

ALLAN GRAY

LONG-TERM INVESTING

Allan Gray Investment Update

Duncan Artus

Varshan Maharaj

Thalia Petousis



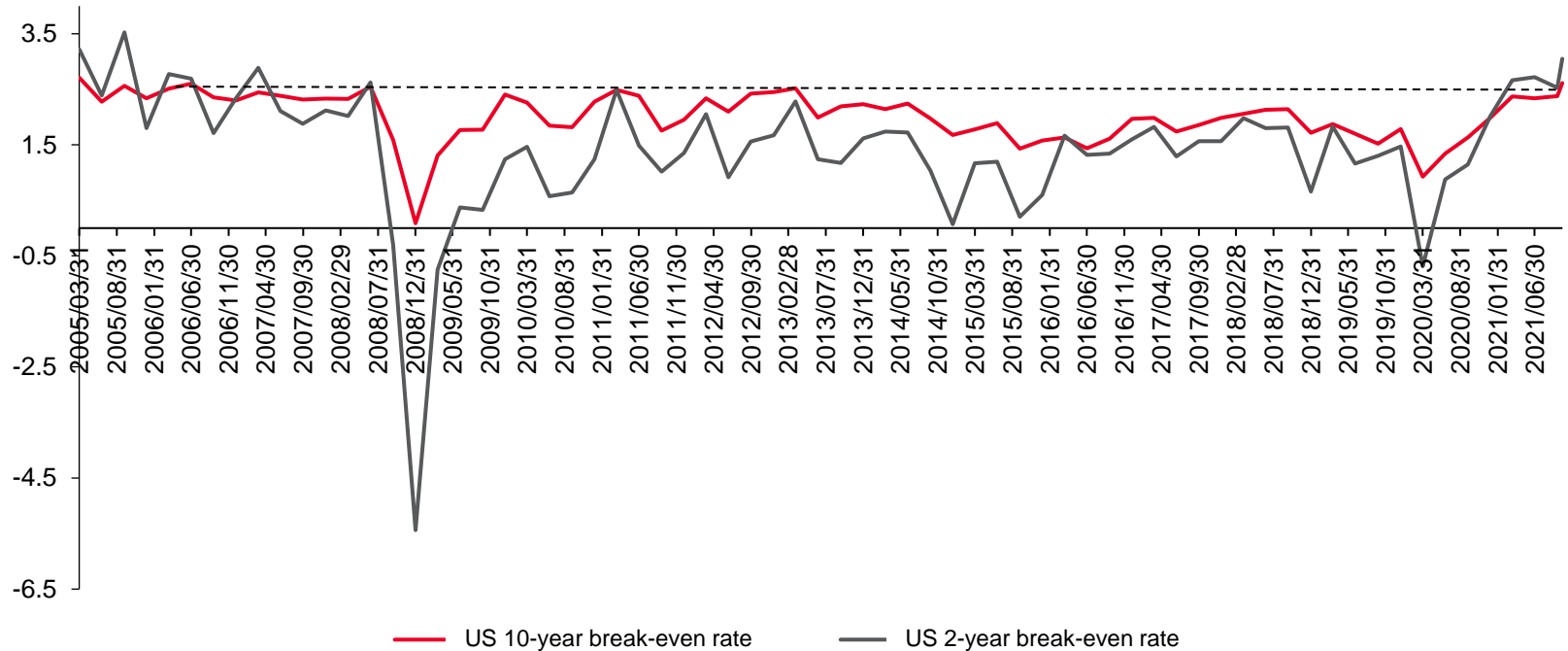
Have we seen this before?



