

ALLAN GRAY

LONG-TERM INVESTING

Allan Gray Stable Fund: A cautious fund for all seasons

Sean Munsie

14 April 2021





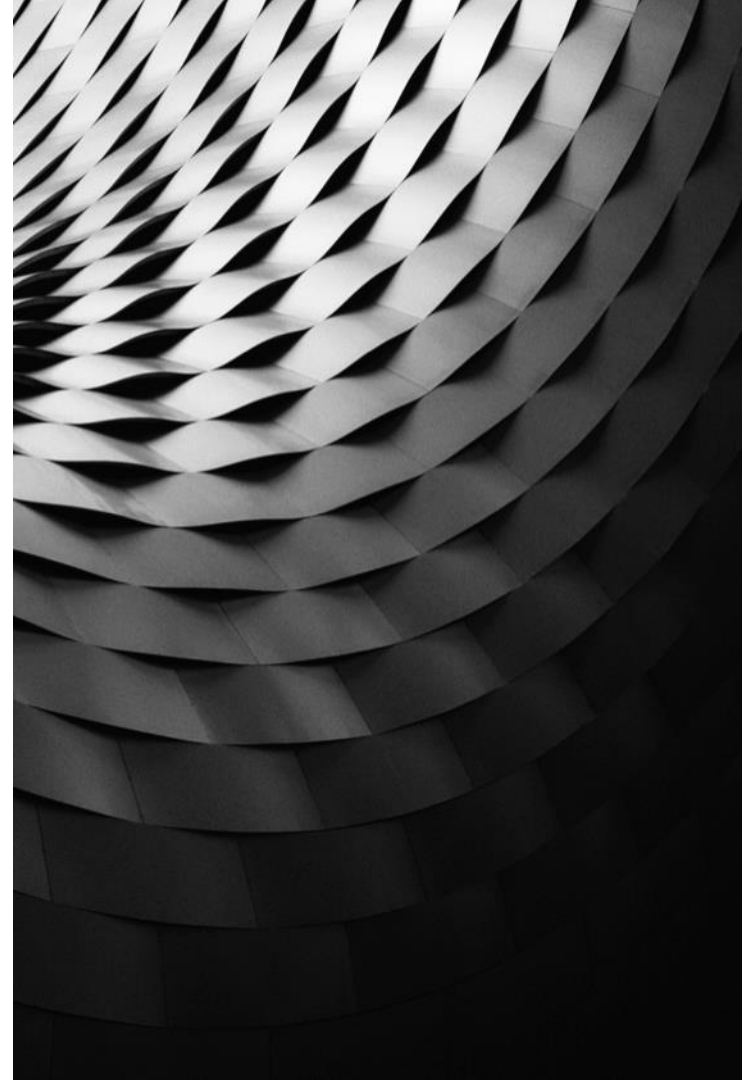
Agenda

Purpose of the Stable Fund

Fund construction closer look

Performance

Portfolio positioning



Characteristics of the Allan Gray Stable Fund

- Aims for superior returns to cash
- Conservative selection of investments
- Strives for capital preservation
- Income and capital growth
- Suitable for investors in a pre- or post-retirement strategy

Actively managed

Complies with pension
fund regulation

Maximum 40% equities

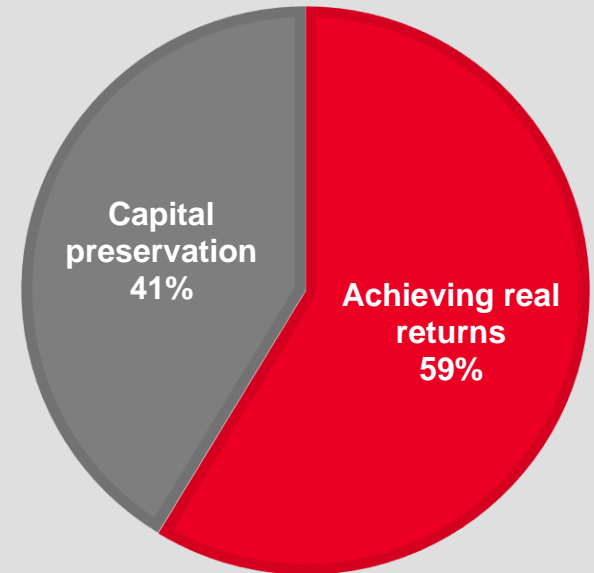
Offshore exposure

How the Stable Fund is used

What do you most commonly use the Stable Fund for?



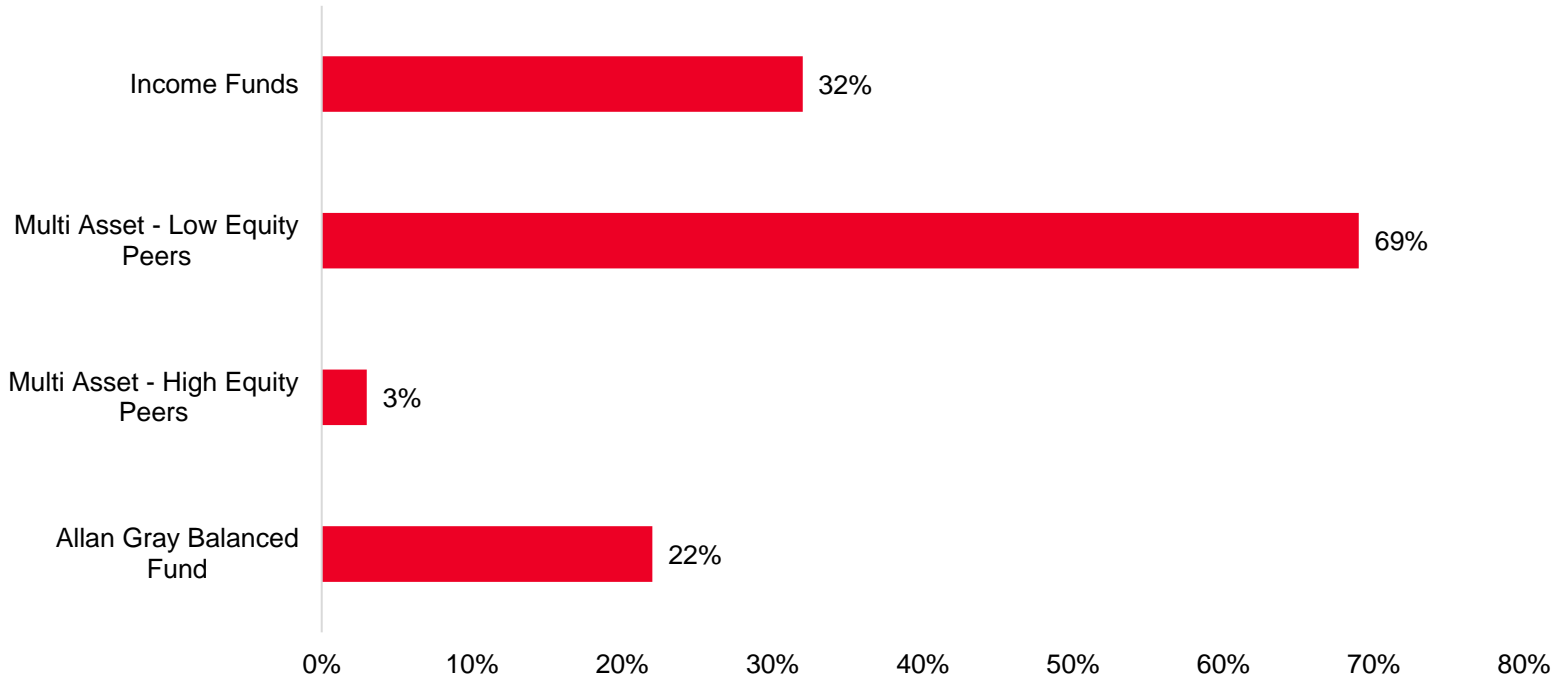
Which of the Fund's two objectives are most important to you?





Fund alternative(s)

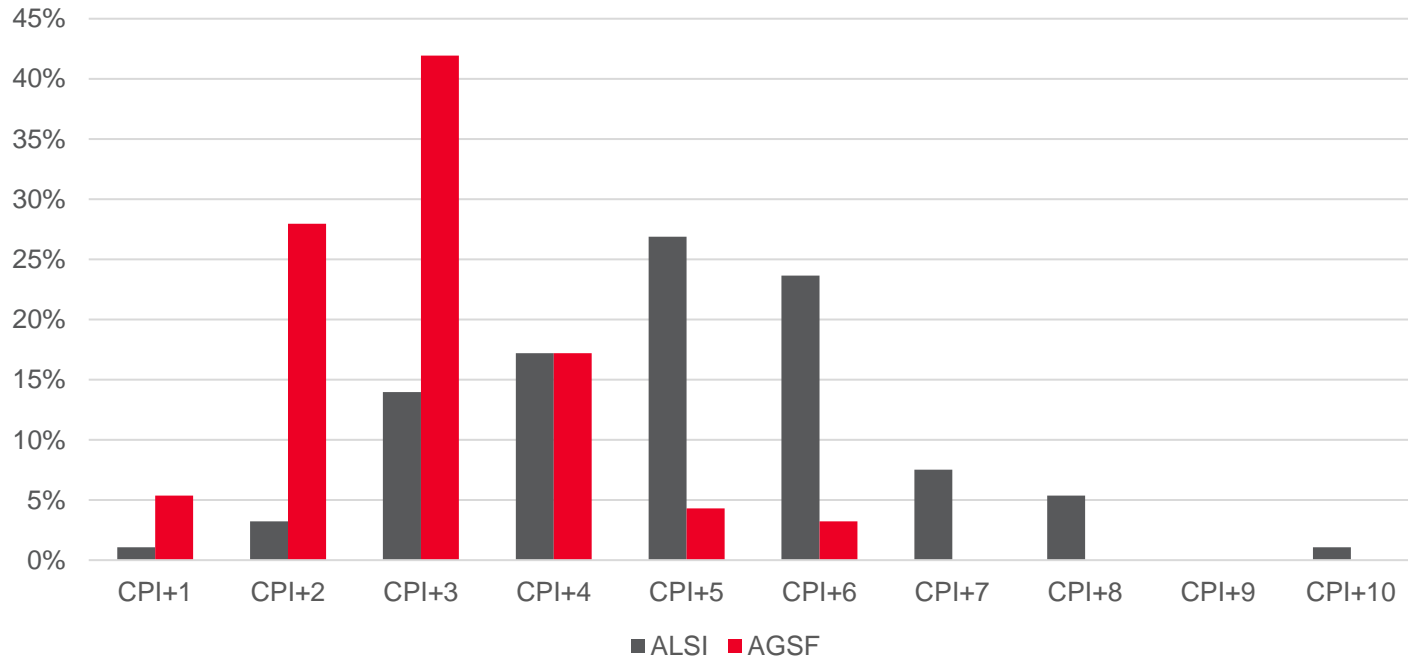
Which of the following would be the most compelling alternative(s) for Stable Fund?





