ALLANGRAY

Fund managers: Allan Gray, Coronation, M&G, Ninety One
Inception date: 18 January 2019

Allan Gray Multi-Manager Moderate Portfolio

30 November 2021

Portfolio description and summary of investment policy

The Portfolio invests in the Balanced mandates of a minimum of three managers, all of which are managed to comply with the investment limits governing retirement funds. The Allan Gray Balanced Portfolio has a target allocation of 30% (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 achieve steady long-term growth of capital for investors within the constraints governing retirement funds. The Portfolio's benchmark is a composite benchmark, of which 70% is domestic and 30% is foreign.[1]

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 real returns through different market cycles.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment time horizon of at least three years
- Wish to diversify risk across multiple managers

Annual management fee

Each underlying manager charges their own fee. Where performance fees are charged, this is based on the underlying manager's performance compared to its respective benchmark. The benchmark for each underlying manager 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 November 2021

Portfolio	% of Portfolio
Allan Gray Balanced Portfolio	29.5
Coronation Global Houseview Portfolio	24.8
M&G Balanced Portfolio	19.8
Ninety One Opportunity Portfolio	24.9
Cash	1.0
Total	**100.0**

1. 47% FTSE/JSE Capped Shareholder Weighted All Share Index, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index and 12% J.P. Morgan GBI Global Index, all including income. Source: IRESS BFA, Bloomberg.*
2. Performance is net of all fees and expenses.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 17 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.
6. Includes holding in stub certificates or Prosus N.V., if applicable.

* The blended returns are calculated by Allan Gray Proprietary Limited using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "AS IS" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information.

Performance as at 30 November 2021

% Returns	Fund[2]	Benchmark
Cumulative:		
Since inception (18 January 2019)	36.8	38.4
Annualised:		
Since inception (18 January 2019)	11.5	12.0
Latest 2 years	13.2	13.1
Latest 1 year	20.2	18.9
Year-to-date (not annualised)	17.5	15.9
Risk measures (since inception)		
Maximum drawdown[3]	-22.3	-23.0
Percentage positive months[4]	79.4	76.5
Annualised monthly volatility[5]	10.5	10.2

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

Company	% of Portfolio
Naspers[6]	5.9
British American Tobacco	3.1
Glencore	2.5
FirstRand	2.0
Standard Bank	1.9
Anglo American	1.7
Sasol	1.3
Remgro	1.0
Bid Corp	1.0
Old Mutual	0.9
Total (%)	**21.2**

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

Tel 0860 000 654 or +27 (0)21 415 2301 **Fax** 0860 000 655 or +27 (0)21 415 2492 **Email** info@allangray.co.za **www.allangray.co.za**

Quarterly commentary as at 30 September 2021

The global recovery continued during the third quarter, aided by higher vaccination rates in developed markets. However, this was somewhat muted by waves of COVID-19 infections spread by the Delta variant and continued disruptions of global supply chains resulting in stock shortages. These supply constraints, along with higher energy costs, higher wages and "easy" money, have been catalysts for higher inflation. In August, inflation in the world's largest economy, the United States, reached 5.3%. The rhetoric that inflation is transitory is starting to wane as the US Federal Reserve Board has been communicating that it is likely to start tapering its bond-buying programme in November. Bond markets are starting to price in an end to the stimulatory monetary policy.

The South African government responded to the third COVID-19 wave with increased restrictions on mobility. Along with the rioting and looting in July in KwaZulu-Natal, it caused a slowdown of economic activity. However, the economy is now back on the mend. While China's slowdown will have an adverse impact on exports, the current account of the balance of payments should remain in surplus into next year, which will help to stabilise the rand. With increasing mobility there has been a notable recovery in tourism and dining out. South Africa too has experienced a surge in inflation. The August CPI was 4.9% with the biggest drivers continuing to be fuel and food prices. The South African Reserve Bank's (SARB's) repo rate of 3.5% was left unchanged at the September Monetary Policy Committee meeting. The SARB narrative has turned more hawkish as they are likely to join other central banks in responding to higher inflation by increasing rates. While our fiscal deficit has benefited from higher commodity prices, it is still unsustainably large. The Treasury has indicated that its longer-term planning will assume that the present commodity windfall will not last.

