

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 Global Government Bond 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

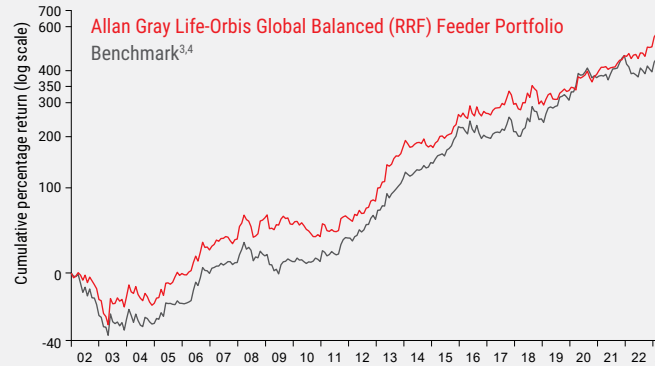
*The blended returns are calculated by Orbis Investment Management Ltd using end-of-day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, 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 October 2023

Assets under management **R529m**

Performance net of fees¹

Cumulative performance since inception



% Returns ^{1,2}	Portfolio		Benchmark ^{3,4}	
	ZAR	US\$	ZAR	US\$
Since inception	9.1	6.8	8.2	5.9
Latest 10 years	10.3	3.6	10.8	4.1
Latest 5 years	9.7	4.7	9.1	4.2
Latest 3 years	14.0	9.0	5.8	1.2
Latest 2 years	11.7	0.8	2.5	-7.5
Latest 1 year	12.4	10.6	7.9	6.1
Latest 3 months	-3.1	-7.7	-3.2	-7.9

- 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.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 October 2023.
- 60% of the MSCI World Index (net dividends reinvested) and 40% of the J.P. Morgan Global Government Bond Index*.
- 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 Global Government Bond Index.

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

Asset allocation on 31 October 2023

This portfolio invests solely into the Orbis SICAV Global Balanced Fund

	Total	North America	Europe and UK	Japan	Asia ex-Japan	Other
Net equities	56.6	13.9	19.6	8.6	12.4	2.1
Hedged equities	19.0	10.8	5.4	0.7	1.1	1.0
Fixed interest	18.9	14.5	3.4	0.6	0.2	0.2
Commodity-linked	5.4	0.0	0.0	0.0	0.0	5.4
Net current assets	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	39.1	28.5	9.9	13.7	8.8

Currency exposure

Fund	100.0	31.8	35.8	17.6	9.7	5.1
Benchmark	100.0	64.6	22.1	10.8	0.6	1.9

Top 10 holdings on 30 September 2023
(updated quarterly)

Company	% of portfolio
SPDR Gold Trust	4.9
Samsung Electronics	4.4
Kinder Morgan	3.4
US TIPS 5 - 7 Years	3.0
Taiwan Semiconductor Mfg.	2.7
Burford Capital	2.4
US TIPS 3 - 5 Years	2.2
FLEETCOR Technologies	1.9
Mitsubishi Heavy Industries	1.8
Sumitomo Mitsui Fin.	1.8
Total (%)	28.5

It is not a comfortable time for global investors. While we can find plenty to invest in, stock markets in aggregate are not attractively valued, economic uncertainty is high, and geopolitical uncertainty is even higher. At times like this, it is wonderful when we can find companies whose success or failure is determined by factors specific to that business, rather than the broader economic and interest rate cycle. We like companies that march to the beat of their own drum, and we call them "idiosyncratics".

Of course, almost every investment has idiosyncratic parts. Yet few are insulated from big macroeconomic and market factors like stockmarket bubbles and bursts, economic booms and recessions, and interest rate hikes and cuts. Idiosyncratic investments are always nice to have in portfolios, but they are most valuable when markets are expensive and the environment uncertain. Thus, we are really keen on them now.

The Portfolio has plenty of idiosyncratic holdings, few of which make headlines, and none of which sit in the top positions of major indices. Drax's share price moves day-to-day on perceptions around the acceptance of biomass energy. Bayer, Incitec Pivot, and NuFarm shares are significantly driven by weather patterns. Our defense holdings take their cue from global conflicts. But perhaps the purest example of an idiosyncratic in the Portfolio today is a company we first discovered through a short-seller report.

In August 2019, a report came across our desks discussing a company we had never heard of. The report made some provocative claims about abuses of fair value accounting and weak governance. Some of the criticism seemed valid, but after doing our own work, most of it struck us as nonsense. That company was Burford Capital.

Burford Capital specialises in litigation funding. Hiring a law firm was historically a self-financed endeavour, with the client typically paying a lawyer a fee in exchange for the lawyer's services. A litigation funder is a third-party firm which provides an alternative financing arrangement for clients pursuing claims. This funding arrangement often involves the financier taking a share of the ultimate recovery of the claim in exchange for paying the legal costs. Essentially, Burford invests in legal claims, with a strong focus on commercial claims. In some situations, Burford, leveraging its deep expertise, takes over management of the proceedings. Most claims settle, sometimes they lose, and sometimes they win big. Burford has done this successfully for over 13 years - they basically created the litigation finance industry, and have been trailblazers in providing new financing solutions to clients.

Apart from this interesting operating model, Burford has a lot of appealing hallmarks. It is owner-operated, and its leaders have a large percentage of their wealth invested in the company. It has a deep moat from being the first, largest,

and most recognisable name in the space, giving it first pick on many claims and a data advantage in assessing those claims. It is an income stream uncorrelated to the rest of our Portfolio - legal claims won't go down when macro trends weaken. It relies on a rigorous research process similar to our own. And lastly, Burford offers optionality - a potentially meaningful claim against Argentina and its state oil company.

Burford's most prominent investment relates to the Argentine government expropriating the oil company YPF. For years, the case moved back and forth between the New York district court and the appeals court. Analysing the legal arguments made by both sides gave us confidence that Burford would prevail. So far, they have: in late March 2023, the judge granted summary judgement and subsequently awarded the plaintiffs a meaningful award. Argentina can appeal, but these were important milestones.

Despite these positive developments - and the share price rally that has accompanied them - we remain enthusiastic owners of the business. While discussion of the company has been dominated by the Argentine case, courts have also started catching up on their Covid backlogs, and Burford's underlying business has had a great 2023. Using what we consider to be conservative assumptions about the future, we believe a discount to intrinsic value remains, even without a big payoff from that case. Argentina has been combative in past spats with sovereign bondholders, and the market is bearish about Burford's chances of extracting the YPF-related claim. But enforcement proceedings against sovereigns present unique challenges that do not apply to those against private entities, and Burford has historically shown an amazing ability to deliver what its clients are owed from the most recalcitrant defendants. The road to resolution will be bumpy and could take time, but recovering even half the claim would mean we are getting the rest of Burford's business for free at today's price.

As contrarians, we are drawn to companies that other investors hate, neglect, or misunderstand. Idiosyncratics fit that description perfectly. And if, in an uncertain environment, they can also improve the Portfolio's diversification, so much the better.

We added to the Portfolio's exposure to US Treasury Inflation-Protected Securities (TIPS), as we believe the exposure offers low-risk, real yield and inflation protection at an attractive price. This was funded through sales of some smaller holdings in the Portfolio where the discount to intrinsic value had narrowed.

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

Fund manager quarterly commentary as at 30 September 2023

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J.P. Morgan Index

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MSCI Index

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