Return expectations

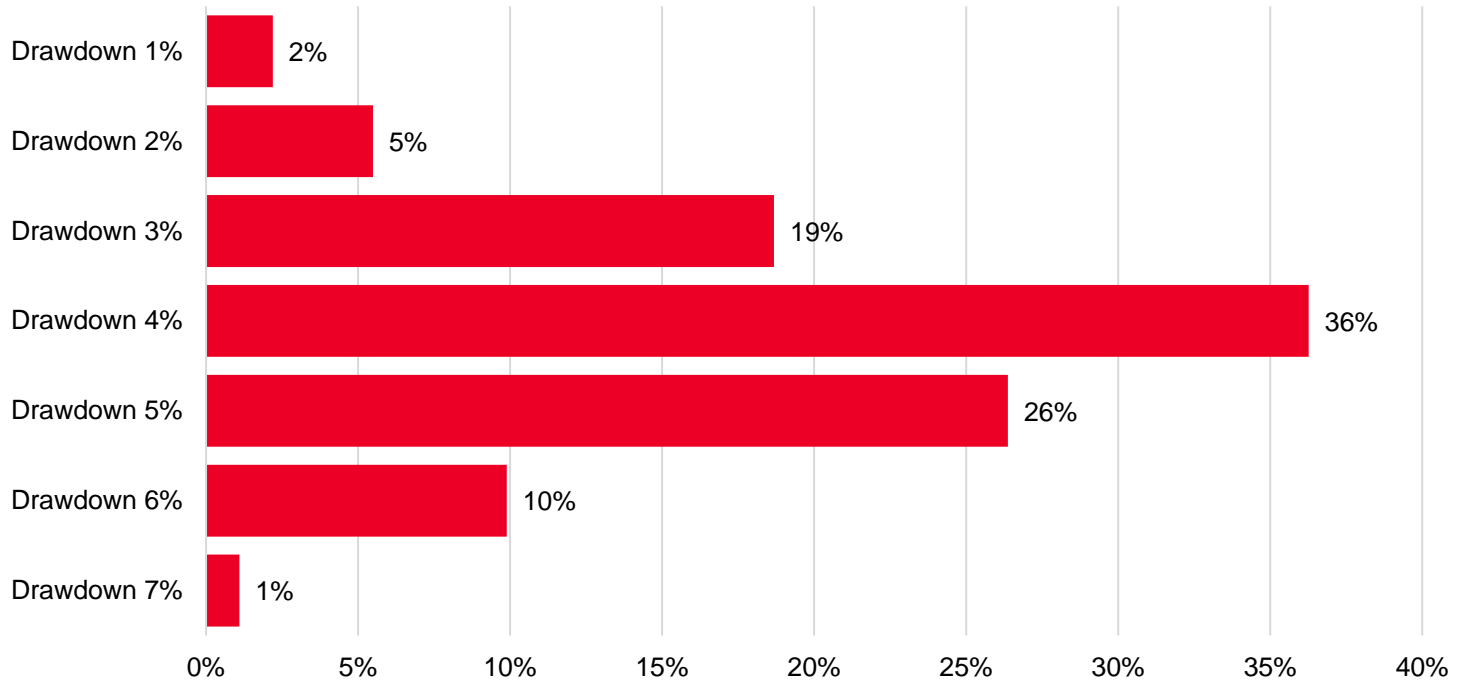
What is your return expectation for the ALSI and AGSF over the next 3 years?





Drawdown expectations

What do you believe a reasonable drawdown % is for the AGSF?





