Fund managers: Duncan Artus, Sean Munsie, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 16 August 2017

Allan Gray Stable Portfolio

31 October 2021

Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 40%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio or a balanced portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of 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

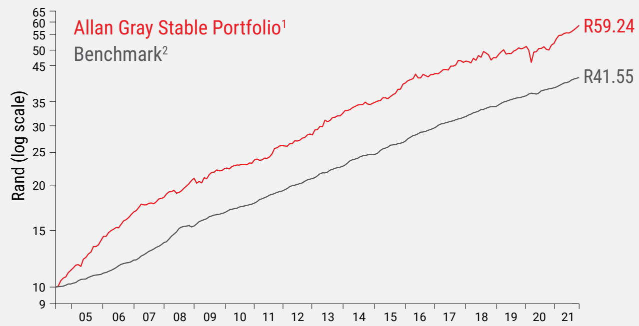
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Portfolio's stock market exposure in consideration of the Portfolio's capital preservation objectives. The Portfolio may also invest in bonds, property and commodities. The Portfolio's bond and money market investments are actively managed.

Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Stable Portfolio. When assessing the Portfolio's performance and risk measures over time, for periods before its inception (16 August 2017), the returns of the Allan Gray Life Global Stable Portfolio can be used. The combined history reflects the performance and risk of the strategy over the long term.

Performance net of all fees and expenses

Value of R10 invested at alignment



% Returns	Portfolio[1]	Benchmark[2]	CPI inflation[3]
Cumulative:			
Since alignment (1 August 2004)	492.4	315.5	149.2
Annualised:			
Since alignment (1 August 2004)	10.8	8.6	5.4
Latest 10 years	8.7	8.1	5.0
Latest 5 years	7.3	7.4	4.4
Latest 3 years	6.9	7.0	4.0
Latest 2 years	7.9	7.1	4.0
Latest 1 year	18.2	8.0	5.0
Year-to-date (not annualised)	13.0	7.3	4.7
Risk measures (since alignment)			
Maximum drawdown[4]	-10.3	-0.9	n/a
Percentage positive months[5]	74.0	97.6	n/a
Annualised monthly volatility[6]	5.5	1.5	n/a
Highest annual return[7]	27.5	17.1	n/a
Lowest annual return[7]	-6.9	5.0	n/a

1. The returns prior to 16 August 2017 are those of the Allan Gray Life Global Stable Portfolio since its alignment on 1 August 2004. The returns are shown net of the fees that would have been incurred had the current fee applied since alignment.
2. The Portfolio's benchmark is the Consumer Price Index plus 3%, performance as calculated by Allan Gray as at 31 October 2021.
3. This is based on the latest numbers published by IRESS as at 30 September 2021.
4. Maximum percentage decline over any period. The maximum drawdown occurred from January 2020 to March 2020. Drawdown is calculated on the total return of the Portfolio (i.e. including income).
5. The percentage of calendar months in which the Portfolio produced a positive monthly return since alignment.
6. The standard deviation of the Portfolio's monthly return. This is a measure of how much an investment's return varies from its average over time.
7. These are the highest or lowest consecutive 12-month returns since alignment. This is a measure of how much the Portfolio and the benchmark returns have varied per rolling 12-month period. The Portfolio's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 31 August 2008. The Portfolio's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 May 2020.

Issued: 10 November 2021

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

Annual management fee

Allan Gray charges a fixed fee of 0.70% p.a. on the Portfolio assets excluding the portion invested in the range of Orbis funds. This fee is presently exempt from VAT.