The FTSE/JSE Capped SWIX returned 3.9% in rand terms during the third quarter, bringing the year-to-date return to 16.9%. Financials was the best performing sector for the quarter, up 13.2%, driven by the continued improvement in bank earnings and a faster than expected recovery in bad debts. Industrials declined by 4.3% which was dragged down by the index's largest constituent Naspers. Resources returned -3.6% as global growth concerns and commodity price pressures impacted several stocks. The rand ended the quarter 5.4% weaker against the US dollar. The MCSI All Countries World Index (a proxy for global equities) returned -0.95% in dollars for the quarter and 11.5% for 2021 thus far.

The Portfolio returned 3.3% for the quarter and 20.3% for the year (after fees) – ahead of its benchmark over both reporting periods. Over the last year, there has been a 2.8% aggregate increase in total net equity exposure. However, the local net equity exposure has increased by approximately 6.3%, while foreign net equity has decreased by 3.5% as most of the underlying managers have repositioned their portfolios to take advantage of local opportunities. The strengthening rand over the last year has also diluted the returns of the foreign carve-out of the Portfolio, thus impacting its relative exposure.

Of the underlying managers, Coronation's domestic equity exposure has increased by 11% over the last year – the largest increase among all the managers. Its total net equity exposure has increased over the quarter and is now at its upper limit of 75% in contrast to Ninety One which holds 59%. Ninety One Opportunity continues to favour foreign equities over domestic equities and has a 22% allocation to South African bonds as a "diversifier" to its offshore holdings. During the quarter, BHP Billiton and Richemont fell out of the Portfolio's top 10 shares on a look-through basis, while Remgro and Old Mutual now form part of the top 10. Commentaries from two of the underlying fund managers follow, reflecting their views.

Commentary contributed by Shaheed Mohamed

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1-year period ending 30 September 2021	1yr %[11,12]
Total expense ratio[9]	**1.03**
Fee for benchmark performance	0.65
Performance fees	0.23
Other costs excluding transaction costs	0.15
Transaction costs[10]	**0.10**
Total investment charge	**1.13**

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

Asset allocation on 30 November 2021

Asset Class	Total	South Africa	Foreign
Net equities	67.3	44.9	22.4
Hedged equities	3.8	1.0	2.8
Property	2.3	1.7	0.5
Commodity-linked	1.7	1.7	0.0
Bonds	17.9	16.6	1.2
Money market, bank deposits and currency hedge	7.1	6.7	0.4
Total (%)	**100.0**	**72.6**	**27.4**

Commentary from underlying fund managers as at 30 September 2021

Ninety One Opportunity Portfolio

Performance review

For the quarter, your portfolio delivered a positive absolute return but lagged the inflation-plus benchmark. Key positive contributors: The offshore equity component was the largest contributor to absolute performance, and earnings were further enhanced by a weaker local currency. Primary performance was driven by holdings in semiconductor company ASML and American financial software company Intuit. In the local equity component, strong contributions were generated by Clicks Group, Standard Bank Group and Distell Group. From an asset allocation perspective, the local bond component of the Portfolio managed to add value despite yields ending marginally higher as risk sentiment soured. The commodity holding in the NewGold exchange-traded fund (ETF) enhanced gains amid increased market volatility.

Key negative contributors: Primary detractors from performance included Naspers and Prosus amid intensifying regulatory headwinds in China. The latter was included in the Portfolio after the two concluded a share trade agreement in August.

Portfolio activity

We are not short-term traders. Instead, we prefer to buy what we perceive to be high-quality companies that offer good value, and we hold these positions over the medium to long term. Over the quarter, we added to the existing position in Naspers. We exited the position in Textainer following a strong run in its share price.

Outlook and strategy

Our preferred asset class remains global equity. However, as bottom-up stockpickers, we are highly selective in the individual assets we hold. Our preference is for high-quality companies that have enduring competitive advantages that form barriers to entry and provide pricing power. This in turn enables these companies to generate long-term growth and generate sustainably high levels of profitability. The global equities we hold, while trading on similar valuation metrics to the MSCI ACWI, collectively generate significantly higher returns on capital than the other companies in the market.