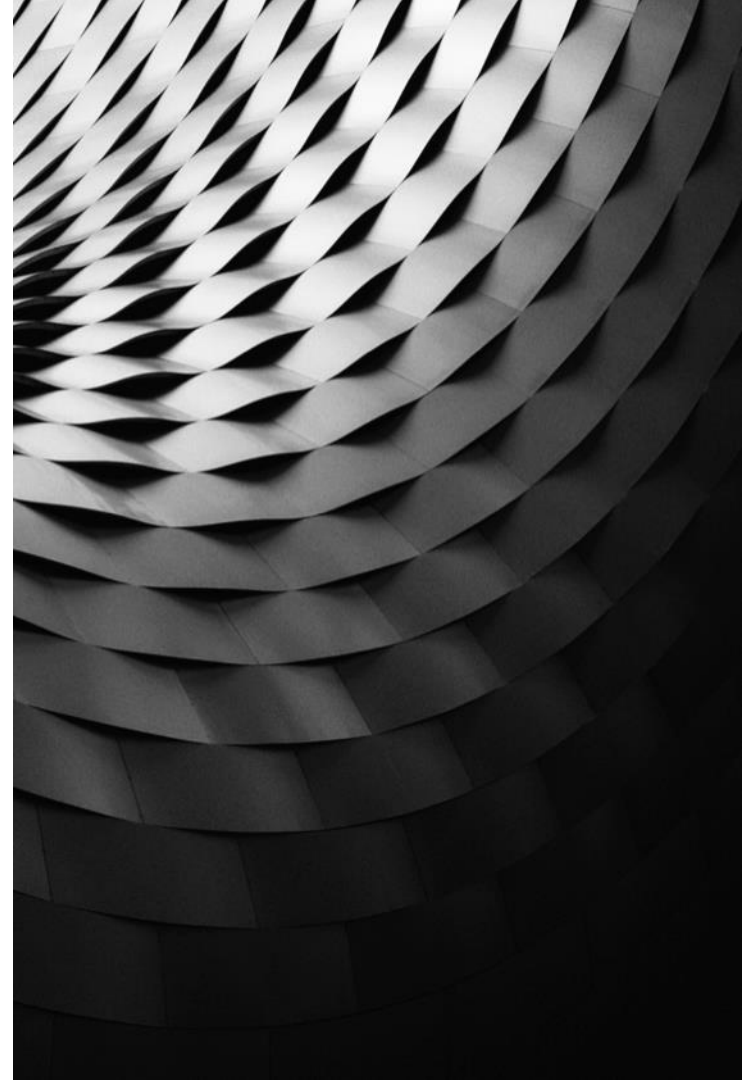
Agenda

Purpose of the Stable Fund

Fund construction closer look

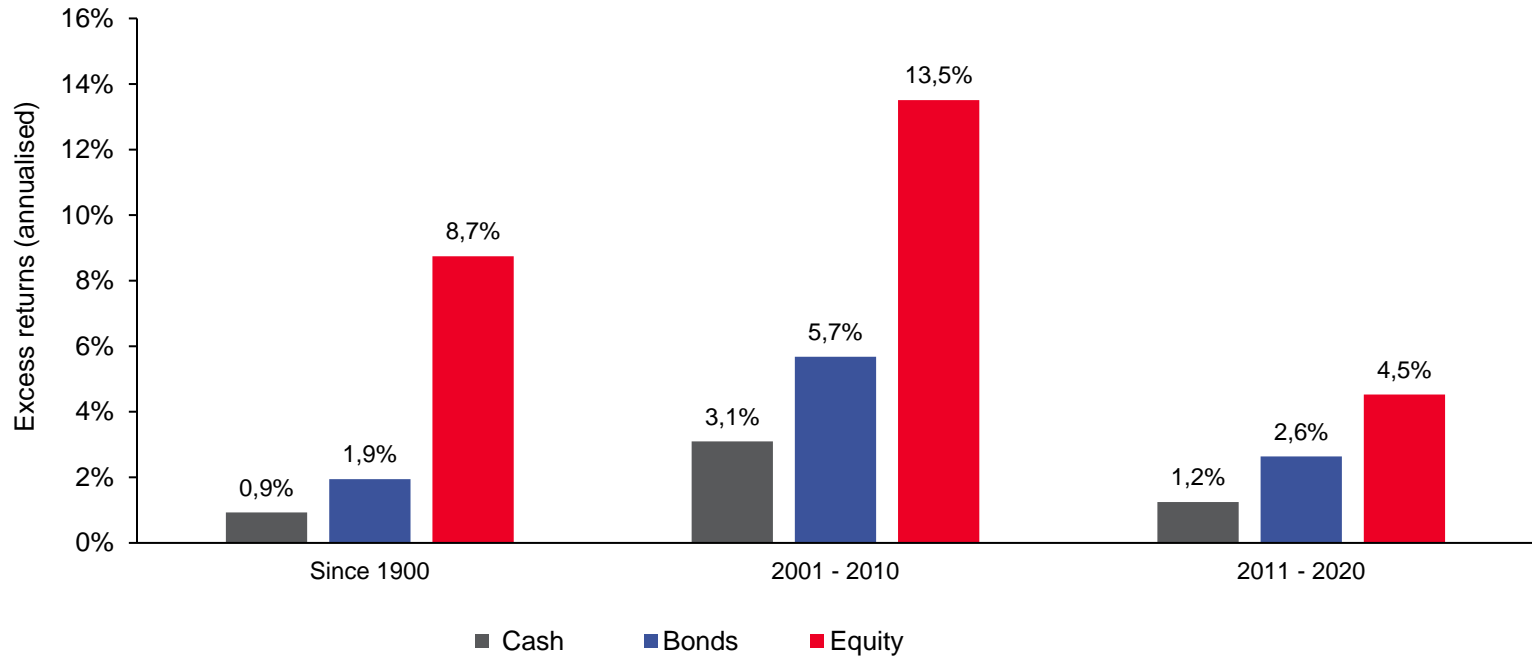
Performance

Portfolio positioning



Long-term real premiums per asset class

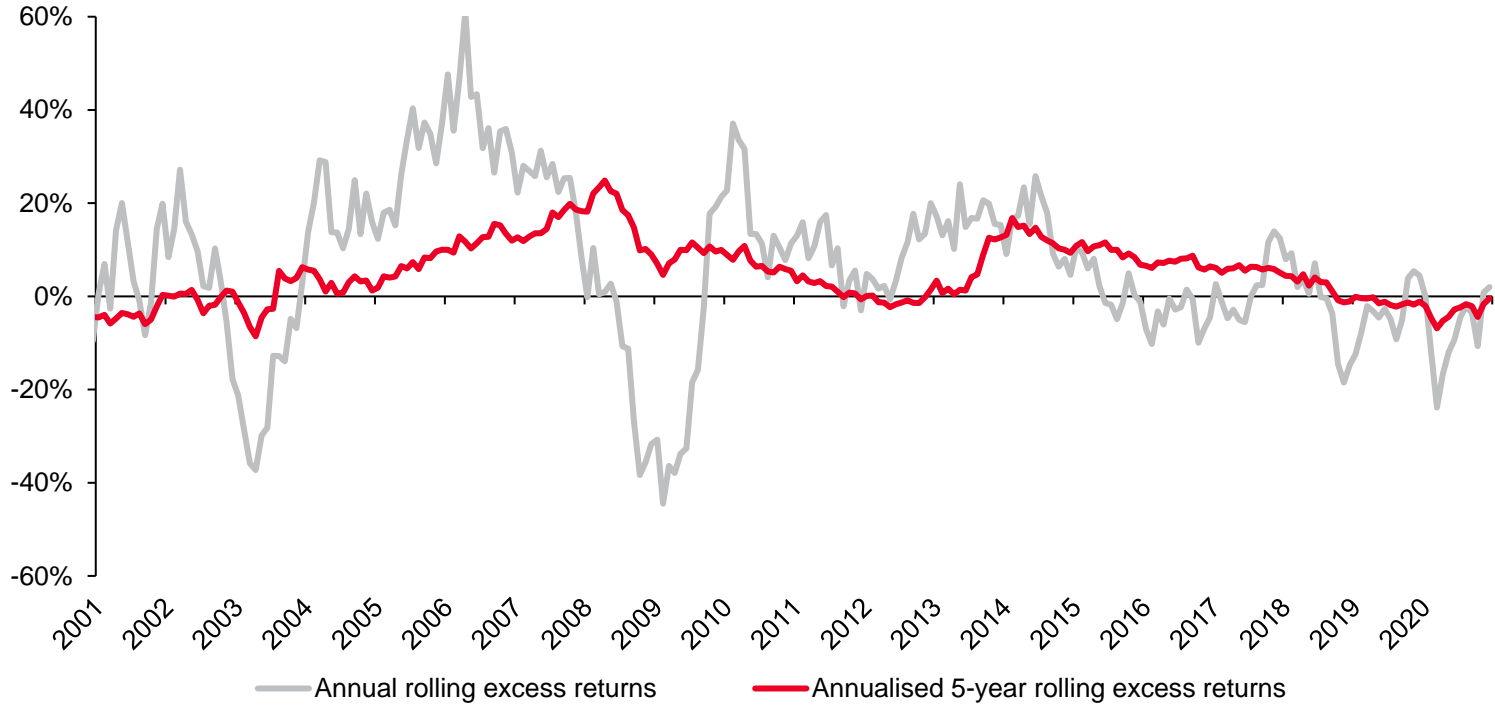
Average annual return generated above inflation



Source: Allan Gray research, Global Investment Returns Sourcebook 2013, Credit Suisse, IRESS, data to 12 July 2020



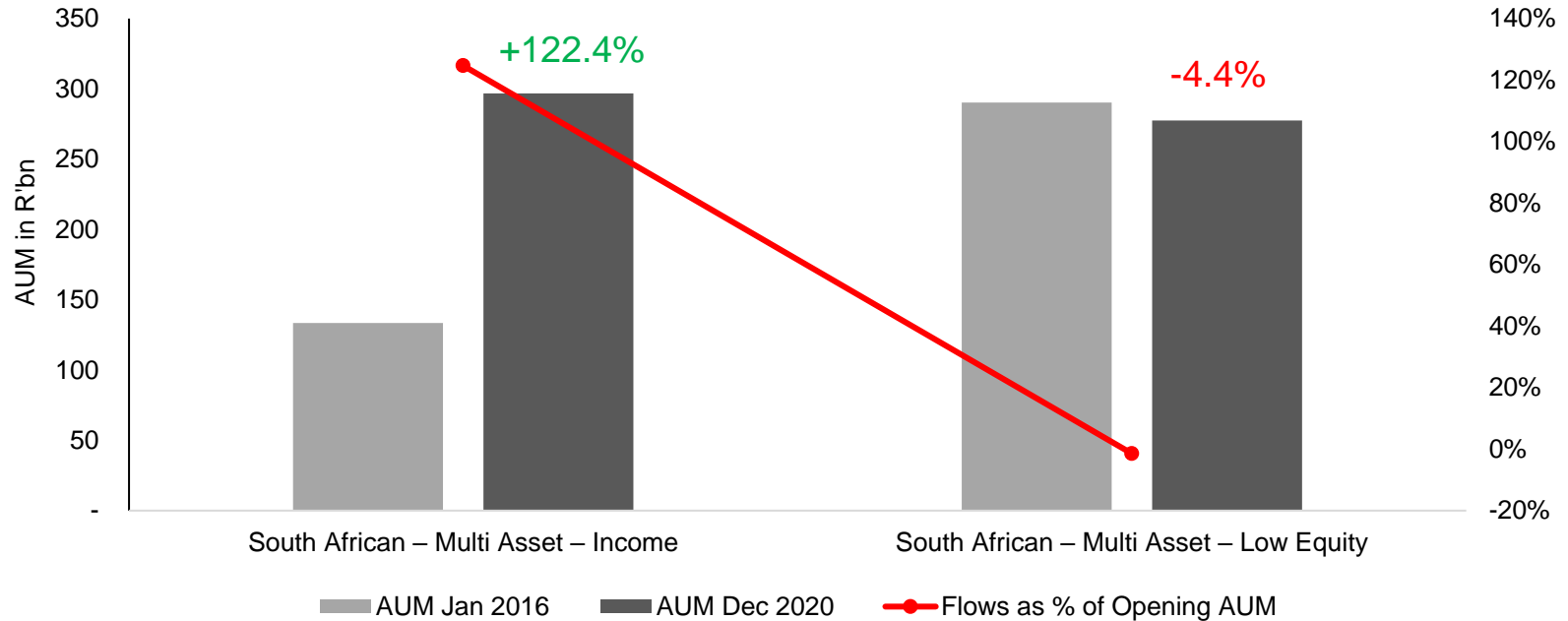
Excess returns from SA equities over cash



Source: Allan Gray research, data to 31.12.2020 (NW200121ns)

Multi asset: Income vs low equity

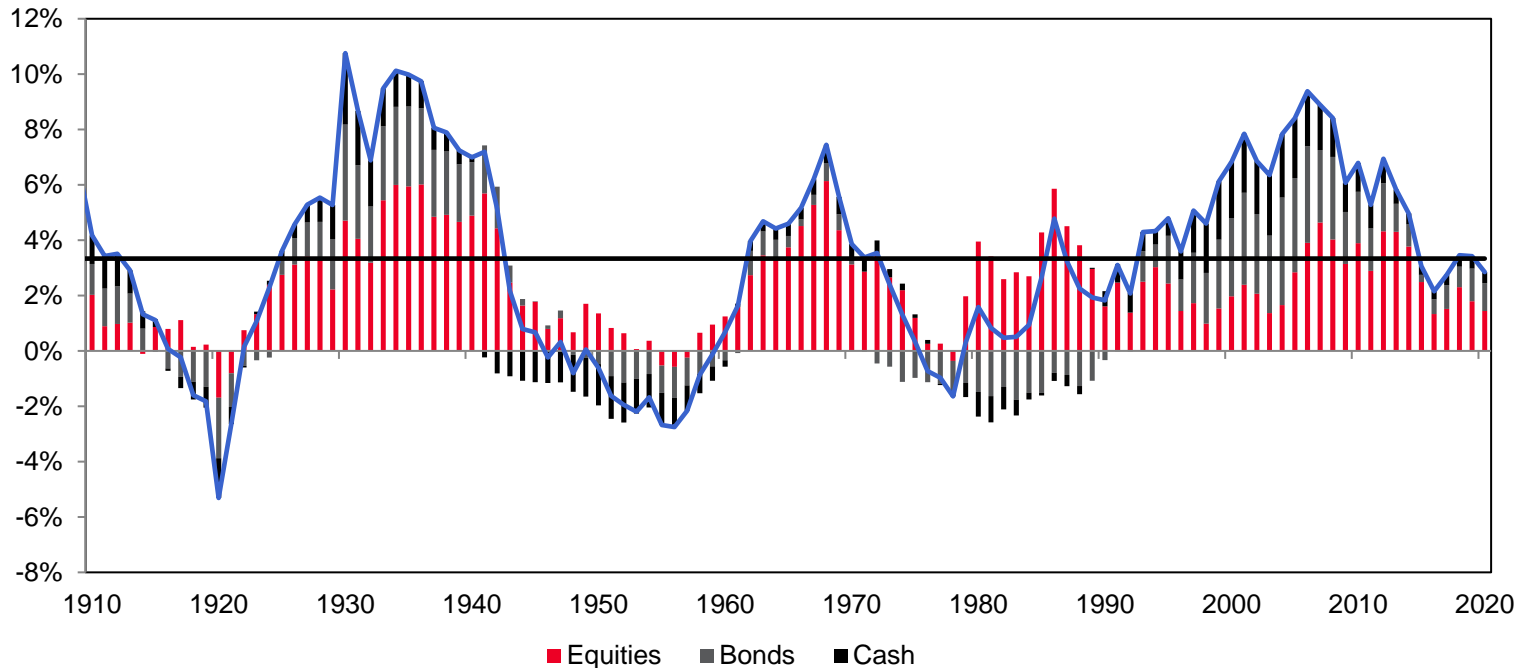
AUM and flows over 5 years to end 2020



Source: ASISA, Allan Gray Research,

Long-term real returns from a theoretical low equity strategy

10-year rolling annual returns



Source: Allan Gray research, Global Investment Returns Sourcebook 2013, Credit Suisse, IRESS, data to 31 December 2020 (NW030221ns)



Theoretical structure of a low-equity fund through the cycle

10-year rolling annual returns

Asset class	Weight	Real return	Contribution
Cash	40.0%	1.2%	0.5%
Bonds	30.0%	2.3%	0.7%
Fixed income	70.0%	-	1.2%
Equities	30.0%	6.0%	1.8%
Total	100.0%	-	3.0%
Offshore	35.0%	2.0%	-
Commodities	5.0%	0.0%	-

Source: Allan Gray research, Global Investment Returns Sourcebook 2013, Credit Suisse, IRESS, data to 31 December 2020 (NW030221ns)