Source: Google

What could change: Inflation in the developed world

US 2- and 10-year break-even rates

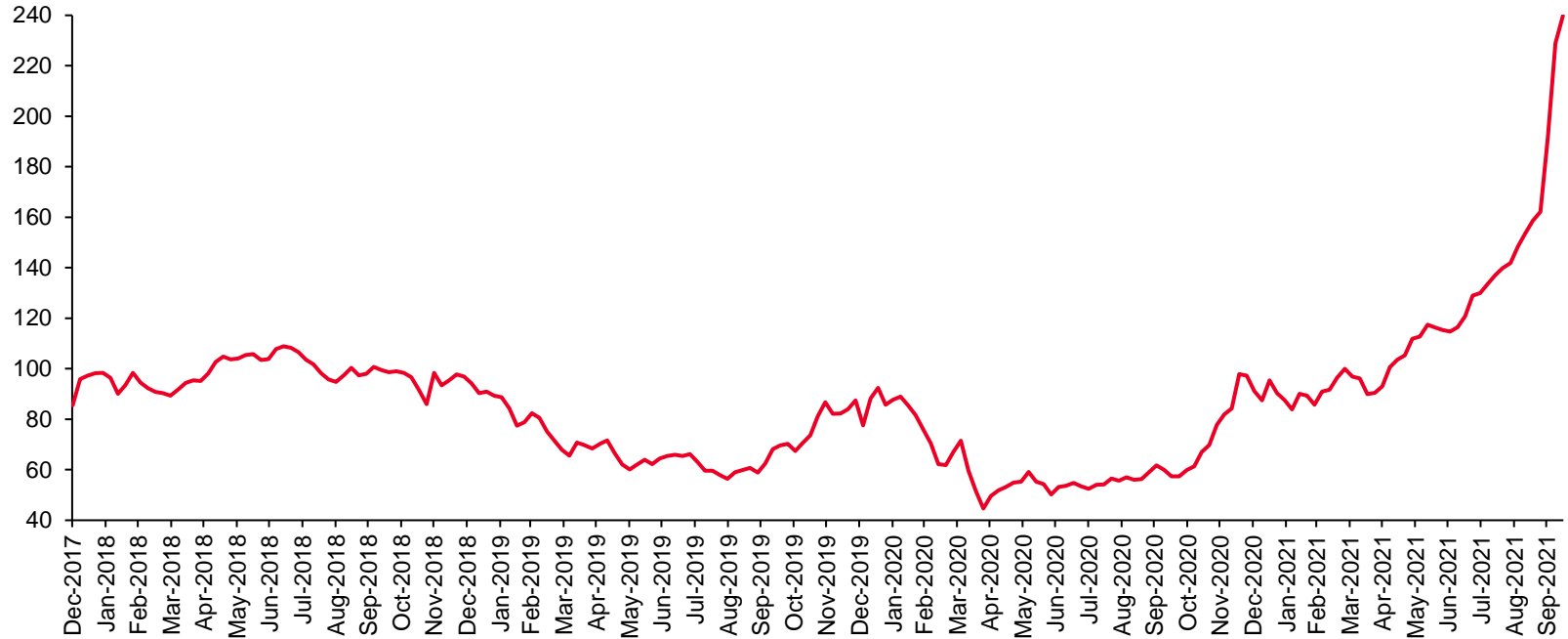


Source: Bloomberg, data to 21.10.2021



What is changing: The energy transition is not free

Short-term thermal coal price

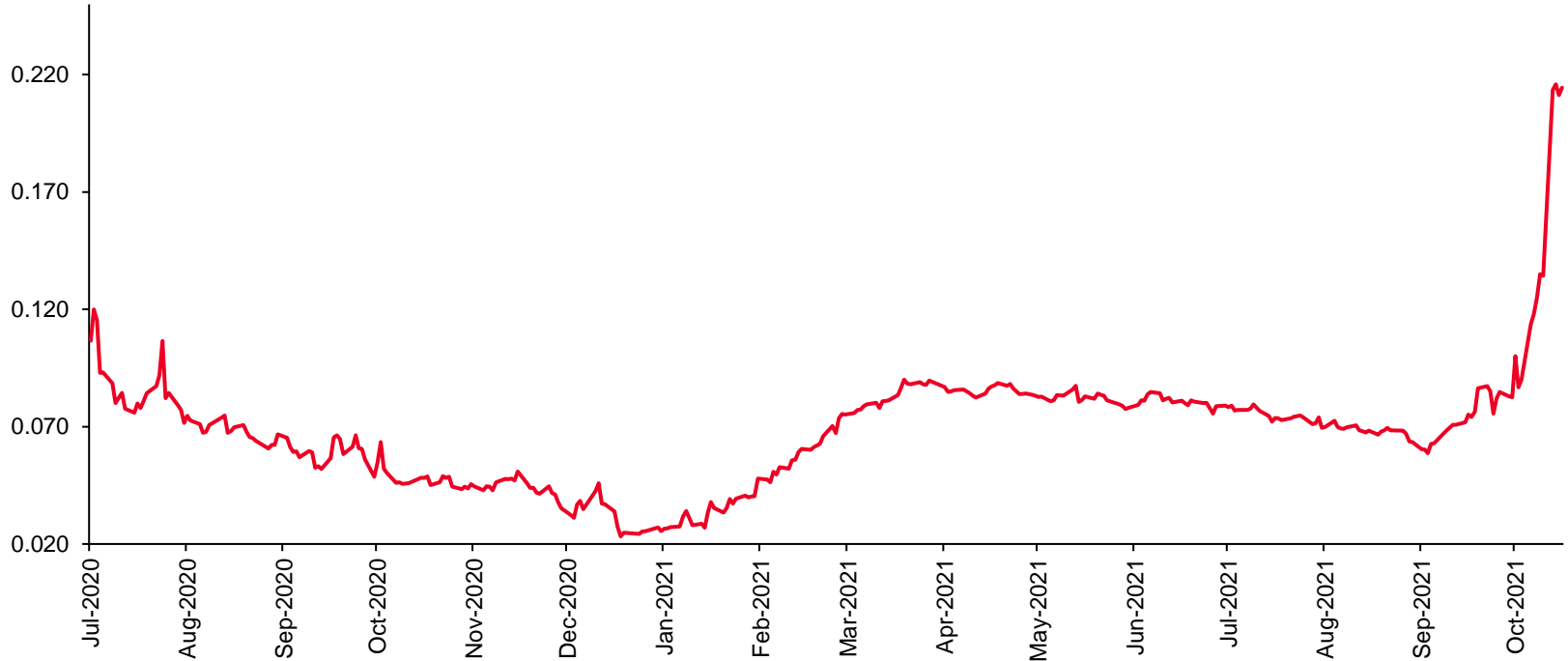


Source: Iress data to 15.10.2021



Are rates starting to reprice for a different world?

