Allan Gray Life-Orbis Global Balanced (RRF) Feeder Portfolio

Inception date: 1 August 2015

31 May 2022

Portfolio objective and benchmark

The Portfolio aims to balance capital appreciation, income generation and risk of loss in a diversified global multi asset class portfolio. The benchmark is a composite consisting of 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan GBI Global Index.

Product profile

- This is a feeder portfolio, investing in the Orbis SICAV Global Balanced Fund which is actively managed by Orbis.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Base Refundable Reserve Fee is levied in the underlying Orbis SICAV Global Balanced Fund.

MSCI data

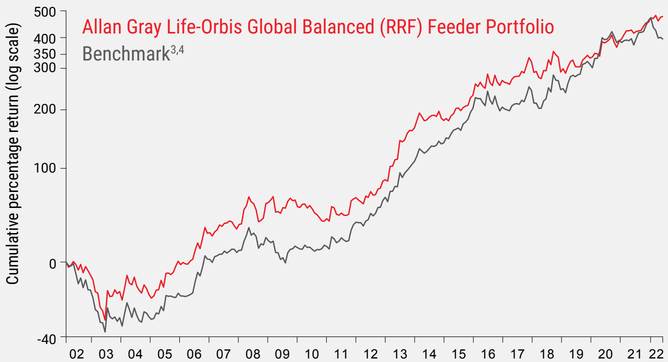
*The blended returns are calculated by Orbis Investment Management Ltd using end-of-day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, 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.

Portfolio information on 31 May 2022

Assets under management	R623m

Performance net of fees[1]

Cumulative performance since inception



% Returns[1,2]	Portfolio		Benchmark[3,4]	
	ZAR	US$	ZAR	US$
Since inception	8.9	7.3	8.0	6.5
Latest 10 years	13.1	6.6	13.0	6.5
Latest 5 years	8.8	5.2	9.5	5.9
Latest 3 years	12.5	10.0	9.2	6.8
Latest 2 years	9.8	16.8	0.1	6.5
Latest 1 year	12.5	-0.9	4.1	-8.4
Latest 3 months	-0.7	-1.6	-6.1	-6.9

1. The returns prior to 1 August 2015 are those of the Allan Gray Life Foreign Portfolio since its inception on 23 January 2002. This Portfolio invested in a mix of Orbis funds. The Investor Class Fee was levied in the underlying Orbis funds.
2. 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.
3. 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan GBI Global Index*.
4. The benchmark prior to 1 August 2015 is that of the Allan Gray Life Foreign Portfolio which is 60% of the MSCI All Country World Index and 40% of the J.P. Morgan GBI Global Index.
5. Underlying holdings of Orbis funds are included on a look-through basis.

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

Asset allocation on 31 May 2022

This portfolio invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	62.0	15.9	22.8	7.9	9.0	6.4
Hedged equities	20.0	10.4	5.7	1.0	1.6	1.4
Fixed interest	11.9	8.6	0.4	0.1	0.2	2.7
Commodity-linked	6.1	0.0	0.0	0.0	0.0	6.1
Net current assets	-0.1	0.0	0.0	0.0	0.0	-0.1
Total	**100.0**	**34.8**	**28.8**	**9.0**	**10.8**	**16.5**
Currency exposure						
Fund	100.0	34.9	32.6	15.4	9.3	7.9
Index	100.0	63.6	22.4	11.1	0.7	2.2

Top 10 share holdings on 31 March 2022 (SA and Foreign) (updated quarterly)[5]

Company	% of Portfolio
SPDR Gold Trust	6.2
Samsung Electronics	5.0
Shell	3.3
Schlumberger	3.1
Kinder Morgan	2.9
Drax Group	2.7
Bayer	2.4
Barrick Gold	2.4
Taiwan Semiconductor Mfg.	2.2
Mitsubishi	2.0
Total (%)	**32.2**

Issued: 9 June 2022

Fund manager quarterly commentary as at 31 March 2022

Russia's invasion of Ukraine is a painful reminder that there is more to life than markets, and our concern goes out to the people suffering. As investors, our job is to assess the impact on our clients' portfolios. Coming into this year, the Orbis SICAV Global Balanced Fund ("the Fund"), in which the Portfolio invests, held no Russian positions, and we sold Russia-exposed BP between late January and early February.

The Fund has fared much better than its 60/40 benchmark amid the conflict-related volatility. As inflation has eclipsed 7% in the US, interest rates have begun to rise. That has punished global government bonds, which have lost 6.2%, and the richly priced growth stocks. While global value shares are roughly flat this year, the Nasdaq is down 9%.

Those moves feel huge if you're reading the headlines every day, but have barely made a dent in the trends of recent decades. Bond yields remain near 120-year lows in the US and 260-year lows in the UK. And over the past 15 years, the Nasdaq has only once been more richly priced relative to global value shares – during the COVID-19 lockdowns.