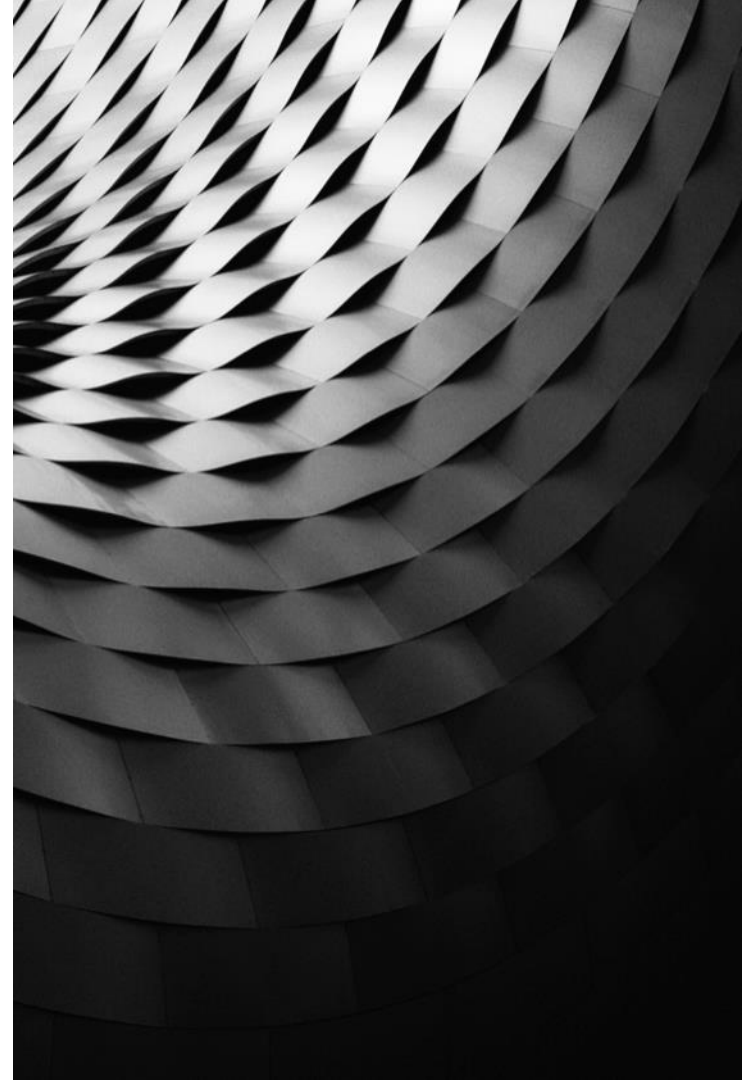
Agenda

Purpose of the Stable Fund

Fund construction closer look

Performance

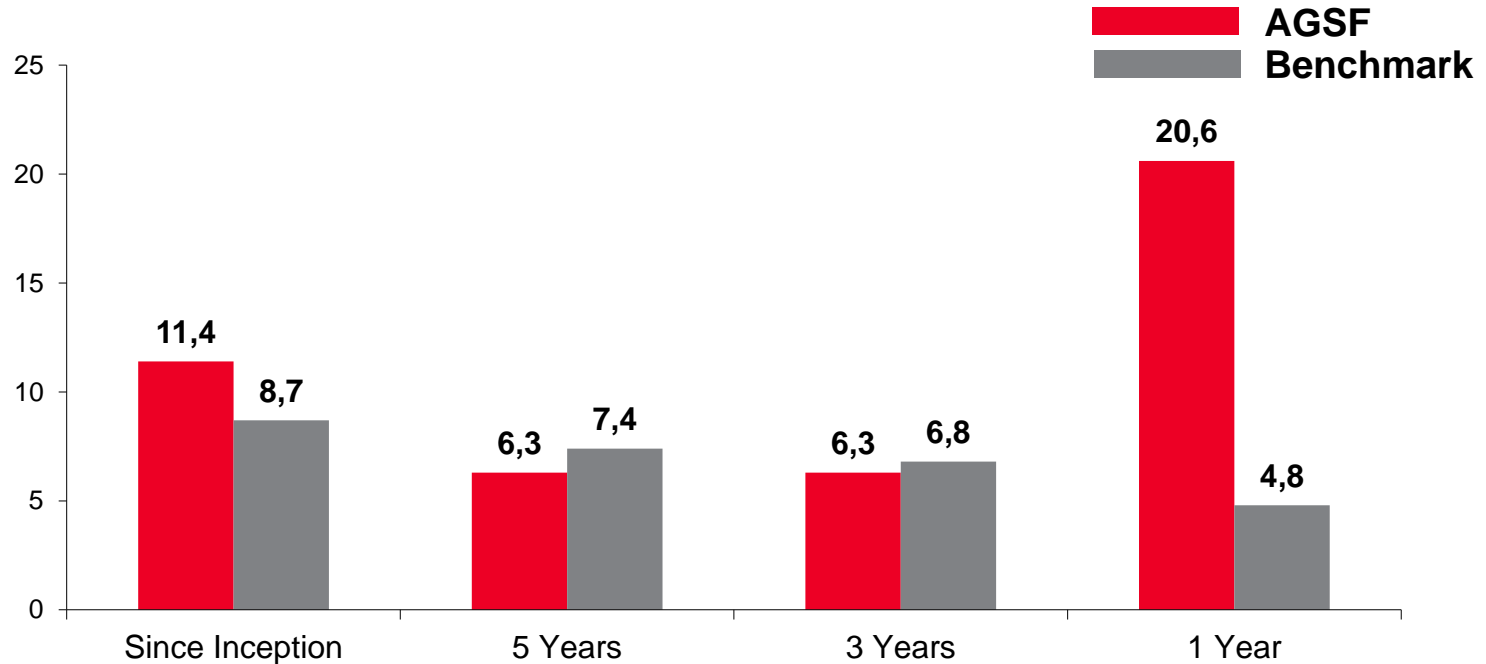
Portfolio positioning





Allan Gray Stable Fund Performance

31 March 2021

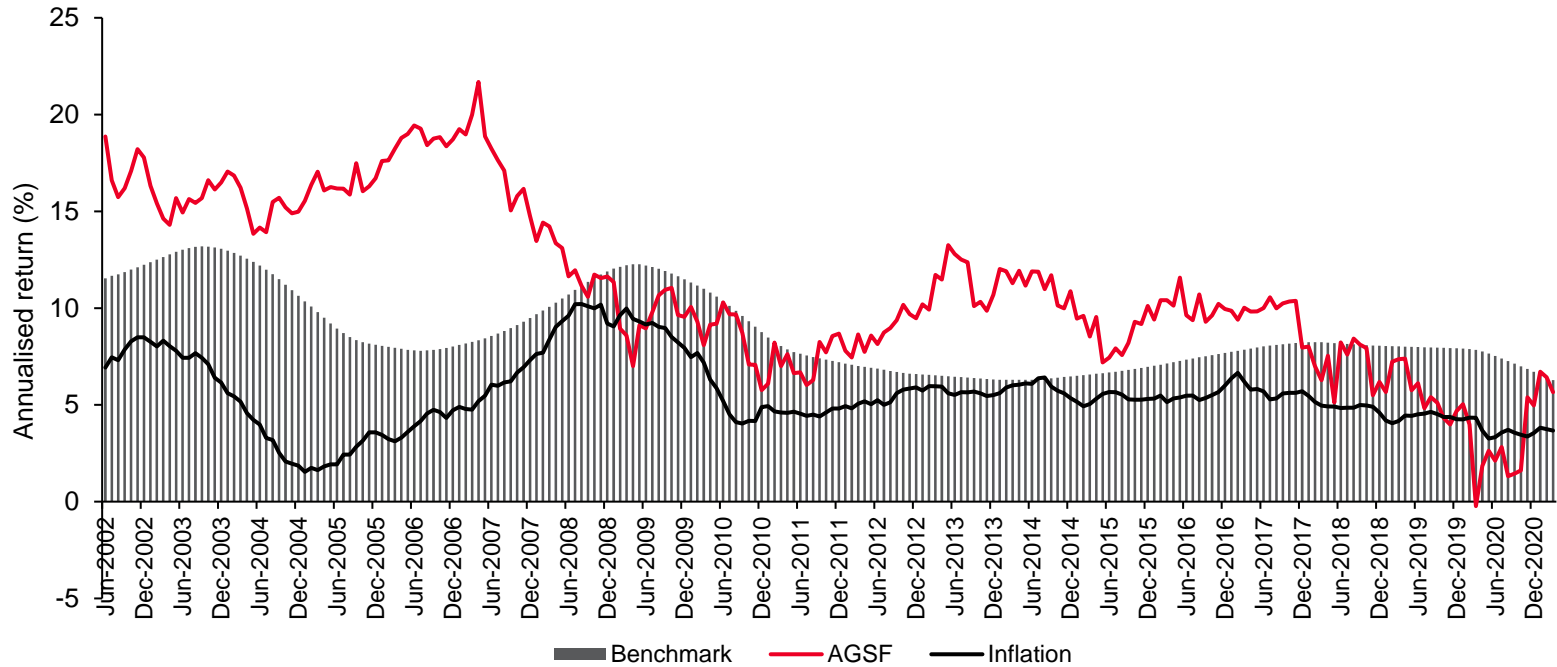


Source: Allan Gray (SG 310321)



