

**Portfolio objective and benchmark**

This Portfolio is specifically for Medical Schemes. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray's risk-profiled range, this portfolio has less risk of capital loss than the Balanced Portfolio. The Portfolio is managed to comply with the limits of Annexure B to Regulation 30 of the Medical Schemes Act, 1998. The benchmark is the Alexander Forbes 3-month Deposit Index plus 2% or CPI plus 3%.

**Product profile**

- Conservatively managed pooled portfolio.
- Investments selected from all asset classes as permitted by Regulation 30.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest component will be conservative.

**Investment specifics**

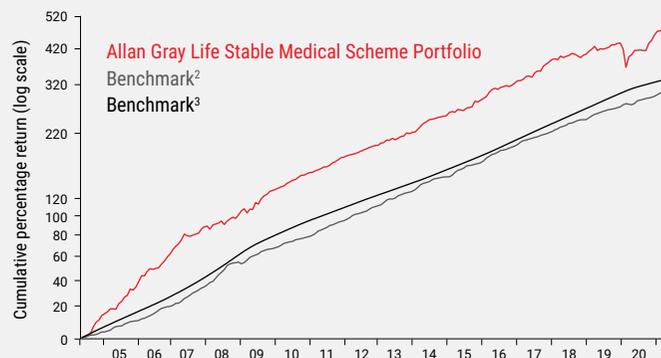
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to medical schemes.
- Minimum investment: R20m.
- Performance based fee/Fixed fee.

**Portfolio information on 30 June 2021**

Assets under management	R2 645m
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**Performance gross of fees**

Cumulative performance since inception<sup>4</sup>



% Returns <sup>1</sup>	Portfolio	Benchmark <sup>2</sup>	Benchmark <sup>3</sup>
Since inception <sup>4</sup>	10.9	8.5	9.0
Latest 10 years	8.4	8.1	8.0
Latest 5 years	7.5	7.3	8.3
Latest 3 years	6.0	6.8	7.7
Latest 2 years	6.8	6.4	7.0
Latest 1 year	15.2	7.7	5.5
Latest 3 months	3.1	1.6	1.4

**Asset allocation on 30 June 2021**

Asset class	Total	SA	Africa ex-SA	Foreign ex-Africa
Net equity	32.6	32.6	0.0	0.0
Hedged equity	1.9	1.9	0.0	0.0
Property	2.6	2.6	0.0	0.0
Commodity-linked	2.0	2.0	0.0	0.0
Bonds	38.5	30.0	2.1	6.4
Money market and bank deposits	22.4	21.1	0.0	1.2
<b>Total (%)</b>	<b>100.0</b>	<b>90.2</b>	<b>2.1</b>	<b>7.7</b>

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

1. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 June 2021
2. CPI plus 3% p.a. The return for June 2021 is an estimate.
3. Alexander Forbes 3-month Deposit Index plus 2% p.a.
4. Since alignment date (1 May 2004).
5. Includes holding in Prosus NV if applicable.

**Top 10 share holdings on 30 June 2021 (updated quarterly)**

Company	% of Portfolio
British American Tobacco	3.4
Naspers <sup>5</sup>	3.2
Glencore	3.2
Woolworths	1.8
Nedbank	1.6
Sibanye Stillwater	1.6
Standard Bank	1.3
MultiChoice	1.2
Remgro	1.1
Anheuser-Busch InBev SA/NV	1.0
<b>Total (%)</b>	<b>19.4</b>

The FTSE/JSE All Share Index (ALSI) consolidated the strong gains from the November low during the quarter. Global equities continue to trade near their recent highs.

Given the Portfolio's emphasis on capital preservation, the maximum net equity weighting is capped at 40%. The net equity position contributes to the Portfolio achieving its objective of outperforming cash. This naturally results in a large fixed income position in cash-like instruments and/or bonds of various durations: 27% of the Portfolio is currently invested in South African banking sector fixed income. The Portfolio also holds the equity of banks we find attractive, such as Standard Bank and Nedbank, which currently make up an additional 3.8% of the Portfolio.

The banking sector's returns, both equity and fixed income, are often impacted by the performance of South African government bonds, which make up 28% of the Portfolio, and the rand. Lower bond yields and a stronger rand are good for banks' relative performance, all else being equal. The performance of these assets is often closely interlinked. To manage this potential risk, we diversify within our equity positions. Attractive mining shares in the Portfolio, such as Glencore and Sibanye-Stillwater, and dual-listed shares such as Naspers and British American Tobacco, might perform differently to local bonds and

banking shares in certain scenarios. The dramatic sell-off in bonds, property and financial shares during Nenegate was a good example of the value this diversification brings to the portfolio.

A new position we have accumulated over the last year is Anheuser-Busch InBev (ANH), the world's largest brewer. The share has significantly underperformed since its overpriced acquisition of SABMiller in 2016. This underperformance accelerated during the pandemic sell-off over concerns about future beer sales and the company's substantial net debt. This gave us the opportunity to purchase a well-managed, high-quality, globally diversified business at an attractive valuation, which should benefit from a global reopening.

Since the onset of the pandemic, we have also used price weakness to increase our exposure to less cyclical industrial shares, which generate good cashflow and will hopefully pay dividends despite the tough economy. These include retailers Woolworths, Pepkor, Pick 'n Pay and Cashbuild and food and beverage company AVI. These are all good businesses that have produced results which were far stronger than the market expected a year ago. The opportunity to increase the quality in the Portfolio at attractive valuations is exciting.

### **Fund manager quarterly commentary as at 30 June 2021**

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### FTSE/JSE All Share Index

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