

### Portfolio objective and benchmark

This Portfolio is for risk-averse institutional investors. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray's risk-profiled range, this Portfolio has less risk of capital loss than the Balanced Portfolio. The benchmark is the Alexander Forbes 3-month Deposit Index plus 2% or CPI plus 3%.

### Product profile

- Conservatively managed pooled portfolio.
- Investments selected from all asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest portfolio will be conservative.

### Investment specifics

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

### Compliance with Prudential Investment Guidelines

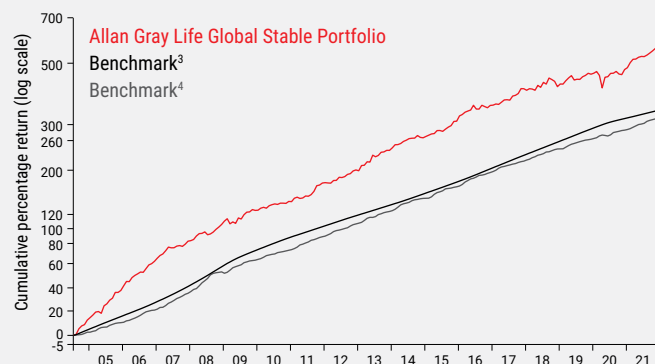
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

### Portfolio information on 31 May 2022

|                         |         |
|-------------------------|---------|
| Assets under management | R5 097m |
|-------------------------|---------|

### Performance<sup>1</sup>

Cumulative performance since inception<sup>5</sup>



| % Returns <sup>2</sup>       | Portfolio | Benchmark <sup>3</sup> | Benchmark <sup>4</sup> |
|------------------------------|-----------|------------------------|------------------------|
| Since inception <sup>5</sup> | 11.5      | 8.8                    | 8.6                    |
| Latest 10 years              | 9.5       | 7.9                    | 8.2                    |
| Latest 5 years               | 8.3       | 7.7                    | 7.5                    |
| Latest 3 years               | 9.3       | 6.7                    | 7.5                    |
| Latest 2 years               | 13.1      | 5.7                    | 8.8                    |
| Latest 1 year                | 11.8      | 5.7                    | 9.4                    |
| Latest 3 months              | 0.6       | 1.5                    | 2.9                    |

### Asset allocation on 31 May 2022

| Asset class                    | Total        | South Africa | Africa ex-SA     | Foreign ex-Africa |
|--------------------------------|--------------|--------------|------------------|-------------------|
| Net equities                   | 36.5         | 27.0         | 1.7              | 7.7               |
| Hedged equities                | 14.0         | 3.5          | 0.0              | 10.5              |
| Property                       | 1.2          | 1.0          | 0.0              | 0.2               |
| Commodity-linked               | 3.1          | 2.4          | 0.0              | 0.7               |
| Bonds                          | 32.8         | 25.7         | 3.1              | 4.0               |
| Money market and bank deposits | 12.4         | 8.9          | 0.2 <sup>e</sup> | 3.4               |
| <b>Total (%)</b>               | <b>100.0</b> | <b>68.5</b>  | <b>5.0</b>       | <b>26.6</b>       |

- Performance gross of local fees, net of foreign fees.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 May 2022.
- Alexander Forbes 3-month Deposit Index plus 2%.
- CPI plus 3%. The return for May 2022 is an estimate.
- Since alignment date (1 August 2004).
- Including currency hedges.
- Underlying holdings of Orbis funds are included on a look-through basis.
- Includes holding in Prosus N.V., if applicable.

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

### Top 10 share holdings on 31 March 2022 (SA and Foreign) (updated quarterly)<sup>7</sup>

| Company                  | % of Portfolio |
|--------------------------|----------------|
| British American Tobacco | 2.9            |
| Glencore                 | 2.7            |
| Nedbank                  | 1.8            |
| Standard Bank            | 1.7            |
| Sibanye-Stillwater       | 1.6            |
| Sasol                    | 1.6            |
| Naspers <sup>8</sup>     | 1.5            |
| AngloGold Ashanti        | 1.4            |
| Woolworths               | 1.3            |
| Remgro                   | 1.3            |
| <b>Total (%)</b>         | <b>17.8</b>    |

Russia invaded Ukraine during the quarter. This led to heightened volatility in global markets as investors processed the event and tried to forecast the potential knock-on effects. Increased global tensions and rising inflation have the potential to derail the global economy's recovery. The Portfolio is well diversified and delivered a return of 1.8% over the past quarter.

As South Africans, we are used to moderate levels of inflation as a feature of daily life. For developed markets, this has not been the case in recent times. For example, in the US, consumer inflation from 2009 to 2020 averaged only 1.6% and rarely exceeded 2.5%. Inflation started to increase meaningfully during 2021 and the most recent annualised US inflation numbers are above 7%. Only some of this is explained by a higher oil price; more important are unusually stimulative monetary and fiscal policies as well as supply chain constraints. High global inflation will feed into higher local inflation, with specific contributions from higher prices for commodities such as wheat and oil.

Inflation is often the biggest risk to conservative investors. Investments in "safe" instruments such as cash or bonds have a low risk of capital loss but offer no protection against inflation, which erodes the purchasing power of each rand. Investments in shares may feel less safe in the short term due to higher volatility and the possibility of capital loss but provide greater protection against inflation over the long term. Most companies have some ability to raise prices or own assets which maintain their value as prices rise.

The Portfolio uses a combination of investments in shares, bonds, cash and other instruments to construct a portfolio which should do well in most scenarios without taking undue risks.

The Portfolio can also use an offshore allocation, which partially buffers against a fall in the value of South African assets or the rand.

It is worth reviewing the aims of the Portfolio:

- To achieve a high degree of capital stability;
- To minimise the risk of loss over any two-year period; and
- To produce long-term returns that are better than bank deposits and inflation.

The Portfolio remains well positioned to take advantage of opportunities, including those in the South African market where many companies still trade on reasonable valuations. Positions in cash, fixed income, hedged equities, commodities and offshore assets provide some balance to the volatility of equity markets. South Africa faces serious macro challenges, but buyers of South African bonds are well compensated for these risks. The Portfolio maintains a relatively conservative fixed income position. Inflation-linked bonds provide some protection against rising inflation.

Following announcements in the recent Budget speech, the South African Reserve Bank has confirmed that the offshore investment limits for portfolios that are mandated to invest offshore, including those that comply with the retirement fund regulations (Regulation 28 of the Pension Funds Act), are increased to 45%. As always, decisions regarding the Portfolio's level of offshore exposure will continue to be made according to our assessment of where the best value can be found over the long term.

Since the onset of the COVID-19 pandemic – at the start of 2020 – the Portfolio has delivered an annualised return of 9.6%, outperforming inflation by 5.0% per annum.

### Fund manager quarterly commentary as at 31 March 2022

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Past performance is not indicative of future performance.

### Important information for investors

#### Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website [www.allangray.co.za](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**