

**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**

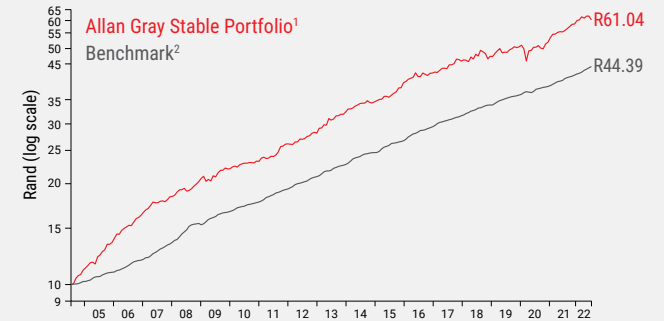
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term 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



- 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.
- The Portfolio's benchmark is the Consumer Price Index plus 3%, performance as calculated by Allan Gray as at 30 June 2022.
- This is based on the latest numbers published by IRESS as at 31 May 2022.
- 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).
- The percentage of calendar months in which the Portfolio produced a positive monthly return since alignment.
- 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.
- 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.

% Returns	Portfolio <sup>1</sup>	Benchmark <sup>2</sup>	CPI inflation <sup>3</sup>
<b>Cumulative:</b>			
Since alignment (1 August 2004)	510.4	343.9	160.4
<b>Annualised:</b>			
Since alignment (1 August 2004)	10.6	8.7	5.5
Latest 10 years	8.5	8.3	5.1
Latest 5 years	6.9	7.7	4.5
Latest 3 years	7.6	7.7	4.6
Latest 2 years	9.8	8.9	5.9
Latest 1 year	8.6	10.0	6.5
Year-to-date (not annualised)	0.5	5.2	3.7
<b>Risk measures (since alignment)</b>			
Maximum drawdown <sup>4</sup>	-10.3	-0.9	n/a
Percentage positive months <sup>5</sup>	74.1	98.1	n/a
Annualised monthly volatility <sup>6</sup>	5.5	1.5	n/a
Highest annual return <sup>7</sup>	27.5	17.1	n/a
Lowest annual return <sup>7</sup>	-6.9	5.0	n/a

### 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 June 2022 (SA and Foreign) (updated quarterly)<sup>9</sup>

Company	% of portfolio
British American Tobacco	2.6
Glencore	2.4
Naspers <sup>8</sup>	1.9
Sasol	1.7
Nedbank	1.6
Standard Bank	1.5
Woolworths	1.2
Remgro	1.1
AB InBev	1.1
Sibanye-Stillwater	1.1
<b>Total (%)</b>	<b>16.1</b>

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	35.9%
Maximum	(December 2018) 40.1%

### Asset allocation on 30 June 2022<sup>9</sup>

Asset Class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	35.2	25.8	1.7	7.7
Hedged equities	14.0	3.3	0.0	10.8
Property	1.0	0.8	0.0	0.2
Commodity-linked	3.1	2.4	0.0	0.7
Bonds	32.3	24.7	3.2	4.3
Money market and bank deposits	14.3	10.0	0.2	4.1
<b>Total (%)</b>	<b>100.0</b>	<b>67.1</b>	<b>5.2</b>	<b>27.7<sup>10</sup></b>

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 30 June 2022	1yr %	3yr %
<b>Total expense ratio<sup>11</sup></b>	<b>0.75</b>	<b>0.75</b>
Fee for benchmark performance	0.71	0.71
Performance fees	0.01	0.00
Other costs excluding transaction costs	0.03	0.04
<b>Transaction costs (including VAT)<sup>12</sup></b>	<b>0.06</b>	<b>0.06</b>
<b>Total investment charge</b>	<b>0.81</b>	<b>0.81</b>

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.

If Russia's invasion of Ukraine had the most profound impact on financial markets in the first quarter of the year, the second quarter was in turn defined by coordinated central bank action to combat rising and persistent inflation. The US Federal Reserve hiked rates by the largest margin in almost three decades, the Bank of England delivered its fifth increase in a row and the usually slow-to-react European Central Bank signalled an end to quantitative easing and the beginning of interest rate increases from July onwards. Closer to home, the South African Reserve Bank delivered its steepest increase since 2016.

It is often cited that Russia's actions, together with the ongoing supply chain disruptions and Chinese lockdowns, are the proximate causes for this inflationary impulse, but in reality the seeds were sown prior to these events. Greater protectionism, prolonged underinvestment in traditional energy infrastructure and the massive monetary and fiscal stimulus embarked upon in response to the pandemic are all inflationary by nature. Interest rate increases may well take the steam out of demand but will have little impact on long-standing supply-side imbalances.

The backdrop of rapidly tightening monetary policy has proved a difficult one for the performance of risk assets, with fears that rising rates will curb growth and ultimately spark a recession. Most exposed globally have been the previously high-flying technology shares, whose values sit further out into the future, where higher rates have an outsized impact. Year to date, the S&P 500 has returned -20.0%, the MSCI World Index -20.5% and the FTSE World Government Bond Index -14.8%.

Local inflation has lagged that of developed and emerging market peers by virtue of a limited pandemic stimulus response and continued pedestrian economic growth. While South African assets have performed comparatively better than their global counterparts, they have not been immune to global pressures, with the FTSE/JSE All Share Index returning -8.3% (-10.9% in US dollars) and the FTSE/JSE All Bond Index returning -1.9% (-4.7% in US dollars) year to date. The Portfolio's 0.5% year-to-date return should be viewed in this context.

The Portfolio retains the relatively high net equity weight that has served it well, with a preference for locally listed shares over offshore stocks. This is informed by valuations that remain attractive, and in some instances underlying company fundamentals have been positively impacted by recent events (e.g. Sasol, via the oil price, and domestic banks, owing to the endowment effect). The largest offshore weight is to hedged equities, which have contributed to overall return year to date. In general, exposure to equities provides greater inflation protection than cash or bonds over longer time periods, particularly when starting valuations are undemanding. It could be argued that local government bonds are in a not dissimilar position, given their high absolute and relative yields, with a risk premium (e.g. from an inflation overshoot) already factored into their price.

During the quarter, the Portfolio added to its positions in BHP, Gold Fields and Tiger Brands and reduced its exposure to Fortress A and Northam Platinum.

### **Portfolio manager quarterly commentary as at 30 June 2022**

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Past performance is not indicative of future performance.

### FTSE/JSE All Share Index and FTSE/JSE All Bond Index

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### FTSE Russell Index

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