

Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 45% offshore. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 75%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Retirement Fund.

Portfolio objective and benchmark

The Portfolio aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the benchmark without assuming any more risk. The Portfolio's benchmark is a composite benchmark that comprises indices that reflect the Portfolio's mandate.

How we aim to achieve the Portfolio's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Portfolio's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Portfolio's stock market exposure. By varying the Portfolio's exposure to these different asset classes over time, we seek to enhance the Portfolio's long-term returns and to manage its risk. The Portfolio's bond and money market investments are actively managed.

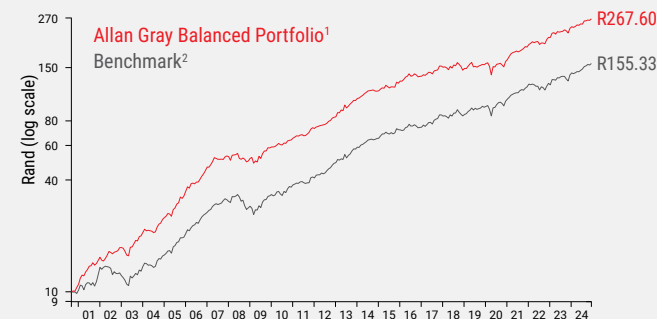
Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Balanced (RRF) Portfolio. When assessing the Portfolio's performance and risk measures over time, including for periods before its inception (5 April 2017), the returns of the Allan Gray Life Global Balanced (RRF) Portfolio and the Allan Gray Life Global Balanced Portfolio can be used. When this data is combined, investors can get a view of the performance and risk measures of the strategy over the long term.

*The blended returns are calculated by Allan Gray Proprietary Limited using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "AS IS" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilizing any MSCI Data, models, analytics or other materials or information.

Performance net of all fees and expenses

Value of R10 invested at alignment



- The returns prior to 5 April 2017 are those of the Allan Gray Life Global Balanced (RRF) Portfolio since its inception on 1 August 2015. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its alignment on 1 September 2000. The returns shown are net of the fees that would have been incurred had the current fee been applied since alignment.
- 41% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 10% FTSE/JSE All Bond Index, 9% 3-month STeFI, 24% MSCI All Country World Index including income and 16% J.P. Morgan GBI Global Index. From 01 July 2018 to 31 July 2022 the benchmark was 47% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index including income and 12% J.P. Morgan GBI Global Index. From inception to 30 June 2018 the benchmark was 50% FTSE/JSE All Share Index, 15% FTSE/JSE All Bond Index, 10% Alexander Forbes 3-month Deposit Index, 15% MSCI All Country World Index and 10% J.P. Morgan GBI Global Index. Source: IRESS, Bloomberg, performance as calculated by Allan Gray as at 30 November 2024.*
- This is based on the latest numbers published by IRESS as at 31 October 2024.
- Maximum percentage decline over any period. The maximum drawdown occurred from 17 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 19 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Portfolio/benchmark (i.e. including income).
- The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.
- The standard deviation of the Portfolio's monthly return. This is a measure of how much an investment's return varies from its average over time.
- These are the highest or lowest consecutive 12-month returns since alignment. This is a measure of how much the Portfolio and the benchmark returns have varied per rolling 12-month period. The Portfolio's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Portfolio's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 30 April 2003. All rolling 12-month figures for the Portfolio and the benchmark are available from our Client Service Centre on request.

% Returns	Portfolio ¹	Benchmark ²	CPI inflation ³
Cumulative:			
Since alignment (1 September 2000)	2576.0	1453.3	258.0
Annualised:			
Since alignment (1 September 2000)	14.5	12.0	5.4
Latest 10 years	9.1	9.4	4.9
Latest 5 years	11.7	11.1	4.9
Latest 3 years	12.0	9.8	5.4
Latest 2 years	11.9	12.7	4.4
Latest 1 year	12.2	14.8	2.8
Year-to-date (not annualised)	10.0	12.0	2.9
Risk measures (since alignment)			
Maximum drawdown ⁴	-23.5	-24.8	n/a
Percentage positive months ⁵	68.4	64.6	n/a
Annualised monthly volatility ⁶	9.1	9.8	n/a
Highest annual return ⁷	49.0	39.3	n/a
Lowest annual return ⁷	-12.2	-20.3	n/a

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment horizon of at least three years

Annual management fee

Allan Gray charges a fee based on the net asset value of the Portfolio excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Portfolio's total performance for the day, to that of the benchmark. This fee is presently exempt from VAT.

Fee for performance equal to the Portfolio's benchmark: 0.50% p.a.

For each percentage of daily performance above or below the benchmark we add or deduct 0.2%, subject to the following limits:

Maximum fee: 2.00% p.a. excl. VAT

Minimum fee: 0.50% p.a. excl. VAT

To the extent that the fee calculated exceeds the maximum fee or falls short of the minimum fee, the monetary excess or shortfall will be carried forward to the next day. Any excess or shortfall carried forward from previous day(s) will be added or subtracted to determine the fee payable.

