third of its value in the UK and for which demand is not usually cyclical.

Despite the market staging a strong recovery since the lows of 2020, there are more shares like Life which have been weak and which are trading below our assessment of intrinsic value.

**Fund manager quarterly
commentary as at
30 June 2021**

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Past performance is not indicative of future performance.

FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index

The FTSE/JSE All Share Index and the FTSE/JSE Capped Shareholder Weighted All Share Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index and the FTSE/JSE Capped Shareholder Weighted All Share Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index and the FTSE/JSE Capped Shareholder Weighted All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

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