ALLANGRAY

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

31 May 2025

Inception date: 1 April 2015

Portfolio objective and benchmark

The objective of the Portfolio is to outperform the MSCI World Index at no greater-than-average risk of loss. The benchmark is the MSCI World Index, with net dividends reinvested.

Product profile

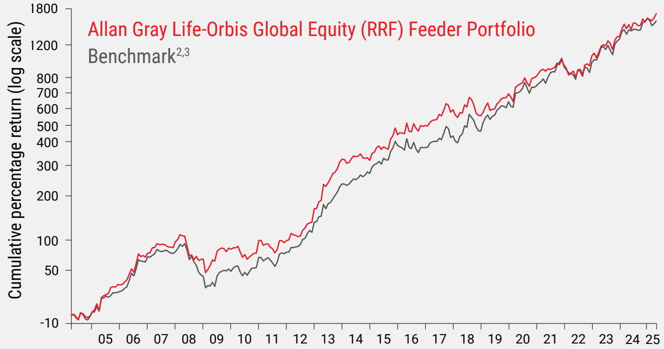
- This is a feeder portfolio, investing in the Orbis Institutional Global Equity Fund which is actively managed by Orbis.

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 Institutional Global Equity Fund.

Performance net of fees[1]

Cumulative performance since inception



% Returns[1,4]	Portfolio		Benchmark[2,3]	
	ZAR	US$	ZAR	US$
Since inception	14.6	9.4	14.3	9.1
Latest 10 years	13.5	9.1	14.4	9.9
Latest 5 years	14.7	14.2	14.7	14.2
Latest 3 years	20.2	14.4	18.9	13.2
Latest 2 years	17.1	22.6	13.8	19.2
Latest 1 year	11.6	16.2	9.2	13.7
Latest 3 months	6.2	8.7	-0.2	2.1

Asset allocation on 31 May 2025

This portfolio invests solely into the Orbis Institutional Global Equity Fund

	Total[6]	United States	UK	Europe ex-UK[5]	Japan	Other[5]	Emerging markets
Net equities	94.1	39.2	13.1	10.0	6.3	3.5	22.0
Property	1.8	0.0	0.0	0.0	1.8	0.0	0.0
Money market and cash	4.1	3.8	0.1	0.0	0.0	0.0	0.1
Total (%)[6]	**100.0**	**43.0**	**13.2**	**10.1**	**8.2**	**3.5**	**22.1**
Currency exposure	100.0	42.4	8.9	11.6	16.2	7.7	13.2
Benchmark	100.0	71.5	3.8	13.1	5.6	6.1	0.0

Portfolio information on 31 May 2025

Assets under management	R1 200m

1. The returns prior to 1 April 2015 are those of the Allan Gray Life-Orbis Global Equity Portfolio since its inception on 18 May 2004. The Investor Class Fee was levied in the underlying Orbis Global Equity Fund.
2. The benchmark prior to 1 April 2015 was that of the Allan Gray Life-Orbis Global Equity Portfolio which was the FTSE World Index, including income.
3. MSCI World Index, with net dividends reinvested.
4. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 May 2025.
5. Refers to developed markets only.
6. There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 31 March 2025 (updated quarterly)

Company	% of portfolio
QXO	6.1
Corpay	5.5
Elevance Health	5.4
Nintendo	3.5
British American Tobacco	2.9
Interactive Brokers Group	2.8
Taiwan Semiconductor Mfg	2.7
Rolls-Royce Holdings	2.2
BAE Systems	2.2
RXO	2.2
Total (%)[6]	**35.6**

Issued: 10 June 2025

Fund manager quarterly commentary as at 31 March 2025

It has not been a great decade to be a value-oriented contrarian investor.

When compared against a soaring and increasingly concentrated global stock market, the opportunity for investors like us to deliver enhanced returns has been relatively bleak. To be sure, scoring a few own goals along the way hasn't helped. Our mission is to generate superior returns versus our benchmark with no greater risk of loss. And, while our net returns over the last decade have been strong in absolute terms, they've fallen short of the benchmark's returns. We recognise that we have tested your patience.