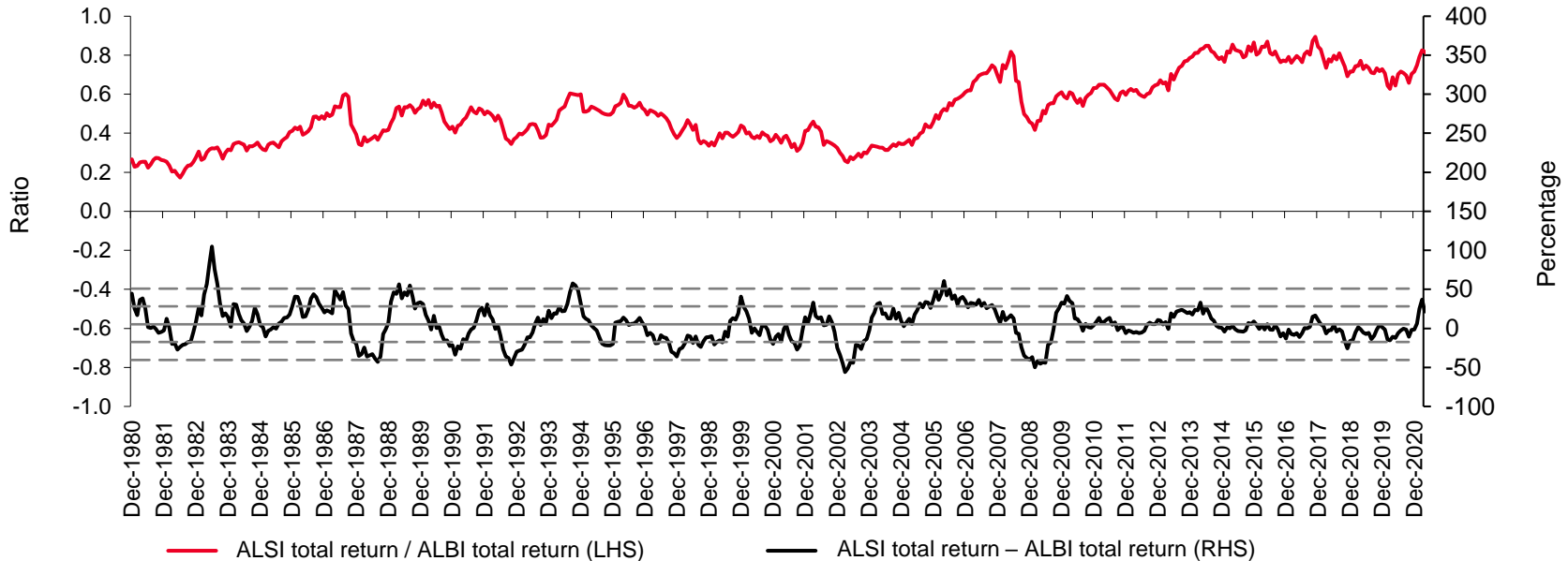
UK short-term interest rates



Source: Iress, data to 21.10.21

What does this potential new world mean for asset allocators in SA?

