

### 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

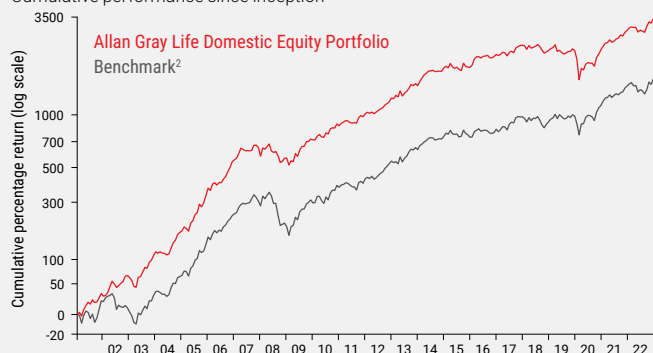
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

### Portfolio information on 31 October 2023

Assets under management	R3 323m
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#### Performance gross of fees

Cumulative performance since inception<sup>3</sup>



% Returns <sup>1</sup>	Portfolio	Benchmark <sup>2</sup>
Since inception <sup>3</sup>	16.7	12.8
Latest 10 years	7.6	7.7
Latest 5 years	6.7	9.6
Latest 3 years	18.8	14.3
Latest 2 years	7.3	3.4
Latest 1 year	4.0	3.1
Latest 3 months	-5.6	-10.3

### Sector allocation on 30 September 2023 (updated quarterly)

	% of equities <sup>4</sup>	% of benchmark <sup>2</sup>
Financials	25.8	28.3
Basic materials	22.9	23.0
Consumer staples	20.8	12.0
Consumer discretionary	10.8	7.4
Industrials	7.8	4.3
Technology	6.1	11.9
Healthcare	1.9	2.1
Telecommunications	1.9	5.4
Real estate	1.4	4.2
Energy	0.6	1.2
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 October 2023.
- 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 listed property.

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

### Top 10 share holdings on 30 September 2023 (updated quarterly)

Company	% of portfolio
British American Tobacco	7.7
AB InBev	6.8
Glencore	6.5
Naspers & Prosus	6.0
Mondi	5.1
Standard Bank	5.0
Woolworths	4.4
Nedbank	3.6
Sasol	3.5
Remgro	3.2
<b>Total (%)</b>	<b>51.9</b>

### Asset allocation on 31 October 2023

Asset class	Total
Net equities	96.7
Hedged equities	0.0
Property	1.2
Commodity-linked	1.2
Bonds	0.1
Money market and bank deposits	0.8
<b>Total (%)</b>	<b>100.0</b>

The local market continued to drift sideways during the third quarter of 2023, reflected by the FTSE/JSE All Share Index (ALSI) and the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) delivering returns of -3% and -4%, respectively. The Portfolio outperformed over the period, pushing the cumulative year-to-date return to 3% – i.e. 3% ahead of its benchmark<sup>1</sup>.

The ALSI and Capped SWIX are the two most commonly used broad market indices in South Africa but have had large differences in composition and in performance from time to time. Over the last 12 months, the ALSI has returned 18% compared to the Capped SWIX's return of only 12%. A major contributor to this difference was the strong performance of Richemont, which had a larger weight in the ALSI.

The Richemont share price has been on a strong run – in line with the performance of other luxury goods businesses. We continue to believe that the share is overvalued, with margins and earnings at record levels, in what has historically been a cyclical business. The Richemont share price has given up some of its strong performance more recently, declining by 28% over the quarter. A Richemont corporate action in April 2023 led to a reduction in the share's weight in the ALSI. Going forward, Richemont constitutes a similar, much smaller weight in both the ALSI and the Capped SWIX. The only remaining big difference between the two indices is the larger weight of Anglo American in the ALSI.

It is well known that South African businesses face a myriad of challenges, notably loadshedding and a weak consumer environment. Despite this, market returns over the past 12 months have been reasonably strong, illustrating the benefits of a low starting valuation.

The valuations of many South African shares remain at very cheap levels versus history, suggesting a reasonable prospect of good returns going forward – even in an unfavourable economic climate.

Our approach remains focused on bottom-up company research to find superior investment opportunities. This includes identifying investments which offer the highest expected returns but also weighs up the associated risks and the diversification benefits of uncorrelated returns. All these factors are considered when putting together the Portfolio.

An important decision at present is whether to prefer "SA Inc" shares (i.e. companies that primarily operate in the SA economy) or "rand hedge" shares (i.e. companies that operate offshore and benefit from a weaker rand). The very low valuations of SA Inc shares offer more potential upside if the economy recovers, but these are also the businesses facing the brunt of the challenges of operating in South Africa. At present, we are finding attractive opportunities in both categories, so there is no need to choose only one or the other. This diversification also means that performance of the Portfolio does not rely on a specific macroeconomic scenario playing out. It is also worth remembering that a significant portion of local shares are in fact businesses with earnings outside of South Africa which makes them less reliant on the prevailing local environment.

The Portfolio added to its positions in MultiChoice, AB InBev and South32 and trimmed its holdings in Woolworths, Prosus NV and Glencore during the quarter.

Adapted from a commentary contributed by Tim Acker

## Fund manager quarterly commentary as at 30 September 2023

1. FTSE/JSE Capped Shareholder Weighted All Share Index

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

The FTSE/JSE All Share Index and 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 FTSE/JSE Capped Shareholder Weighted All Share Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index vests in FTSE and the JSE jointly. All their rights are reserved.

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