Performance

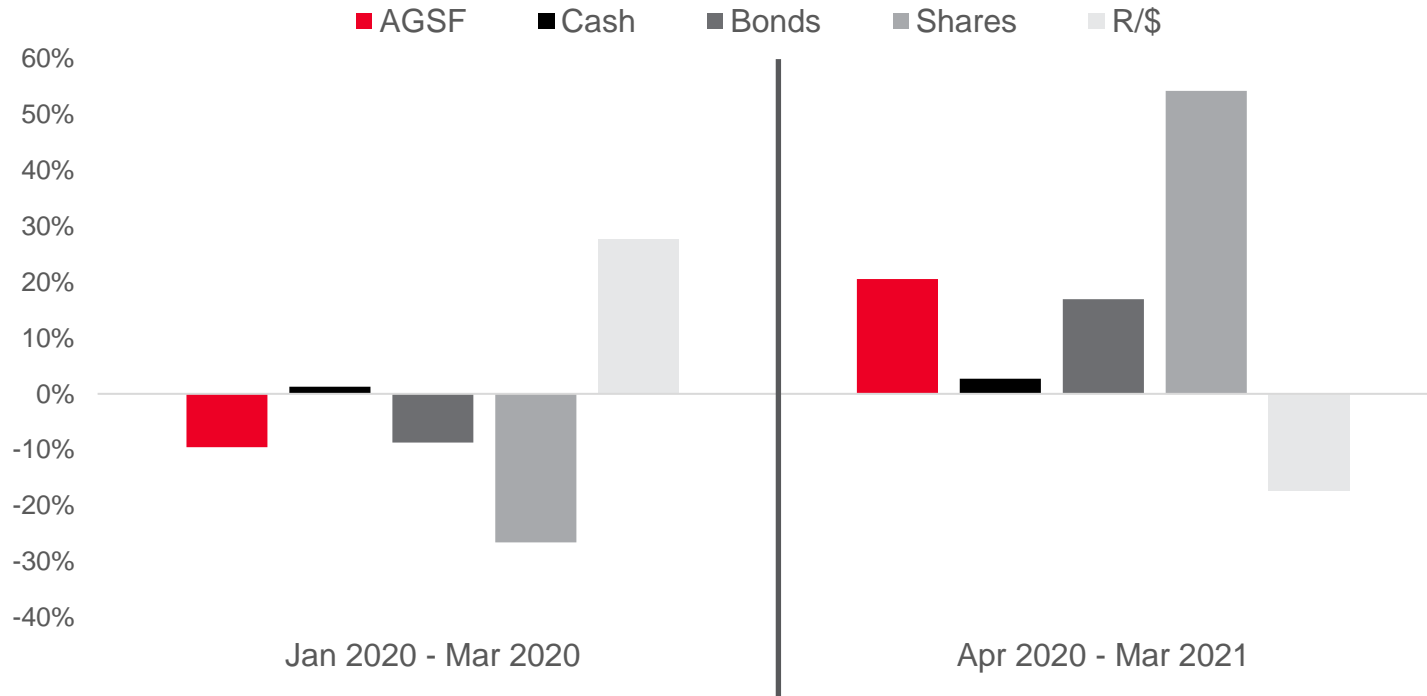
Rolling two-year performance



Source: IRESS, Allan Gray research, data to 31.03.2021



Performance: Before and after the COVID-19 crash

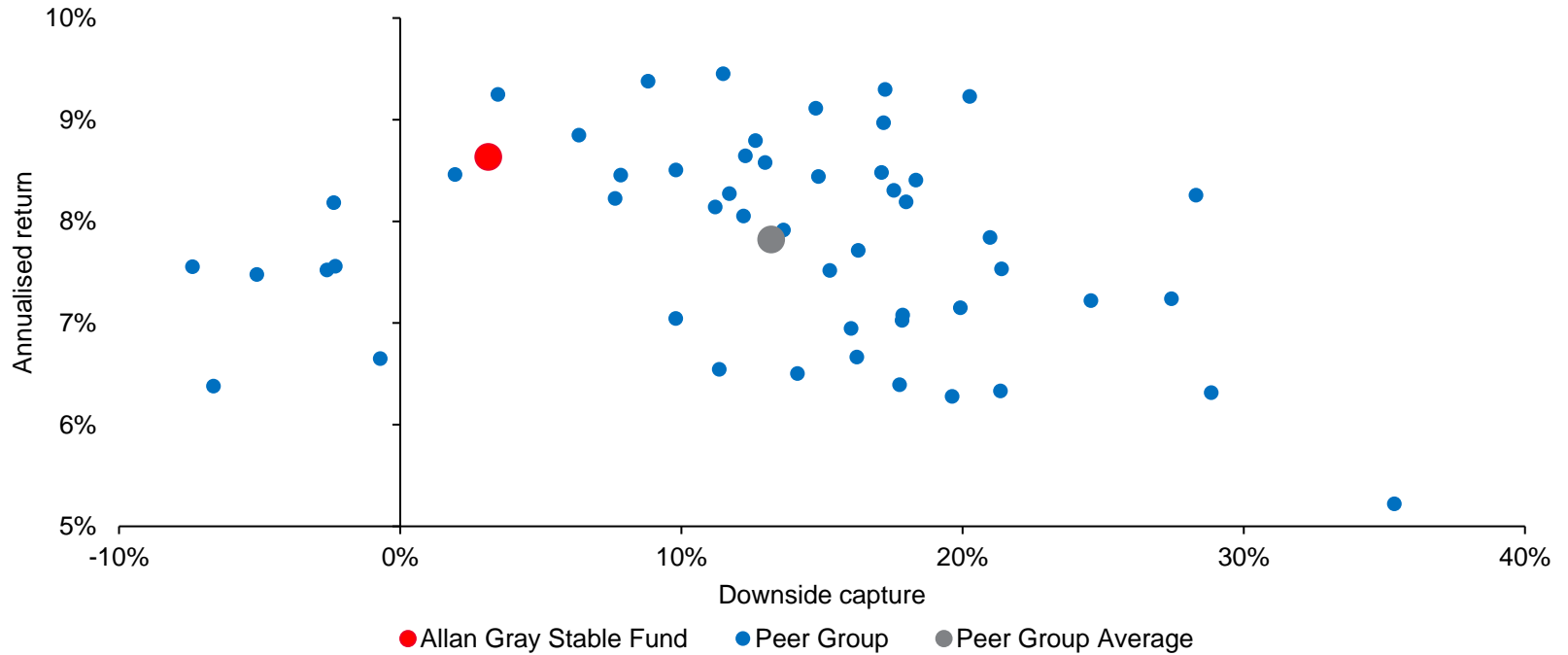


Source: Allan Gray (TA 08042021)



Downside capture vs annualised return

10-year period ending 31 March 2021



Source: Allan Gray research, Morningstar, data for the 10-year period to 31 March 2021



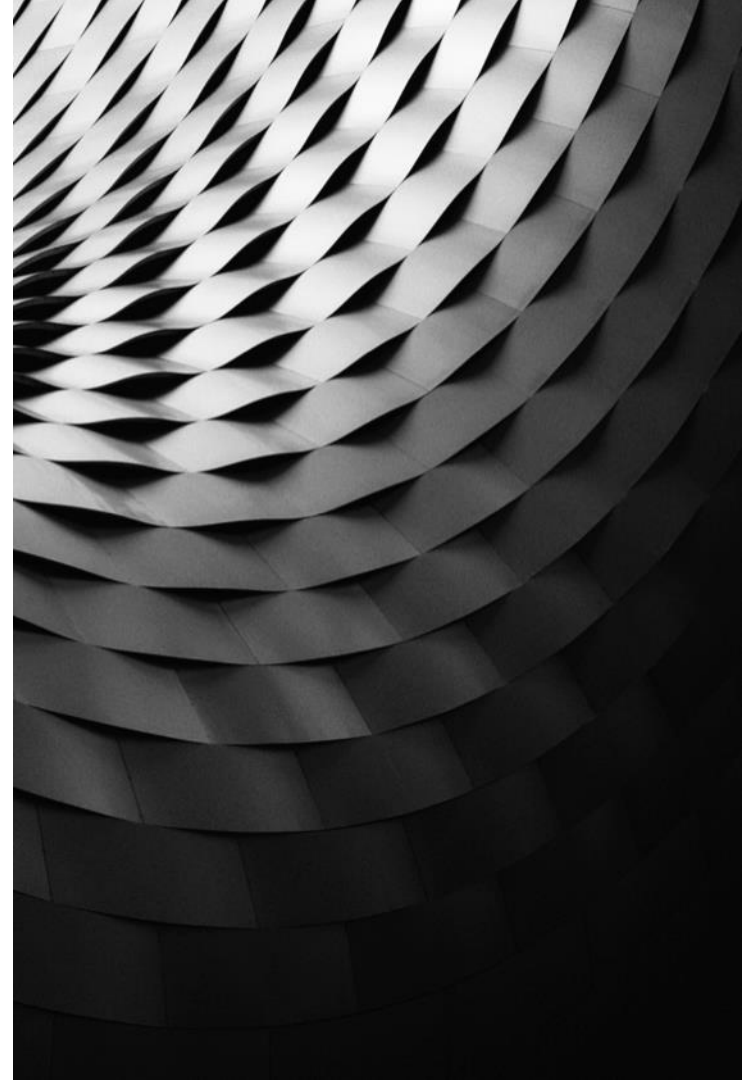
Agenda

Purpose of the Stable Fund

Fund construction closer look

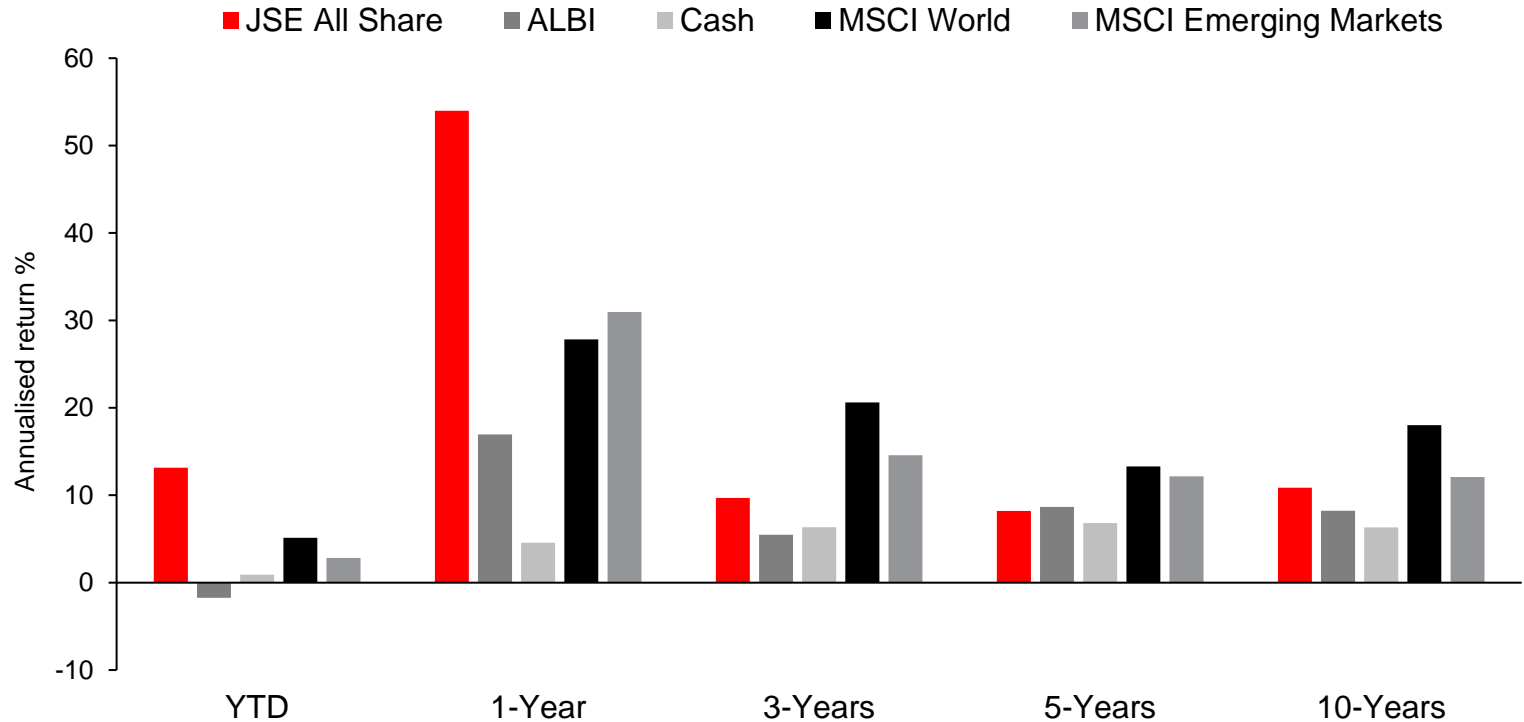
Performance

Portfolio positioning





Market returns (in ZAR)