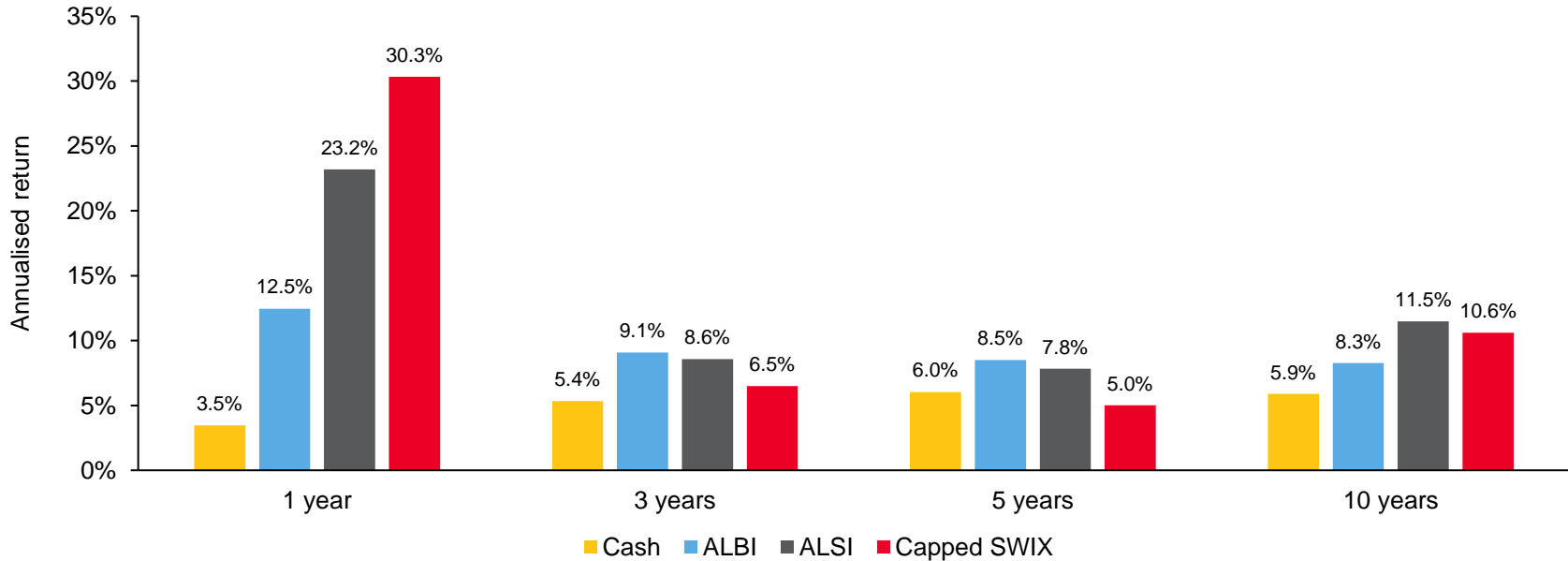
Returns from bonds vs equities



Source: Iress, data to 30.09.2021

Closer look at relative returns from different asset classes

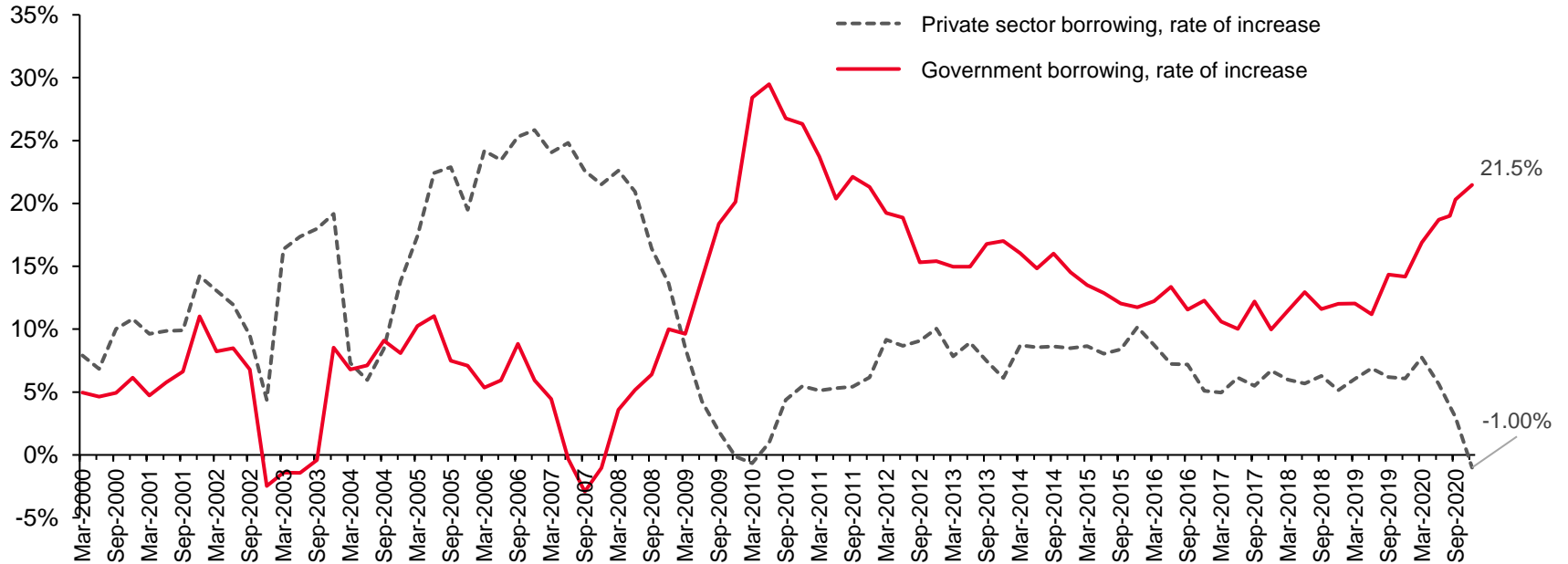
Bonds vs equities



Source: Iress, data to 30.09.2021

SA: A tale of two borrowings?