Looking back, there have been two big factors at work. The first is our own internal processes and structure. With the benefit of all the data we have collected and analysed on our own decisions, we have identified several opportunities for improvement and made changes.

Over the last three years, we have combined two of our London-based investment teams, changed our portfolio management structure to improve capital flow across regions and enhanced our risk management, both at a stock-specific and portfolio level. Notably, we have also formed a Decision Analytics team to analyse our individual behavioural patterns as investors, akin to a golf coach videoing a player's swing. Although hard to measure with precision, we believe these initiatives are already bearing fruit. For example, by comparing our analyst team's recommendations with the global opportunity set, we can see that the output of our "stock-picking engine" is significantly outperforming the typical global stock.

The other big factor is the market environment. We have written at length previously about how concentrated and skewed the global stock market benchmark has become, driven in large part by a very small number of shares which have pushed markets to extremes. Even if we had been at the top of our game, the environment of the last decade would have been a tough one in which to excel. But one thing we have repeatedly observed is that when change happens, it can happen all at once – as this most recent quarter has demonstrated.

One minute, the stock market is in a state of euphoric ecstasy, convinced by the notion of American exceptionalism and giddy on expectations for the unshackling of that country's animal spirits under a decisive, business-friendly, red-tape-cutting administration. Investors pour in. The next minute, despondency reigns. Tariff inflation will hurt consumers, and tariff uncertainty will hurt businesses. Cutting waste will mean cutting jobs, which means rising unemployment, which may mean recession. It's just the other side of the same coin. But that's the nature of economics and investing. There are two sides to everything. What drives market prices is often determined by which side of the coin investors are choosing to look at.

We find there's usually more to be gained by carefully examining the dark side of the coin. Looking from the other side can feel lonely and adversarial and comes with long periods of looking stupid. But when the market environment flips, it can do so quickly, without warning and without an intermission to let investors reposition.

For example, our long-standing underweight to the US, a relative performance drag for so long, has all-of-a-sudden flipped into a contributor. If predicting the timing of such changes in market mood can look easy with hindsight, it's anything but simple in real time – and that's exactly why we don't do it.

Instead, we're guided by how share prices deviate from our assessment of intrinsic value. While our disciplined approach can often mean we end up sitting out periods of extraordinary temporary returns as certain shares go from expensive to even more so, it's usually worth it in the end. Share prices can only fight for so long against the gravitational pull of fair value.

The first sign that share prices have gone too far is often that even extraordinary results fail to meet lofty market expectations. In late February, Nvidia reported 78% growth for its most recent quarter, yet its stock was down the next day. And it has not been alone. While the S&P 500 is down 8% from late February, the tech-heavy Nasdaq is down 13%, and the Magnificent Seven are collectively down 17%.

Does that mean those shares now provide good value again? Is the reset over? Not necessarily. When one considers just how stretched and skewed markets had become, it's possible there is further to go. On a headline basis, the US still commands a 45% valuation premium. Indeed, our research continues to suggest there is much better value elsewhere. Whether it's the likes of SK Square trading at a fraction of the value of its listed stakes, Genmab trading below the value of its existing drugs (with no value credited to future development) or the solid Elevance Health at just 13 times next year's earnings with no discernible tariff risk, we continue to find shares priced at very reasonable levels with attractive margins of safety to the downside.

On previous occasions when markets have become as dislocated as they still are today, we have typically found that shares neglected in the euphoria don't just protect downside in a market sell-off, they can actually go up as investors remove their blinders. So it is that, amid the declines in the Nasdaq, European stocks are actually up year to date. In US dollars, Japanese shares are up. Global value stocks are up. In terms of pattern recognition, that's an encouraging sign for value-oriented contrarian investors like us. Looking forward, we hope and expect that our discipline – and your patience – will finally turn out to be well rewarded.

We established a new position in Microchip Technology, a US-based semiconductor manufacturer of microcontrollers and analogue chips and established a new position in a UK-based grocery retailer. These purchases were funded by meaningfully reducing the Portfolio's position in Alphabet, Google's parent company, and US-based managed care organisation UnitedHealth Group.

Adapted from a commentary contributed by Ben Preston, Orbis Portfolio Management (Europe) LLP, London

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MSCI Index

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FTSE Russell Index

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