

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.

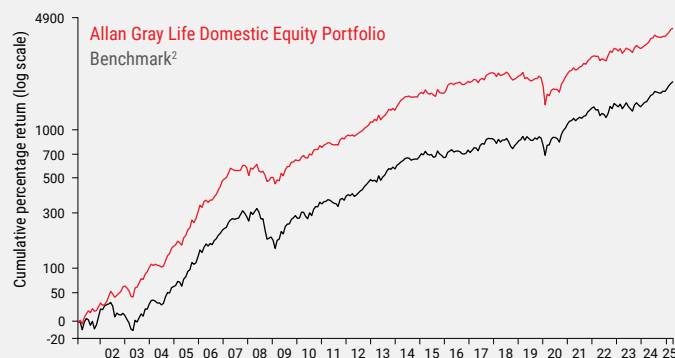
Portfolio information on 30 June 2025

Assets under management

R4 577m

Performance gross of fees

Cumulative performance since inception¹



% Returns ³	Portfolio	Benchmark ²
Since inception ¹	16.9	13.6
Latest 10 years	8.9	10.0
Latest 5 years	17.5	16.2
Latest 3 years	15.0	15.9
Latest 2 years	15.7	17.1
Latest 1 year	19.9	24.6
Latest 3 months	8.5	9.7

Sector allocation on 30 June 2025 (updated quarterly)

	% of equities ⁴	% of Capped SWIX ²
Financials	27.6	29.4
Consumer staples	21.9	11.9
Basic materials	20.6	23.4
Technology	9.9	12.8
Consumer discretionary	7.9	7.0
Industrials	5.3	3.0
Energy	2.3	0.7
Healthcare	2.2	1.3
Telecommunications	1.6	5.6
Real estate	0.8	5.0
Total (%)⁵	100.0	100.0

- Since alignment date (1 February 2001).
- FTSE/JSE Capped Shareholder Weighted All Share Index. The benchmark prior to 1 October 2020 was the FTSE/JSE All Share Index.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 June 2025.
- Includes listed property.
- There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 30 June 2025 (updated quarterly)

Company	% of portfolio
Naspers & Prosus	9.7
AB InBev	8.2
British American Tobacco	7.0
Standard Bank	4.9
Nedbank	4.2
Mondi	4.1
Glencore	3.9
AngloGold Ashanti	3.9
FirstRand	3.7
Woolworths	3.2
Total (%)⁵	52.8

Asset allocation on 30 June 2025

Asset class	Total ⁵
Net equities	97.2
Hedged equities	-
Property	0.8
Commodity-linked	0.2
Bonds	-
Money market and cash	1.8
Total (%)⁵	100.0

Market participants would be forgiven for having developed a mild case of post-traumatic stress disorder over the last three months. The now infamous "Liberation Day", the near collapse of South Africa's government of national unity (GNU) and the drastic escalation of tensions in the Middle East were the defining events of the quarter. Yet, if an investor fell into a coma at the end of March and only re-emerged at the end of June, a glance at closing stock market levels would suggest nothing but good news. Both the MSCI World Index and the S&P 500 were up 11% in US dollars at the end of the quarter. However, there was a wild ride in between. Over the four days after President Donald Trump announced sweeping tariffs in early April, the S&P 500 fell 12%. A subsequent pause in implementation saw the index recover all its losses by 2 May, only to power ahead 25% from the Liberation Day bottom on the back of a trade deal with China and a negotiated ceasefire in the Middle East. Both the MSCI World Index and S&P 500 ended the second quarter at all-time highs.

We have yet to see where the final US tariff proposals will land. Current estimates put the effective forward rate at the highest level since the 1930s. At the peril of trying to read Trump's mind, the problem he is trying to fix is a real one. The United States' share of global consumption is almost double its share of global production – an outlier compared to most regional blocs. The US also has a growing fiscal deficit that must be funded. There are, however, reasons to be concerned. Firstly, policy uncertainty is usually not supportive for private sector capital investment. One faces a sharp headwind to maintain strong growth in such an environment (South Africa is an unfortunate case in point here). Secondly, US companies will bear the burden of the tariffs and have a choice: They can either pass on those higher costs to consumers via higher prices, or they can absorb them into their margins. The former is not conducive to low and stable inflation (something we thought was at risk even before the tariff announcements) and the latter is not good for company earnings.

Locally, things were even more extreme. The FTSE/JSE All Share Index (ALSI) fell 9% two days after 2 April, fully recovering over the next eight days and marching to an all-time high in mid-June (a 20% gain from the Liberation Day bottom). A sharper recovery was aided by the precious metal shares (up 14% over the quarter; making up 17% of the ALSI). If we are to ease our social and economic challenges, South Africa needs to grow real gross domestic product (GDP) meaningfully. The key internal enablers of this remain missing: The GNU is tenuous, capital investment is stagnant and infrastructure performance is still subpar. Unfortunately, even if we solve all our problems, the weakening global growth environment makes a turnaround much harder. For technical reasons, the ALSI today is far more exposed to the SA economy versus a decade ago. SA banks and insurers make up almost a quarter of the index, with retailers and healthcare making up a further 10%. Given our concerns about the SA economy, our positioning is tilted towards the defensive and hedges. AB InBev is a great example of such a share. Beer is winning share of throat, the company has pricing power from strong brands and consumers trading up, there is material scope for earnings to grow and, most importantly, we can buy it for a reasonable price.

To paraphrase Vladimir Lenin: There are decades where nothing happens, and there are weeks where decades happen. Given the heightened risk environment, we are primarily solving for absolute returns. If the stock market continues to run, our defensive tilt means we will likely lag on a relative basis but hopefully with healthy absolute returns. However, if there is a longer-lasting wobble, our positioning should hold up more robustly in protecting client capital. Our through-the-cycle track record has been built on the latter.

During the quarter, the Portfolio added to its positions in Glencore and Aspen Pharmacare and reduced its holdings in Gold Fields and Prosus.

Commentary contributed by Jithen Pillay

**Fund manager quarterly
commentary as at
30 June 2025**

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

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MSCI Index

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