SA private sector credit extension vs government borrowing, y/y % growth

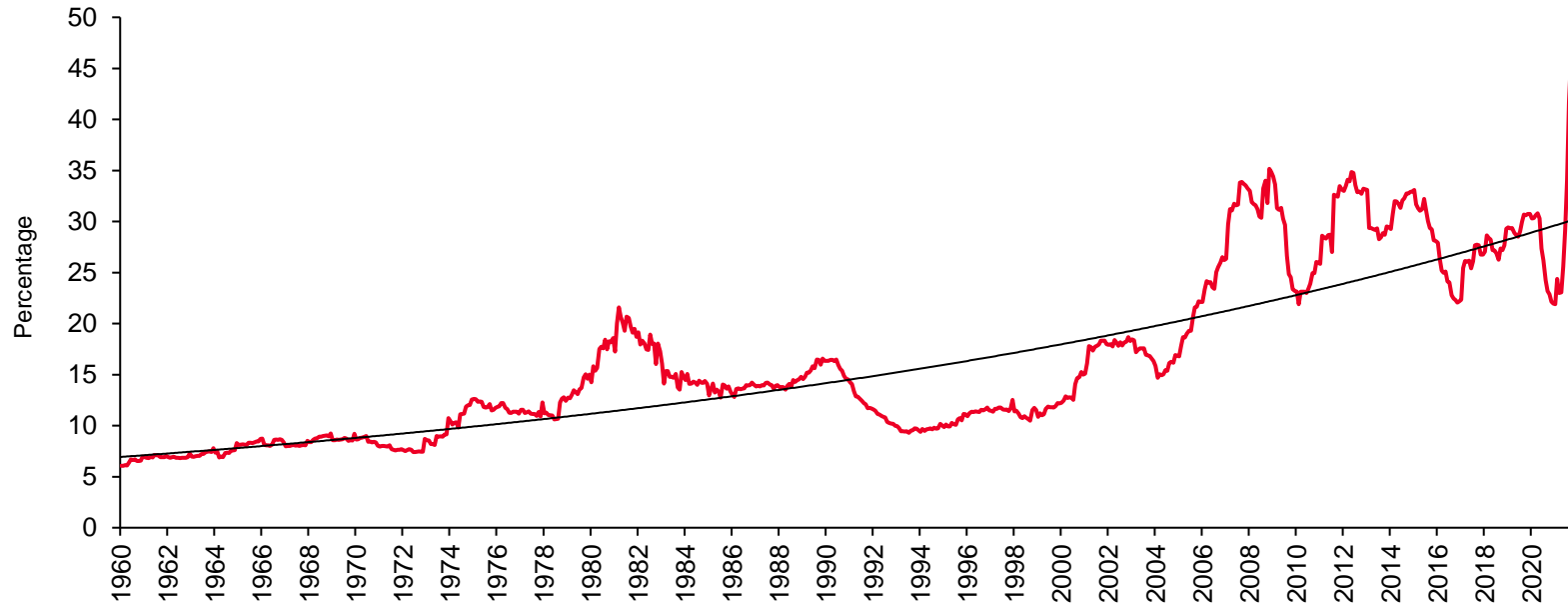


Source: Bloomberg, data to 12.10.2021



ALSI trendline earnings

Earnings are high – driven by commodity prices

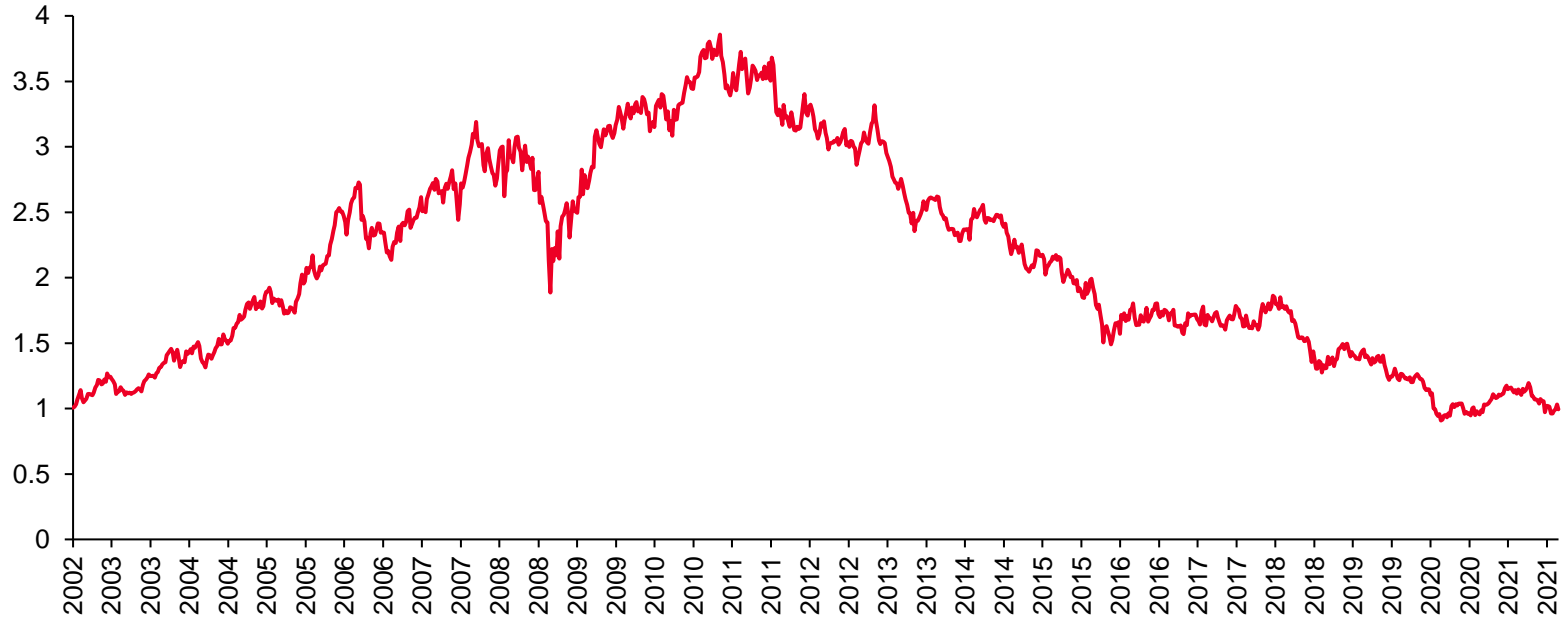


Source: Allan Gray research, 21.10.2021



What could change: Depressed asset class

ALSI relative to the S&P 500



Source: Iress, data to 24.10.21

Asset allocation to 30 September 2021

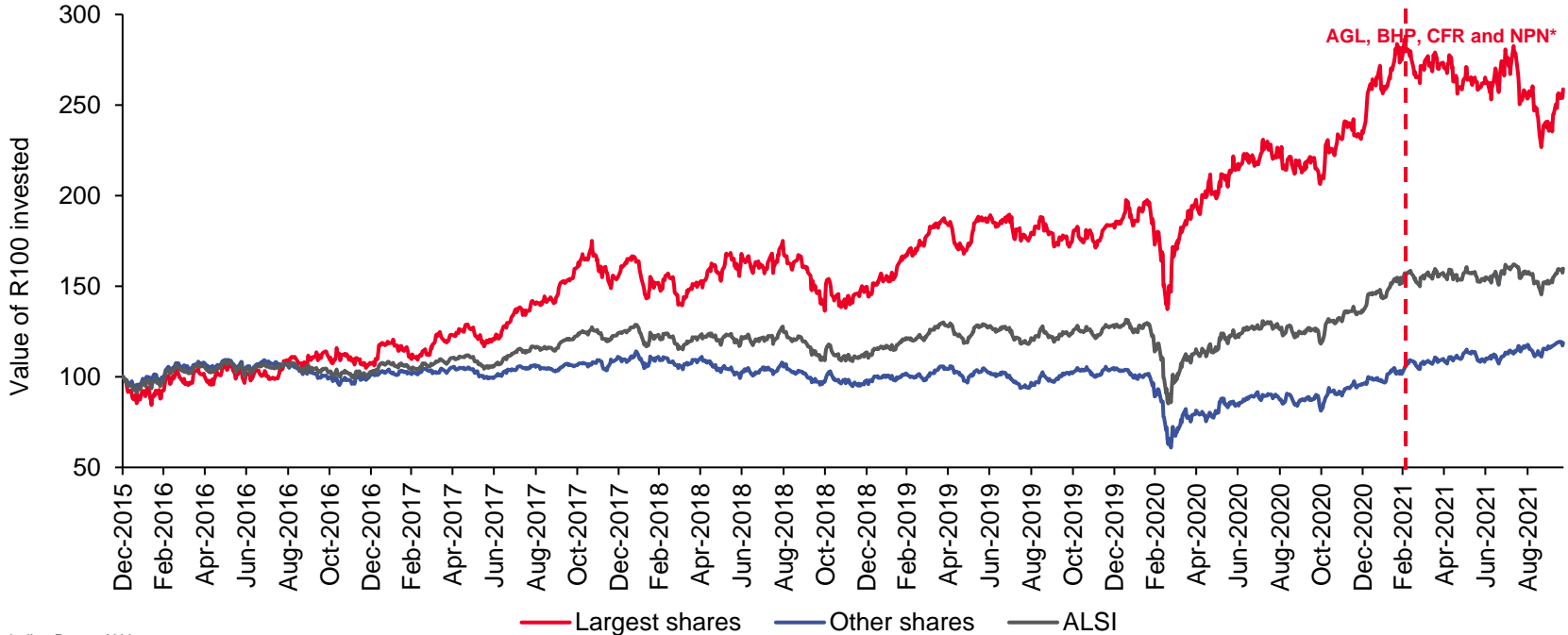
