

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

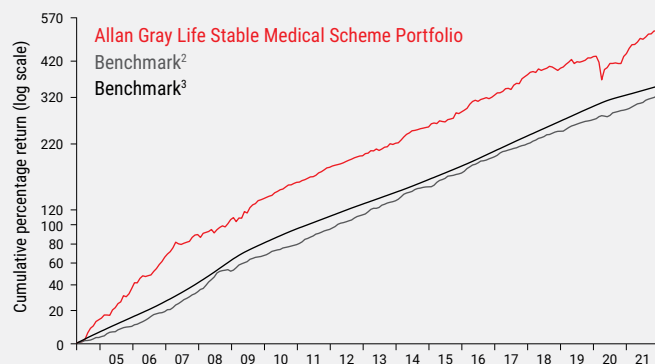
- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to medical schemes.
- Minimum investment: R20m.
- Performance based fee/Fixed fee.

Portfolio information on 31 May 2022

Assets under management	R2 781m
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Performance gross of fees

Cumulative performance since inception⁴



- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 May 2022.
- CPI plus 3% p.a. The return for May 2022 is an estimate.
- Alexander Forbes 3-month Deposit Index plus 2% p.a.
- Since alignment date (1 May 2004).
- Includes holding in Prosus N.V., if applicable.

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

% Returns ¹	Portfolio	Benchmark ²	Benchmark ³
Since inception ⁴	11.0	8.6	8.8
Latest 10 years	8.7	8.2	7.9
Latest 5 years	8.3	7.5	7.7
Latest 3 years	8.9	7.5	6.7
Latest 2 years	15.0	8.8	5.7
Latest 1 year	11.5	9.4	5.7
Latest 3 months	0.6	2.9	1.5

Top 10 share holdings on 31 March 2022 (updated quarterly)

Company	% of Portfolio
Glencore	3.5
British American Tobacco	3.2
Standard Bank	1.9
Nedbank	1.9
Woolworths	1.7
Sasol	1.7
Sibanye-Stillwater	1.6
AngloGold Ashanti	1.6
Naspers ⁵	1.5
Remgro	1.3
Total (%)	20.0

Asset allocation on 31 May 2022

Asset class	Total	SA	Africa ex-SA	Foreign ex-Africa
Net equities	34.9	34.8	0.0	0.1
Hedged equities	1.4	1.4	0.0	0.0
Property	1.4	1.4	0.0	0.0
Commodity-linked	2.0	2.0	0.0	0.0
Bonds	38.2	32.6	1.0	4.6
Money market and bank deposits	22.1	21.6	0.0	0.4
Total (%)	100.0	93.9	1.1	5.1

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 3.9% 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.

Since the onset of the COVID-19 pandemic – at the start of 2020 – the Portfolio has delivered an annualised return of 9.9%, outperforming inflation by 5.3% per annum.

**Fund manager quarterly
commentary as at
31 March 2022**

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