A portion of the Portfolio may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

Top 10 share holdings on 30 September 2021 (SA and Foreign) (updated quarterly)[9]

Company	% of portfolio
British American Tobacco	2.6
Glencore	2.6
Naspers[8]	2.3
Standard Bank	1.6
Nedbank	1.4
Woolworths	1.3
Sasol	1.2
Sibanye-Stillwater	1.1
Remgro	1.0
Aspen	1.0
Total (%)	**16.0**

8. Includes holding in Prosus N.V., if applicable.

Since inception, the Portfolio's month-end net equity exposure has varied as follows:

Minimum	(October 2020) 28.5%
Average	35.8%
Maximum	(December 2018) 40.1%

Asset allocation on 31 October 2021[9]

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	37.0	25.7	2.1	9.1
Hedged equities	12.4	2.8	0.0	9.6
Property	2.1	1.8	0.0	0.3
Commodity-linked	3.1	2.2	0.0	0.9
Bonds	37.9	30.9	2.9	4.1
Money market and bank deposits	7.4	4.0	0.6	2.9
Total (%)	**100.0**	**67.5**	**5.6**	**26.9[10]**

9. Underlying holdings of Orbis funds are included on a look-through basis.
10. The Portfolio can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 September 2021	1yr %	3yr %
Total expense ratio[11]	**0.75**	**0.74**
Fee for benchmark performance	0.71	0.70
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.04	0.04
Transaction costs (including VAT)[12]	**0.06**	**0.07**
Total investment charge	**0.81**	**0.81**

11. 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.
12. 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.

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Portfolio manager quarterly commentary as at 30 September 2021

The Portfolio continued its respectable recent run in the third quarter, adding 3.8% and taking the year-to-date return to 11.7%. After an especially strong start to the year, the FTSE/JSE All Share Index has treaded water for the last two quarters, in line with global stock markets, as investors digest the once-off post-lockdown economic boost, flare ups of the Delta variant and the prospect of normalising monetary policy. In addition, the risks posed by China, both from its slowing economy and a raft of tough new government regulations, have had an outsized impact on companies listed on our local market. The Portfolio has maintained its relatively high equity weighting (as viewed against the 40% maximum), with stock selection contributing positively to performance over the period.

Holdings in Glencore and Sasol were among the Portfolio's largest contributors to returns this quarter. We have preferred Glencore over the other large, diversified miners for some time given our cautious view on iron ore versus a more favourable outlook for base metals, to which Glencore is heavily exposed. Following the Chinese government's interventions in the market, the iron ore price has almost halved since June; however, it remains above what we consider a fair long-term level. As the world's largest producer of thermal coal for export, Glencore is also benefiting from the surge in energy prices globally, as a recovery in demand meets relatively stagnant supply. There is a possibility that this will continue as we head into the Northern Hemisphere winter, with suppliers either unwilling or unable to fulfil demand.

While this period of elevated prices may have one-off positive implications for Glencore in terms of shareholder returns, it has made a more permanent impact on Sasol, allowing the company to repair its previously precarious debt position, leading to a rerating in the share price. With a lower debt burden and capital expenditure profile going forward, Sasol is better positioned to generate cash flow sustainably and resume dividends, even at lower oil prices.

Continuing the recovery theme, Portfolio positions in companies exposed to the local economy, such as Old Mutual, Standard Bank and Remgro, among others, have also aided performance, with reported results proving less dire than market participants feared a year ago. In many instances share prices remain at or below pre-COVID-19 levels, despite some businesses being better positioned now than what they were going into the pandemic. We continue to find value in local financial and industrial counters.

Disappointingly for South African investors, the crackdowns on the Chinese technology and gaming sectors have had a material impact on Tencent, and in turn Naspers/Prosus. While many of the new regulations do not seem out of the ordinary to what you may already find in the Western world, the process has unfolded in a heavy-handed manner. This, together with fears that further strict rules may be in the offing, has led to a great deal of investor uncertainty. Although Tencent remains a good business, we have reduced our estimate of its long-term intrinsic value and have decreased the Portfolio's weighting to Naspers/Prosus slightly.

Within fixed income, our local debt market has not been immune to the increased amount of taper talk coming out of most major central banks – in other words, the incremental reversal of quantitative easing strategies as their economies recover. This has implications for emerging markets such as ours, particularly given our reliance on foreign investor flows. Already-high levels of negative sentiment, plus a record current account surplus, albeit cyclical, will help cushion some of the impact. The Portfolio's offshore assets also mitigate part of this risk, benefiting from a weaker rand. We retain our preference for local bonds over cash and have increased duration marginally after the recent sell-off in yields.

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FTSE/JSE All Share Index

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