Allan Gray Balanced Fund

Asset class	% of portfolio			
	Total	Local	Africa ex-SA	Foreign ex-Africa
Net Equity	70.9	50.6	1.8	18.5
Hedged Equity	6.3	1.5	0.0	4.8
Property	1.0	0.7	0.0	0.3
Commodity-linked	3.0	2.3	0.0	0.7
Bonds	13.3	10.0	1.4	1.9
Money market and cash	5.6	3.1	0.4	2.0
Total	100.0	68.2	3.7	28.1

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

FTSE/JSE All Share Index

Impact of the largest shares on index performance



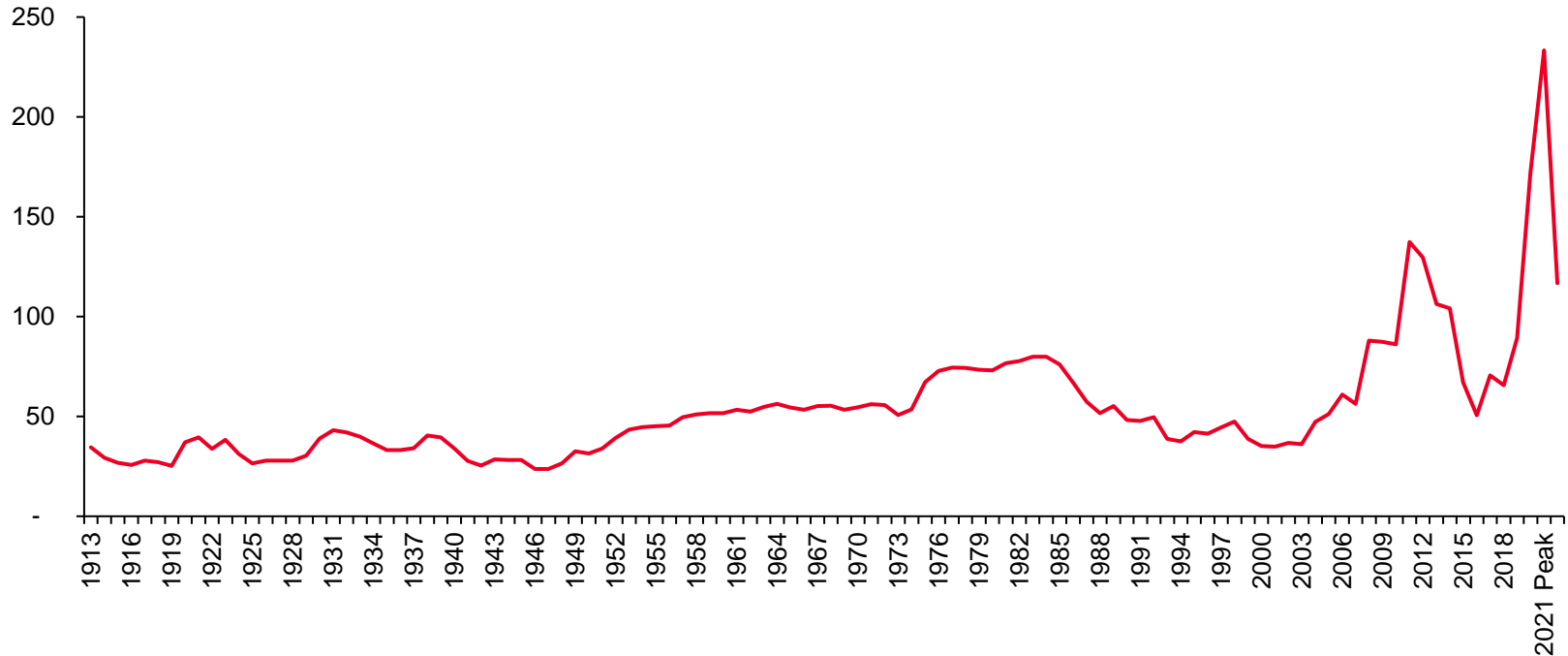
* Including Prosus N.V.

