ALLAN GRAY

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

30 April 2022

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 45% offshore. 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

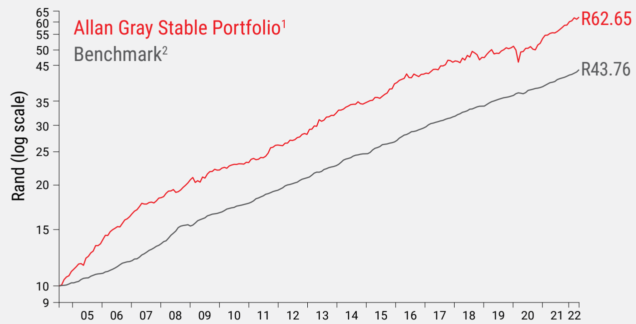
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term 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)	526.5	337.6	157.1
Annualised:			
Since alignment (1 August 2004)	10.9	8.6	5.5
Latest 10 years	9.0	8.2	5.0
Latest 5 years	7.4	7.6	4.3
Latest 3 years	7.7	7.6	4.4
Latest 2 years	12.6	8.4	4.6
Latest 1 year	11.8	9.3	5.9
Year-to-date (not annualised)	3.2	3.7	2.4
Risk measures (since alignment)			
Maximum drawdown[4]	-10.3	-0.9	n/a
Percentage positive months[5]	74.3	98.1	n/a
Annualised monthly volatility[6]	5.4	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 30 April 2022.
3. This is based on the latest numbers published by IRESS as at 31 March 2022.
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.

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**

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 31 March 2022 (SA and Foreign) (updated quarterly)[9]

Company	% of portfolio
British American Tobacco	2.9
Glencore	2.7
Nedbank	1.8
Standard Bank	1.7
Sibanye-Stillwater	1.6
Sasol	1.6
Naspers[8]	1.5
AngloGold Ashanti	1.4
Woolworths	1.3
Remgro	1.3
Total (%)	**17.8**

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	36.0%
Maximum	(December 2018) 40.1%

Asset allocation on 30 April 2022[9]

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	37.4	27.8	1.7	7.8
Hedged equities	13.1	3.1	0.0	10.0
Property	1.3	1.1	0.0	0.2
Commodity-linked	3.1	2.4	0.0	0.7
Bonds	33.4	26.3	3.1	4.0
Money market and bank deposits	11.8	7.3	0.2	4.3
Total (%)	**100.0**	**67.9**	**5.0**	**27.0**[10]

9. Underlying holdings of Orbis funds are included on a look-through basis.

10. The Portfolio can invest a maximum of 45% offshore. 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 31 March 2022	1yr %	3yr %
Total expense ratio[11]	**0.74**	**0.74**
Fee for benchmark performance	0.71	0.70
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.04
Transaction costs (including VAT)[12]	**0.05**	**0.06**
Total investment charge	**0.79**	**0.80**

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.

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**

Portfolio manager quarterly commentary as at 31 March 2022

Russia invaded Ukraine during the quarter. This led to heightened volatility in global markets as investors processed the event and tried to forecast the potential knock-on effects. Increased global tensions and rising inflation have the potential to derail the global economy's recovery. The Portfolio is well diversified and delivered a return of 1.8% over the past quarter.

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.

Following announcements in the recent Budget speech, the South African Reserve Bank has confirmed that the offshore investment limits for portfolios that are mandated to invest offshore, including those that comply with the retirement fund regulations (Regulation 28 of the Pension Funds Act), are increased to 45%. As always, decisions regarding the Portfolio's level of offshore exposure will continue to be made according to our assessment of where the best value can be found over the long term.

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.

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**

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.

Disclaimer

The Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider and approved pension funds administrator under section 13B of the Pension Funds Act 24 of 1956. Allan Gray (Pty) Ltd, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund.

The underlying investment options of the Allan Gray Umbrella Retirement Fund are portfolios of collective investment schemes in securities (unit trusts or funds) and life-pooled investments. The Allan Gray Stable 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 Ltd, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray (Pty) Ltd is Allan Gray Life Ltd’s appointed investment manager.

Past performance is not indicative of future performance.

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**