Locally, the best opportunity remains South African government bonds. South Africa's real interest rates (the interest rates after subtracting inflation) remain among the highest in the world. With yields of around 9.8%, these instruments offer higher risk-adjusted return potential than most SA shares. While we have been increasing our allocation to select local equities, we remain cautious and believe the local equity market may not be adequately pricing in the risks that companies may face in the coming months.

The correct forecasting of complex global macroeconomic outcomes is almost impossible (as recent events bear testament to). Even if it were possible, positioning an investment portfolio precisely for such an outcome is even more challenging. We therefore do not believe it appropriate to position the Portfolio for any event. Rather, we maintain a balance of exposures in the Portfolio to capture opportunities and protect against a multitude of risks.

M&G Balanced Portfolio

Performance review

The Portfolio returned 4.7% (gross of fees) for the third quarter of 2021, while for the 12-month period ending 30 September 2021 its return was 26.2% (gross of fees). The largest asset-class contributors to absolute performance for the quarter were the Portfolio's exposure to SA equities (by far), followed by global equities. SA listed property, global bonds, global cash and SA bonds also added value. In terms of specific equity exposure, among the strongest contributors to absolute returns for the quarter were the Portfolio's holdings in financial stocks including Investec, Absa, Standard Bank, Remgro and Old Mutual, plus a variety of other counters like MTN and Sasol. Top detractors from absolute performance included Naspers/Prosus, Foschini and platinum producers Anglo American Platinum and Impala Platinum.

Positioning and outlook

Starting with our view on offshore asset allocation, our portfolio positioning shifted during Q3 as we opted to reduce our global equity exposure slightly in favour of global cash, which helped to lower risk. Within our **global equity** positioning, we remained cautious in our exposure to US equities, as this market continued to be expensive compared to most other countries. Instead, our portfolios are tilted toward selected European and other developed market equities. We have been aiming to position the portfolios with higher weightings of very high-returning global assets while maintaining a mix of assets that have diversified return profiles, thereby cushioning them against unforeseen shocks. At the same time, we kept a marginal preference for **global government bonds** in Q3, out of investment-grade corporate credit, having added small selective exposure to emerging market government bonds in Q2 as yields remained particularly attractive. We believe that corporate yield spreads are no longer sufficiently high for the risk.

The Portfolio still heavily favoured **SA equities** at the end of Q3. Within SA equities, in broad terms our exposure to large global companies (in particular resources groups) did not work in our favour over the quarter due to the poor performance from these shares, including Implats and Amplats, which were hit by the plunge in platinum group metal prices. However, our continued overweight to financial stocks added to portfolio value, with contributions from Investec, Absa, Standard Bank, Remgro and Old Mutual as notable performers. Other good returns came from our overweight exposure to MTN and Sasol, and our more recent reduction in our resources holdings (apart from platinum) also helped portfolio performance on a relative basis.

SA nominal bonds managed to record a marginal positive return in Q3, and our portfolios benefited from our continued preference for these assets. During the quarter we added to our holdings as nominal bonds' relative valuations became more favourable. We also took some profits in our longer-dated bond positions and bought somewhat shorter-dated bonds on the back of the yield curve flattening during the quarter. As such, we shifted away from our previous 15+ year focus to a 10-12-year focus, where valuations have become more attractive on a relative basis. We believe nominal bonds remain attractive relative to other income assets and their own longer-term history and will more than compensate investors for their associated risks.

Important information for investors

© 2021 Allan Gray Proprietary Limited

All rights reserved. The information and content may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited (“Allan Gray”).

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray, but is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon any information provided.

Disclaimer

The Allan Gray Multi-Manager Moderate Portfolio is a pooled portfolio that is made available to the Allan Gray Umbrella Retirement Fund. This pooled portfolio is underwritten by Allan Gray Life Limited, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray Proprietary Limited (the ‘Investment Manager’), an authorise financial services provider, is Allan Gray Life’s appointed investment manager.

J.P. Morgan GBI Global Index

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan’s prior written approval. Copyright 2021, J.P. Morgan Chase & Co. All rights reserved.

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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

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

FTSE Russell Indices

London Stock Exchange Group plc and its group undertakings (collectively, the “LSE Group”). © LSE Group 2021. FTSE Russell is a trading name of certain of the LSE Group companies. “FTSE®” “Russell®”, “FTSE Russell®”, is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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** or via our Client Service Centre on **0860 000 654**