Source: Thomson Reuters DataStream, Iress, data to 22.10.2021



Real iron ore price

US PPI inflator



Source: Bank of America Merrill Lynch



Sectoral allocation as at 30 September 2021

	Allan Gray Balanced Fund	Capped SWIX	ALSI
Financials	31	31	22
Banks	13	16	11
Insurers	5	5	4
Reinet & Remgro	6	2	1
Other	7	8	6
Industrials	43	45	46
British American Tobacco	10	3	2
Naspers & Prosus	10	12	12
Richemont	0	2	10
Food & general retailers	8	11	7
Health care	3	3	2
Other	12	14	13
Resources	26	24	33
Glencore	9	1	1
Gold & platinum mining	9	11	9
BHP & Anglo American	1	6	19
Other	7	6	4
Total	100	100	100

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



Top 10 local equity holdings as at 30 September 2021

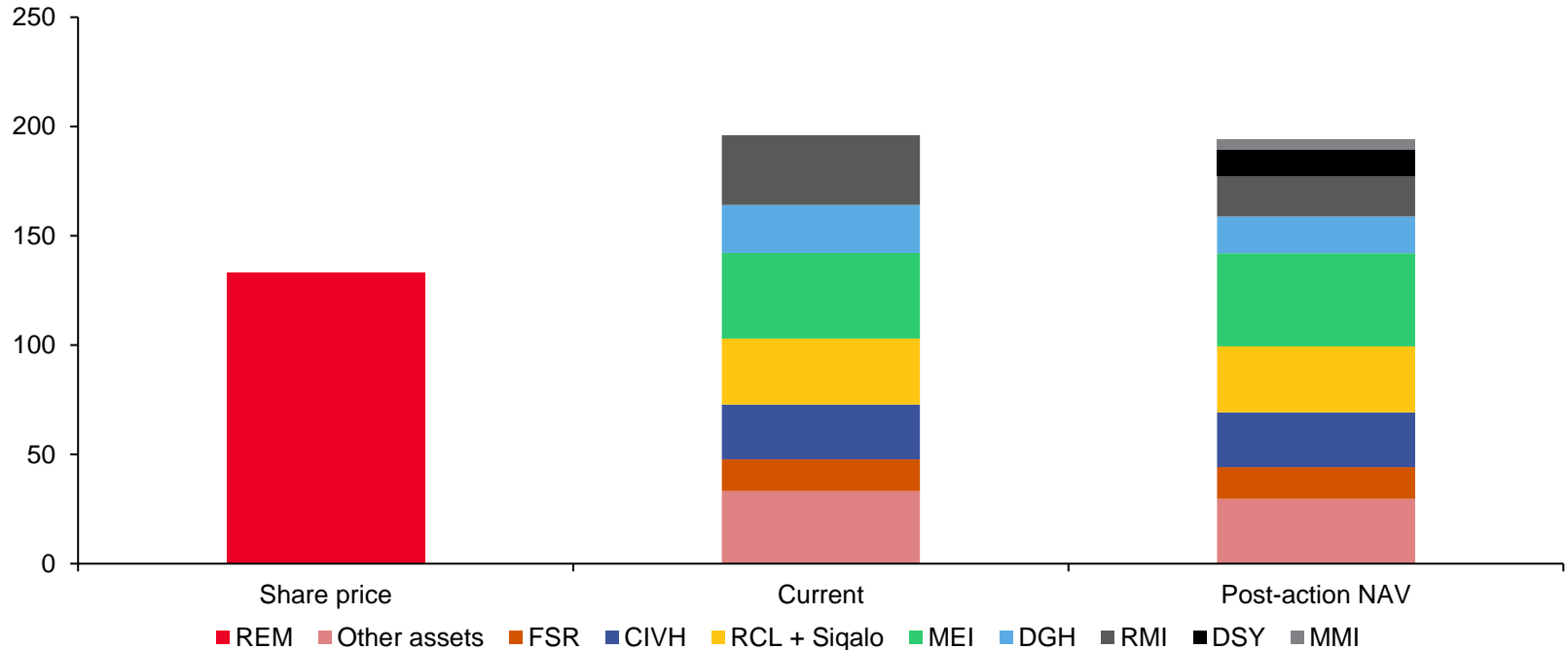
Allan Gray Balanced Fund	% of Fund
Naspers*	5.4
British American Tobacco	5.0
Glencore	4.5
Woolworths	2.7
Sasol	2.4
Standard Bank	2.3
Remgro	2.1
Old Mutual	2.1
Nedbank	1.9
FirstRand	1.8
Total	30.2

* Includes holding in Prosus N.V.