Source: Morningstar Direct 2021

Asset allocation as at 31 March 2021

Allan Gray Stable Fund

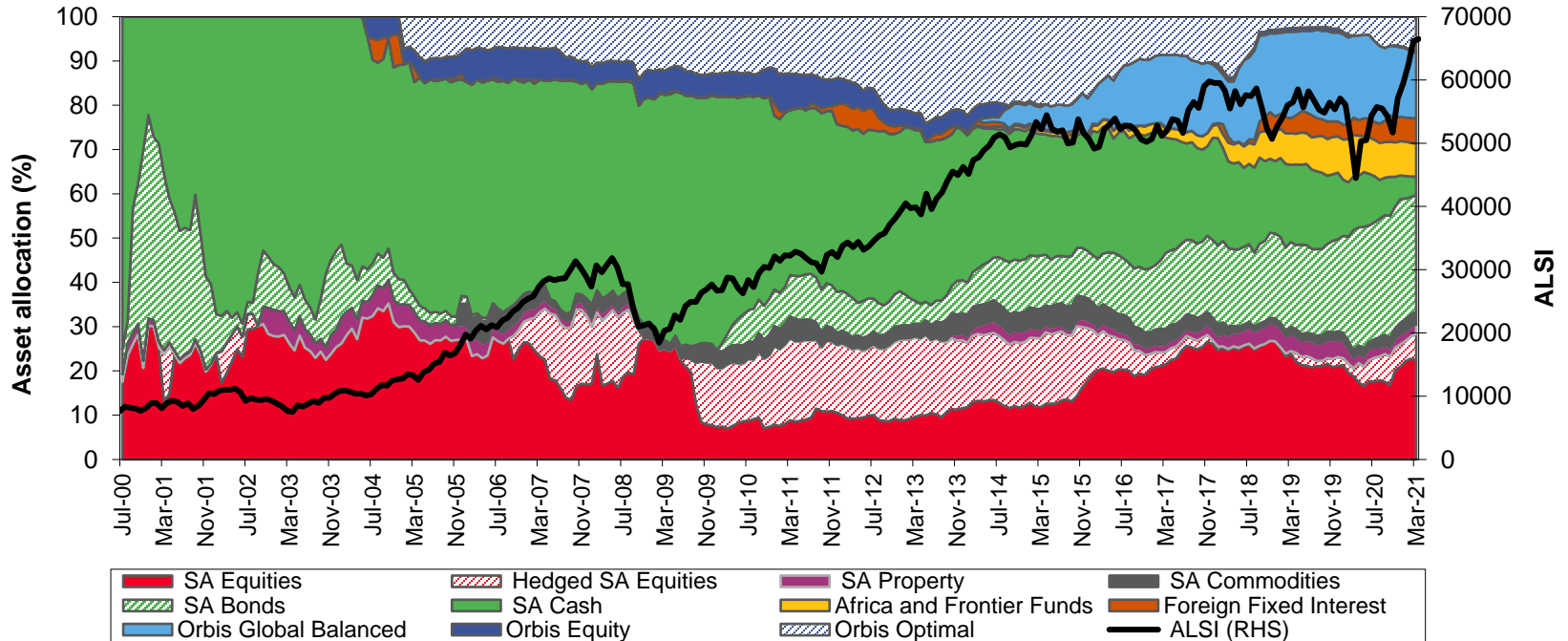
Asset class	% of Portfolio			
	Total	Local	Africa ex-SA	Foreign ex-Africa
Net equity	35.6	22.3	1.9	11.3
Hedged equity	16.0	6.0	0.0	10.0
Property	2.2	2.1	0.0	0.1
Commodity-linked	3.6	2.8	0.0	0.8
Bonds	33.8	26.4	2.9	4.5
Money market and cash	8.8	4.2	0.7	3.9
Total	100.0	63.9	5.5	30.7

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



Allan Gray Stable Fund

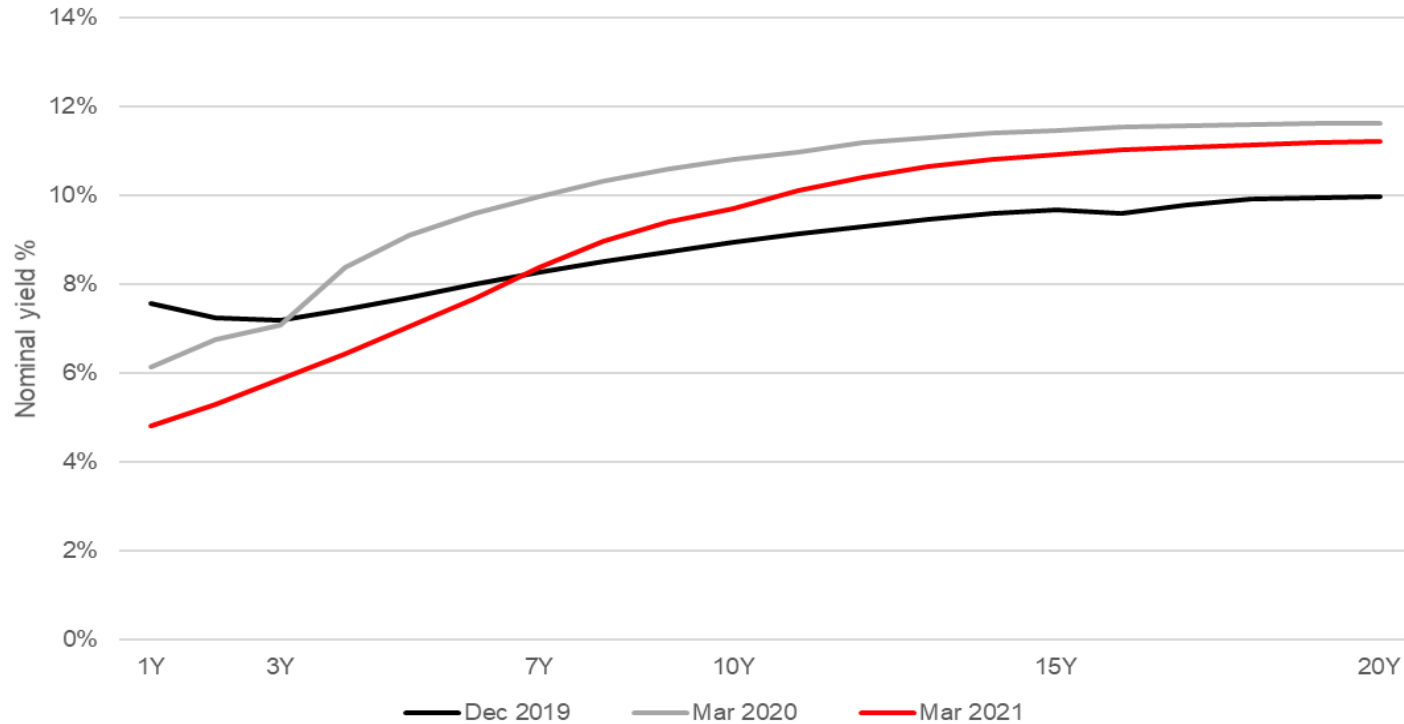
Asset allocation to 31 March 2021



Source: Allan Gray research, (FS 080421m)



SA yield curve progression

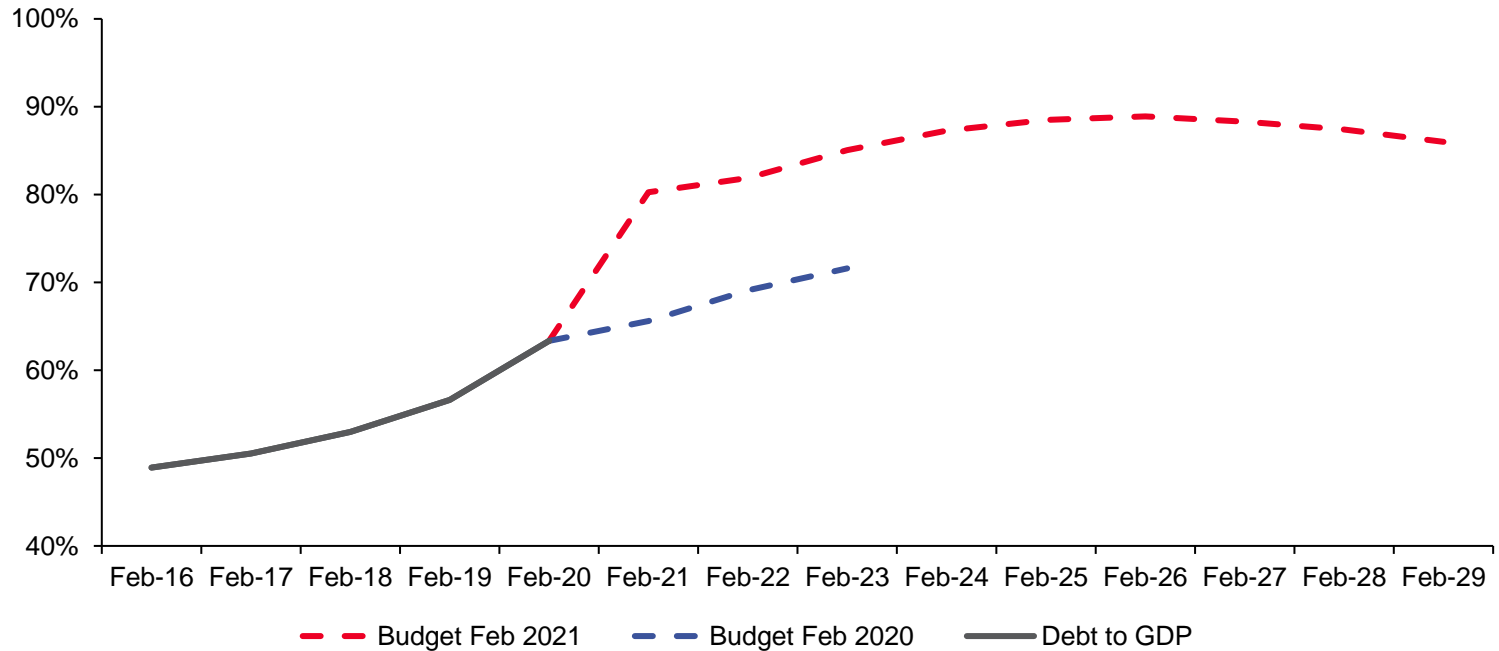


Source: IRESS



South Africa: Fiscal situation

Gross debt to GDP forecast



Source: National Treasury (NW010321ns)



