ALLANGRAY

Fund managers: Allan Gray, Coronation, Nedgroup Investments, Ninety One
Inception date: 18 January 2019

Allan Gray Multi-Manager Cautious Portfolio

30 April 2022

Portfolio description and summary of investment policy

The Portfolio invests in the cautious mandates of a minimum of three managers, all of which are managed to comply with the investment limits governing retirement funds. The Allan Gray Stable Portfolio has a target allocation of 35% (excluding cash) in the Multi-Manager Portfolio. This allocation can change as a result of performance within pre-defined parameters.
The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Pension Fund and the Allan Gray Umbrella Provident Fund (collectively known as the Allan Gray Umbrella Retirement Fund).

Portfolio objective and benchmark

The Portfolio aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Portfolio's benchmark is the Consumer Price Index, plus 3%.

How we aim to achieve the Portfolio's objective

We have selected managers with a strong track record who have consistently executed on their investment approach over time. These managers have complementary investment styles which, when combined appropriately, should improve the Portfolio's potential to deliver returns through different market cycles.

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Wish to diversify risk across multiple managers

Annual management fee

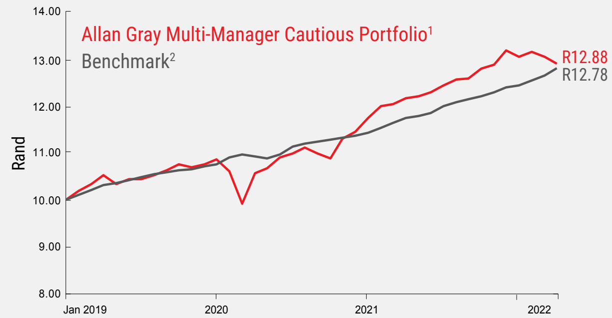
Each underlying manager charges a fee within their portfolio. Where performance fees are charged, this is based on the performance of the portfolio compared to its benchmark. The benchmarks of the underlying portfolios may differ from the benchmark of the Portfolio. Allan Gray charges a multi-management fee based on the net asset value of the Portfolio, excluding the portion invested in Allan Gray portfolios. This fee is 0.20% p.a. (which equates to approximately 0.14% p.a. on the entire Portfolio).

Underlying portfolio allocation on 30 April 2022

Portfolio	% of Portfolio
Allan Gray Stable Portfolio	30.5
Coronation Inflation Plus Portfolio	24.1
Ninety-One Cautious Managed Portfolio	23.8
Nedgroup Investments Core Guarded Fund	19.7
Cash	2.0
Total	**100.0**

Performance net of all fees and expenses

Value of R10 invested at inception



% Returns	Fund[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	30.7	28.2
Annualised:		
Since inception (18 January 2019)	8.5	7.9
Latest 3 years	7.5	7.6
Latest 2 years	11.2	8.4
Latest 1 year	7.7	9.3
Year-to-date (not annualised)	-0.6	3.7
Risk measures (since inception)		
Maximum drawdown[3]	-15.1	-0.6
Percentage positive months[4]	76.9	94.9
Annualised monthly volatility[5]	6.7	1.3

1. Performance is net of all fees and expenses.
2. Consumer price Index, plus 3 was prorated from 18 January 2019 to 31 January 2019.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

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Quarterly commentary as at 31 March 2022

It appears there is no respite from adverse events affecting humanity. Just as the death rate from COVID-19 started to abate, Russian forces invaded Ukraine. Apart from the tragic loss of life in the region, the conflict has wide-ranging economic implications. Russia is a significant global exporter of commodities and the sanctions on Russia by the West has further aggravated already high prices. Inflation now threatens the global recovery, as food and energy costs continue to surge. A slower global recovery will be further exacerbated by stringent lockdowns in China, which impact Shanghai and Shenzhen, both economically important export hubs.

The US Federal Reserve has ended its asset-buying programme and has started to raise interest rates to rein in inflation. Further interest hikes rates are almost certain as the US CPI reached 8.5% in March – rates last seen four decades ago. The bond market has responded accordingly: Yields on the US 10-year government bond reached 2.3% at the end of March 2022 and are continuing to climb at the time of writing this update. Given the prospect of higher US interest rates, the US dollar has continued to strengthen against other major currencies.

While the fiscal situation in South Africa has improved, the deficit is still very large. However, the improvement was sufficient for Moody's to upgrade South Africa's outlook from negative to stable. The combination of a current account surplus and inward investment flows has created conditions supportive of a strong rand. The rand strengthened from R15.94 to the US dollar at the start of the year to R14.61 at the end of March. Inflation remains elevated. The consumer inflation print for February was 5.7%. In this environment, the South African Reserve Bank remains committed to interest rate normalisation. On 24 March, it increased the repo rate by 0.25% to 4.25% with further rate hikes likely.

The FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) delivered 6.7% in rand terms for the first quarter of 2022. Financials and Resources returned 20.3% and 19.0%, respectively, over the period, contrasted by a negative return from Industrials of -13.1%. The rand strengthened by 8.3% against the US dollar. The Capped SWIX significantly outperformed the MSCI All Countries index, which delivered a dollar return of -5.3% for the quarter.

In February, the National Treasury announced amendments to the framework that governs how much of South African investors' portfolios can be invested outside South Africa, opening the door for additional foreign exposure. This is positive for South African investors over the long term, as it allows for greater diversification and flexibility to benefit from a broader global market. That being said, the Portfolio's underlying managers have, on average, not increased their respective offshore allocations as there appear to be better relative opportunities domestically.

The Portfolio returned -1.0% this quarter and 8.4% for the year (after fees). There was a wide disparity in returns over the quarter when measuring the performance of the underlying managers: The Allan Gray Stable Portfolio delivered a 1.7% compared to the Ninety One Cautious Managed Portfolio which delivered -3.9%. Allan Gray's outperformance can be attributed to being relatively underweight US equities and overweight South African equities. On a look-through basis, there has been a marginal decrease in the Portfolio's offshore allocation for the quarter which was mainly due to market movements. Please find commentaries reflecting the differing views of two of the Portfolio's underlying managers on page 3.

Commentary contributed by Shaheed Mohamed

Top 10 share holdings on 31 March 2022 (updated quarterly)

Company	% of Portfolio
British American Tobacco	1.6
Naspers[6]	1.4
Glencore	1.0
FirstRand	1.0
Standard Bank	0.9
Nedbank	0.9
Anglo American	0.9
Sasol	0.7
Anglogold Ashanti	0.7
Sibanye-Stillwater	0.6
Total (%)	**9.7**

6. Includes holding in stub certificates or Prosus N.V., if applicable.

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

Asset allocation on 30 April 2022

Asset Class	Total	South Africa	Foreign
Net equities	36.2	20.3	15.9
Hedged equities	4.5	1.4	3.0
Property	2.7	2.1	0.6
Commodity-linked	1.9	1.7	0.2
Bonds	37.5	33.4	4.1
Money market, bank deposits and currency hedge	17.1	14.4	2.7
Total (%)	**100.0**	**73.4**	**26.6**

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1-year period ending 31 December 2021	1yr %[9,10]
Total expense ratio[7]	**0.84**
Fee for benchmark performance	0.61
Performance fees	0.15
Other costs excluding transaction costs	0.08
Transaction costs[8]	**0.05**
Total investment charge	**0.89**

7. 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.
8. 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.
9. Since inception of the Portfolio on 18 January 2019.
10. This estimate is based on information provided by the underlying managers.

Commentary from underlying fund managers as at 31 March 2022

Allan Gray Stable Portfolio

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.

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.

Coronation Inflation Plus Portfolio

The upheaval of the past quarter has impacted negatively on the one-year performance of the Portfolio, but it continues to deliver returns ahead of inflation and, over long time periods, in excess of target. As always, this has been achieved through a considered mix of income and growth assets as well as our careful approach to instrument selection. Based on our return expectations for the various asset classes at our disposal, we continue to believe that the Portfolio remains capable of delivering on its mandate in the medium term.

The biggest contributor to Portfolio returns over the past 12 months has been the allocation to SA equities, followed by domestic bonds. Foreign assets (predominantly equities) detracted. Within domestic equities, Anglo American, FirstRand, MTN, Nedbank and Shoprite were the biggest contributors to returns, while the Portfolio's holding in Naspers/Prosus was a significant detractor. SA banks currently make up approximately 4% of the assets in the Portfolio.

During the quarter, we were net sellers of domestic equities, in particular resource companies that continued to benefit from increases in commodity prices. Despite this, given the relative strength of our market, allocation to SA equities has remained largely unchanged since December 2021, at 26%. We increased exposure to longer-dated bonds given the attractive real returns on offer but continue to limit duration as we remain mindful of both longer-term domestic fiscal risks and the likely impact of a global rate tightening cycle.

In addition, we increased exposure to global equities following the sell-off in these markets. While developed markets continue to look expensive in aggregate, we believe the managers underlying the global funds are well positioned to identify attractive return opportunities in a time of increased market volatility. Mindful of the need to protect capital, we retain put protection against a portion of both global and, to a lesser extent, domestic equity exposure.

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MSCI Index

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