Despite the assurances of central bankers, inflation expectations continue to rise. That is dangerous, because inflation is unlike most financial risks. With most financial risks, the more you worry about them, the less likely they are to happen. With inflation, it is the opposite.

Three boomerangs

As well as rising inflation, Russia's invasion has exacerbated several trends that were already underway. We have found opportunities aligned with three of these trends: a global energy crisis, a global food shortage, and a resumption of the Cold War. Each of these represents a reversal of the prevailing trends in recent decades and could shape the world for decades to come.

Global energy crisis

We have expected a supply crunch in energy for some time. Over the past seven years, oil producers underinvested by hundreds of billions of dollars, and petroleum inventories are now at their lowest levels since 2014. Then Russia invaded Ukraine, rendering 10% of world oil production and over 30% of Europe's gas supply insecure and toxic. As the world divides, it is becoming obvious that the US must lead the way in providing Europe with energy security – Europe and the US have already signed an agreement to increase transatlantic liquefied natural gas (LNG) shipments.

The most obvious beneficiaries are responsible Western companies that can contribute to the energy security effort. Much of that LNG will be handled by Shell, one of the world's largest LNG producers and traders. Forty percent of gas consumed in the US flows through the pipelines of Kinder Morgan, which also owns stakes in LNG export terminals. As European LNG demand boosts prices in Asia, gas producers in Australia such as Woodside will benefit. And companies like Schlumberger and Hunting, which provide the technology and equipment to increase oil and gas production, stand to benefit as countries and companies finally attempt to increase supply.

As obvious as all that seems, this is not reflected in valuations, which remain attractive across many parts of the energy space. Over the past few months, we have rotated the Fund's energy holdings from politically vulnerable producers towards the more neglected services firms.

Longer term, the energy shortage may hasten Europe's desire to increase energy efficiency and transition to renewable power. One of the easiest efficiency wins is to use LED lightbulbs, which should provide a tailwind to Signify, maker of Philips-branded LED bulbs. And investment in renewable energy should support both the wind turbine and electrical grid equipment businesses of Siemens Energy.

Global food shortage

Russia is by far the world's largest wheat exporter, and in normal times Russia and Ukraine together account for a quarter of the world's wheat exports. As that supply is threatened, food prices have spiked globally. That will make it essential for producers in other regions to maximise crop yields. Top holding Bayer, with its portfolio of yield-enhancing seeds, fertilisers, and pesticides, may be due a reappraisal. Once loathed for genetically modified seeds and Roundup (glyphosate), Bayer now seems utterly forgotten, even as its Roundup legal fortunes improve.

The Fund also gains some protection against rising food prices through its Treasury Inflation-Protected Securities. The principal value of those bonds adjusts according to changes in consumer prices, and food and energy account for roughly a quarter of the consumer price basket.

The Cold War resumes

With Russia's invasion of Ukraine, the era of predictable European and Asian peace that started in the early 1990s is eliminated – with all the economic blessings that came with it. With the peace dividend gone, countries and alliances need to make up for a decades-long investment deficit in defence. That need is being felt most acutely in Europe and Japan, where defence contractors have performed poorly for 20 years, exacerbated recently by investor unease about the social responsibility of investing in those firms. Now, we appear on the cusp of a boomerang-like turn in both fundamentals and sentiment.

On the fundamental side, European powers are already ramping up defence spending and favouring local contractors such as BAE Systems, Saab, Rheinmetall, Rolls-Royce, Leonardo, and Thales. Most of these contractors offer high dividend yields that are well covered by cash flows on current contracts, with additional upside should defence spending increase. On the sentiment side, investors are reassessing the importance of defence companies in protecting liberal democracies. While we did not buy these companies because we foresaw events in Ukraine, we were able to build modest positions in them over the past several months.

A yawning gap

Amid the volatility of recent months, we resisted the urge to trim positions that performed well in favour of shares that recently started to lag. In our view, the boomerang in markets has only started to turn, and the much-discussed "value rotation" is mainly a sell-off in shares that looked absurdly expensive before and still look extreme. After a good quarter for relative returns, the equities in the Fund still trade at a 30% discount to the MSCI World Index on price-to-earnings. We remain enthusiastic about the Fund's long-term relative return potential.

We exited a position in BP in mid-February amid increasing concerns over its exposure to Russia. We recycled much of that cash into more attractive energy ideas, including Kinder Morgan, an energy infrastructure company. We also sold out of the Fund's position in Comcast, a US-based cable and media company, due to concerns about rising competitive intensity.

Adapted from a commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda

Information and content

The information in and content of this publication/presentation 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/presentation constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it 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 on any information provided.

Allan Gray Life Ltd is a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017.

Past performance is not indicative of future performance.

J.P. Morgan 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 2022, 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.

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