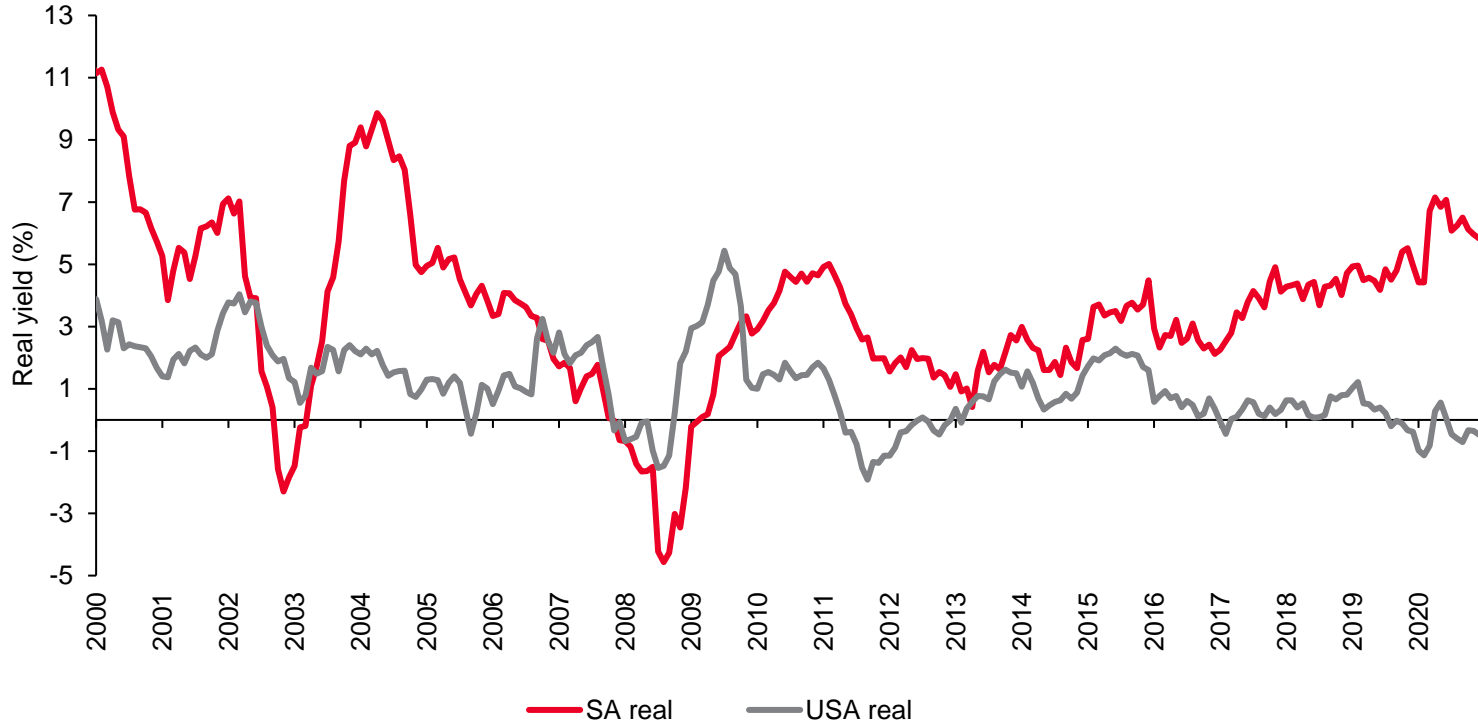
South Africa's improving trade balance

Exports of PGM, gold, iron ore and coal (R'bn per annum)



Source: IRESS, SMcG estimates (RKJ 090221ns)

SA and USA 10-year government bond real yields

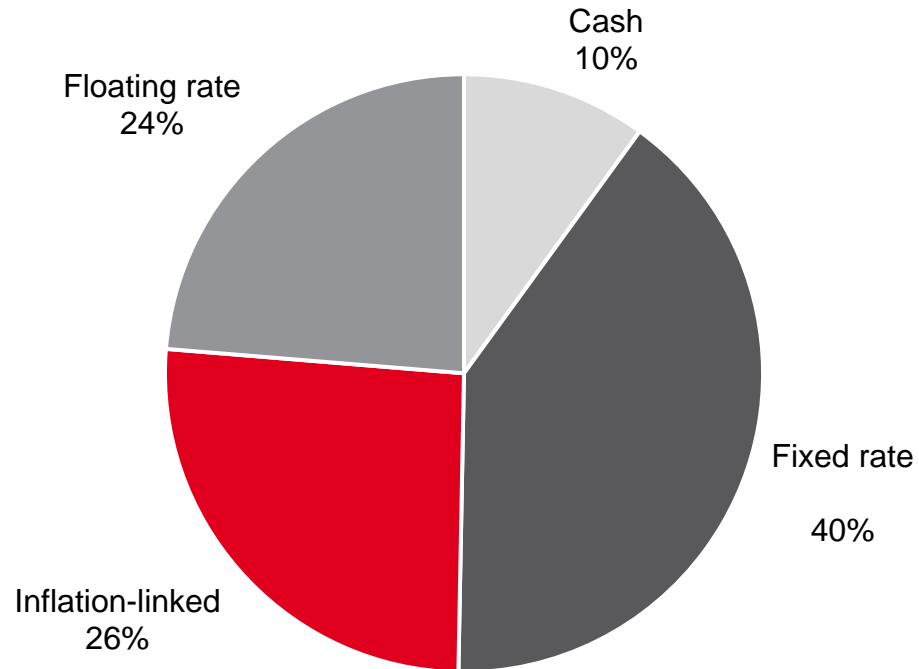


Source: IRESS data to 31.01.2021 (KBE11022021m)



Allan Gray Stable Fund fixed interest

As at 31 March 2021



Source: Allan Gray research, 31/03/2021

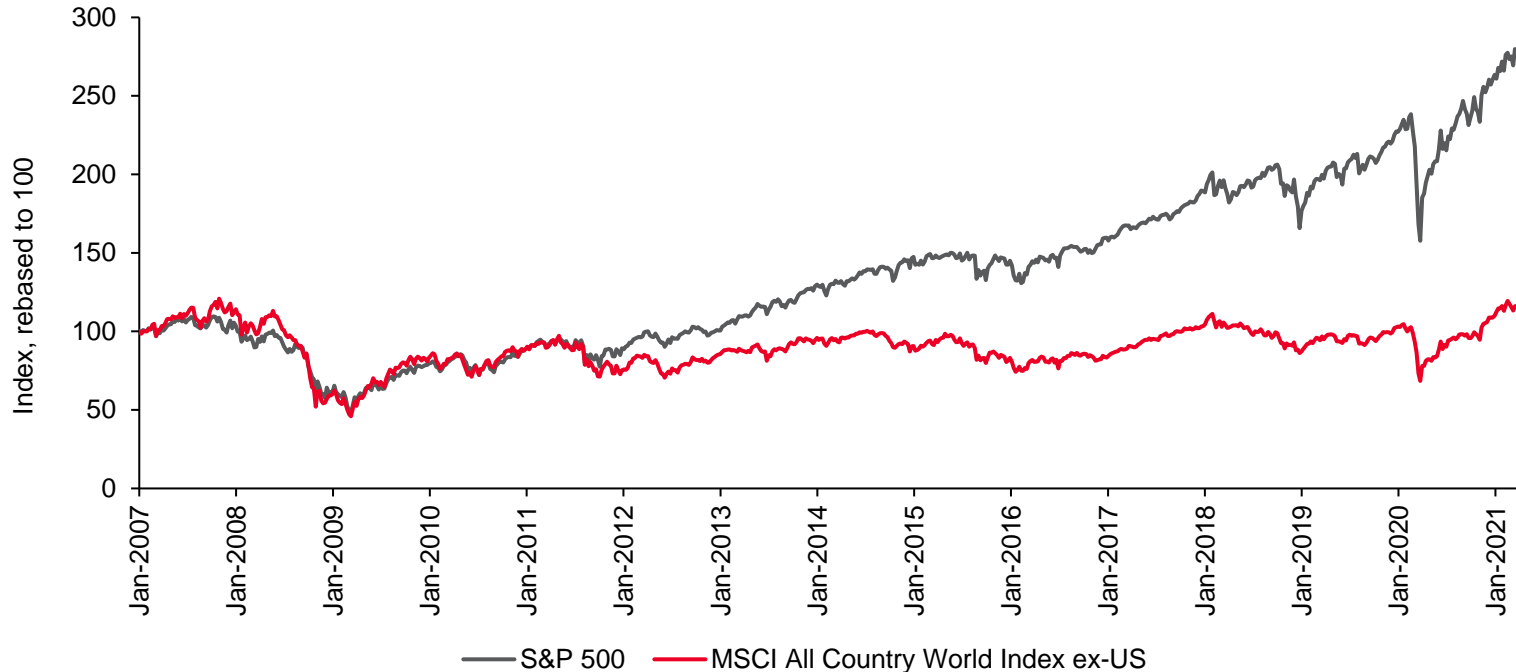


Fixed income strategy for the Stable Fund

- Conservatively but actively managed
- Lower duration than the Balanced Fund
- Limited credit risk
- Take stronger views at market extremes
- Consider the profile of the equities owned in the Fund