Inherent value in the portfolio

Remgro NAV today versus potential future NAV



Source: Allan Gray research

Take advantage of poor sentiment

AB InBev and Richemont

18.6x



4.7x

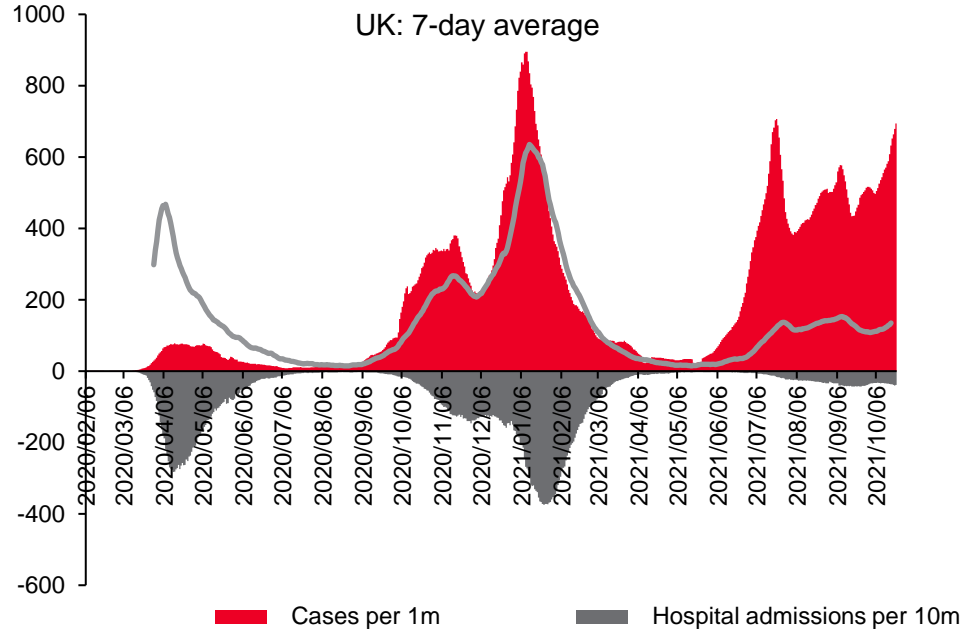
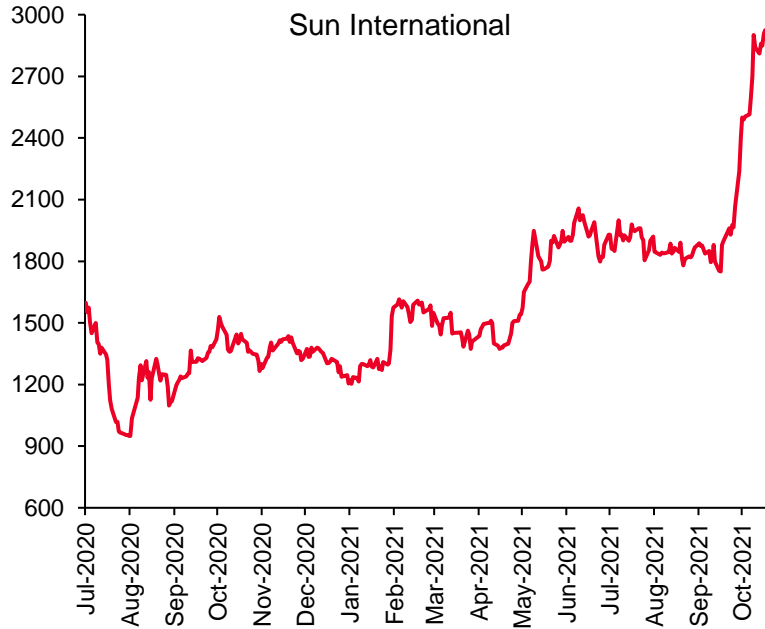


Source: Allan Gray research, Google



Something to monitor

The red list



Source: Allan Gray research, 21.10.2021

Thank you





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Performance

Performance figures are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax. Movements in exchange rates may also be the cause of the value of underlying international investments going up or down. Different classes of units apply to the Equity, Balanced, Stable and Optimal funds only and are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za. Permissible deductions may include management fees, brokerage, Securities Transfer Tax (STT), auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from the Management Company.



Important information

Benchmarks

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

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MSCI Index

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Important information

Understanding the funds

Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the Fund/s they select.

The Allan Gray Equity, Balanced, Stable and rand-denominated offshore funds may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its feeder fund or funds of funds.

The Allan Gray Money Market Fund is not a bank deposit account. The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to the applicable ASISA Standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens withdrawals may be ring-fenced and managed over a period of time.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], STRATE and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They 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. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge.

Additional information for retirement fund members and investors in the tax-free investment account, living annuity and endowment

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