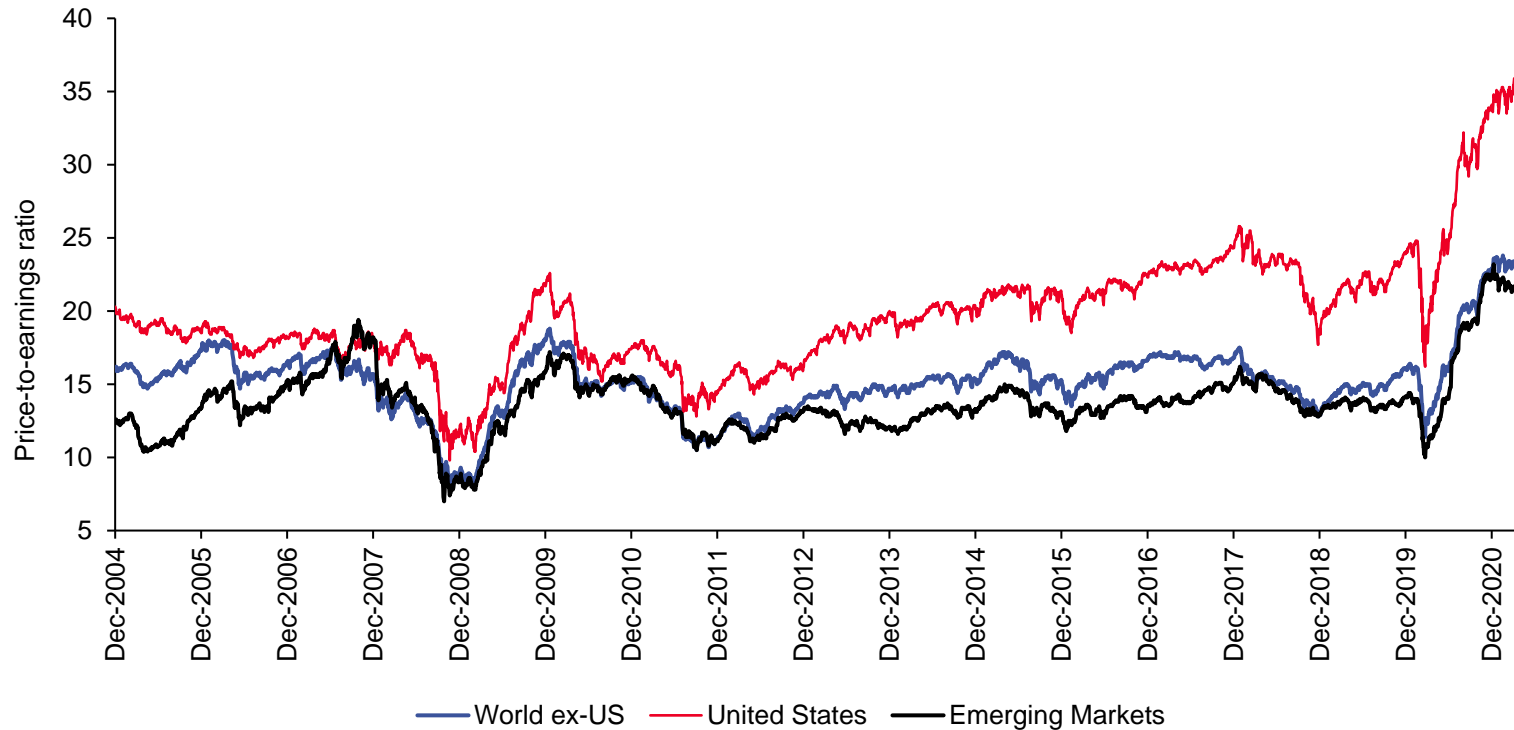
The US continues to outperform the broader market

S&P 500 versus the MSCI All Country World Index ex-US



Source: Thomson Reuters DataStream, data to 05.04.2021 (NvdM07042021m)

The US was expensive...and still is vs world markets

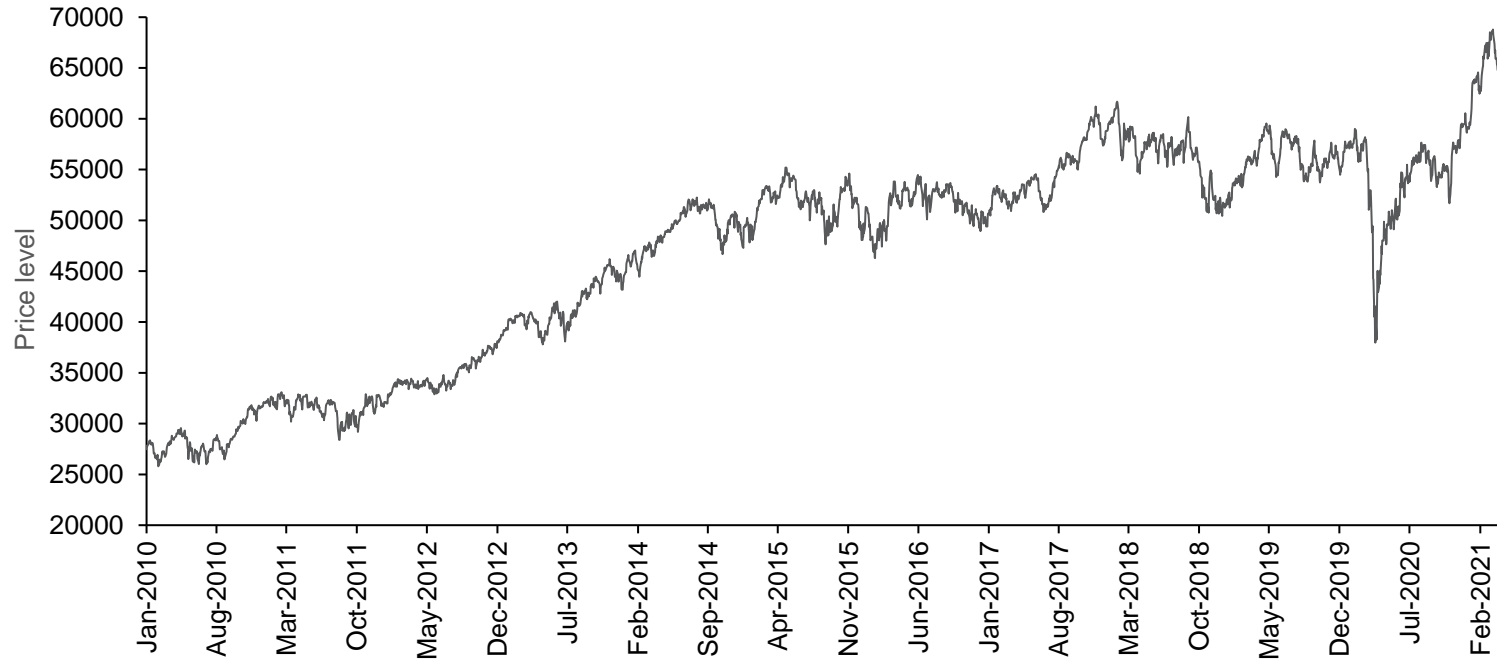


Source: Thomson Reuters DataStream, data to 05.04.2021 (NvdM07042021m)



FTSE/JSE All Share Index

Price level



Source: Thomson Reuters DataStream, data to 25.03.2021 (HNM26032021m)

Top 10 local equity holdings as at 31 March 2021

Allan Gray Stable Fund	% of Fund
Naspers	3.2
Glencore	2.7
British American Tobacco	2.5
Sibanye Stillwater	1.5
Woolworths	1.3
Nedbank	1.1
Standard Bank	1.1
MultiChoice	1.1
Cashbuild	1.0
Remgro	0.9
Total	16.5

Allan Gray Stable Fund

Top 10 foreign holdings

Stocks	% of Orbis funds	% of Portfolio
Taiwan Semiconductor Mfg.	4.6	1.0
British American Tobacco	3.8	0.9
SPDR Gold Trust	3.7	0.9
Samsung Electronics	3.6	0.8
Bayerische Motoren Werke	3.0	0.7
NetEase	2.9	0.7
AbbVie	2.5	0.6
Mitsubishi	2.4	0.6
UnitedHealth Group	2.3	0.5
BP	2.2	0.5
Total	31.0	7.1

Source: Allan Gray (MH 070421)



Why the Stable Fund?

- Multi-asset class portfolio – invests across asset classes
- No structures or complexity
- Affords liquidity
- Aims to deliver stable, above-inflation returns
- Strives for capital preservation

ALLAN GRAY

LONG-TERM INVESTING

Thank You





Important information

Allan Gray (Pty) Ltd, Allan Gray South Africa (Pty) Ltd, Allan Gray International (Pty) Ltd and Allan Gray Life Ltd are authorised financial services providers. Allan Gray Unit Trust Management (RF) (Pty) Ltd (the 'Management Company') is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority.

Copyright notice

© 2021 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Information and content

The information in and content of this publication/presentation are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication/presentation constitutes a solicitation, recommendation, endorsement or offer by Allan Gray, but is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon any information provided.

Performance

Past performance is not indicative of future performance. No guarantee is provided regarding capital or performance.

Management Company

The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana. Allan Gray (the 'Investment Manager') is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA). The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za. Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up. Movements in exchange rates may also cause the value of underlying international investments to go up or down. Performance figures are provided by the Investment Manager and 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. Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity. 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 the Management Company 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, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.



Important information

Benchmarks

FTSE/JSE All Share Index, the FTSE/JSE Capped All Share Index, the FTSE/JSE Shareholder Weighted All Share Index, the FTSE/JSE Capped Shareholder Weighted All Share Index and the FTSE/JSE All Bond Index

The FTSE/JSE All Share Index, the FTSE/JSE Capped All Share Index, the FTSE/JSE Shareholder Weighted All Share Index, the FTSE/JSE Capped Shareholder Weighted All Share Index and the FTSE/JSE All Bond Index (collectively, “the FTSE/JSE Indices”) are calculated by FTSE International Limited (“FTSE”) in conjunction with the JSE Limited (“JSE”) in accordance with standard criteria. The FTSE/JSE **Indices** are the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE **Indices**’ values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

FTSE Russell Indices

Source: London Stock Exchange Group plc and its group undertakings (collectively, the “LSE Group”). © LSE Group 2021. FTSE Russell is a trading name of certain of the LSE Group companies. “FTSE®” “Russell®”, “FTSE Russell®”, is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

J.P. Morgan Index

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan’s prior written approval. Copyright 2021, J.P. Morgan Chase & Co. All rights reserved.

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.



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

The Allan Gray Retirement Annuity Fund, the Allan Gray Pension Preservation Fund and the Allan Gray Provident Preservation Fund and the Allan Gray Umbrella Retirement Fund (comprising of the Allan Gray Umbrella Pension Fund and the Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment Services Proprietary Limited, an authorised administrative financial services provider and approved under section 13B of the Pension Funds Act as a benefits administrator. The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and the Allan Gray Endowment are underwritten by Allan Gray Life Limited, also an authorised financial services provider and a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual products are portfolios of Collective Investment Schemes in Securities (unit trusts or funds).