A portion of the Portfolio may be invested in Orbis funds which are levied performance-based fees by Orbis. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

Top 10 share holdings on 30 September 2024 (SA and Foreign) (updated quarterly)⁸

Company	% of portfolio
AB InBev	3.7
British American Tobacco	3.6
Naspers & Prosus	3.6
Nedbank	2.2
Woolworths	2.1
Standard Bank	2.0
Glencore	1.9
Mondi	1.5
Remgro	1.5
The Walt Disney Company	1.4
Total (%)	23.7

8. Underlying holdings of foreign funds are included on a look-through basis.

Since inception, the Portfolio's month-end net equity exposure has varied as follows:

Minimum	(February 2020) 59.8%
Average	63.7%
Maximum	(July 2021) 67.9%

Asset allocation on 30 November 2024⁸

Asset class	Total	South Africa	Foreign
Net equities	62.6	36.5	26.1
Hedged equities	13.2	3.1	10.0
Property	1.5	0.4	1.2
Commodity-linked	2.2	2.2	0.0
Bonds	13.1	9.9	3.2
Money market and bank deposits ⁹	7.3	5.1	2.2
Total (%)	100.0	57.3	42.7¹⁰

9. Including currency hedges.

10. The Portfolio can invest a maximum of 45% offshore. Market movements may periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024	1yr %	3yr %
Total expense ratio¹¹	0.38	0.93
Fee for benchmark performance	0.53	0.53
Performance fees	-0.19	0.36
Other costs excluding transaction costs	0.04	0.04
Transaction costs (including VAT)¹²	0.07	0.07
Total investment charge	0.45	1.00

11. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.

12. Transaction costs are a necessary cost in administering the Portfolio and impacts Portfolio returns. It 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.

In the previous quarter, we ended our commentary with the following: “We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes.”

The third quarter of 2024 has certainly highlighted the need for a carefully constructed, diversified portfolio in the face of significant volatility.

The quarter included a remarkable one-day crash and subsequent recovery in Japanese shares. This was in response to a larger-than-forecast rise in short-term interest rates by the Bank of Japan, which triggered a strong rally in the yen. The TOPIX fell by 12.2% in a single day and the better-known Nikkei index had one of its greatest intraday falls since the crash of 1987, before bouncing by 10% the next day. This led to a sharp sell-off across global equities. While many analysts attribute this to the unwinding of the long-running yen carry trade, where investors borrow in yen and invest in higher-yielding international assets, it is not yet clear if other factors contributed as well.

For example, US equities had another large intraday sell-off on 6 September. Remarkably, the S&P 500 ended the quarter making new all-time highs. To put this in perspective, Nvidia, one of the three largest companies by market value in the world, lost US\$279bn in value on 3 September. Since mid-June, the US\$3tn bellwether AI/semiconductor stock has gone from a high of US\$140 to a low of US\$90, back to US\$130 and then down to US\$120. The significant volatility in global equities, while potentially unnerving in the short term, can hopefully provide opportunities for patient long-term investors.

Locally, the FTSE/JSE All Share Index consolidated its strong second-quarter gains in July, before a sharp sell-off in line with Japanese and US stocks, before going on to reach a new all-time high of 87 802 in September.

The other theme affecting markets has been the continued weakness of the Chinese economy and stock market. Chinese government bond yields are trading at close to all-time lows in response to the disinflationary conditions in the economy. We have written about our concerns over Chinese investment-led, debt-funded growth for many years – and perhaps the bill has finally come due.

This weakness has shown up in the price of commodities and the share prices of mining companies. While the Portfolio has been underweight diversified mining shares, we are sharpening our pencils and revisiting our valuations. The other potential opportunity is the weakness in some global multinational consumer stocks, whose profits in China have disappointed. Of course, in South Africa, the weakness in China could have implications for Prosus and Richemont, and the impact of the recently announced Chinese policy stimulus is still untested. Markets, however, rapidly bid up depressed Chinese equities in response to the announced stimulus. It will be interesting to see how sustainable the rally will be.

Turning our attention to the local bond market, the South African 10-year yield continued its post-government of national unity (GNU) rally from 12.2% in April to 10% on hopes of reform under the GNU and the release of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) proceeds, which reduced forecast issuance. For some time, we have viewed 10% as a key level for the 10-year bond yield and continue to monitor it closely. It will be a significant change in the market’s view of South Africa’s risk should it trade below 10% sustainably.

The fall in the cost of capital and increase in growth expectations have continued to underpin the rally in domestic shares that are largely exposed to the South African consumer. For example, Mr Price has rallied from an April low of R157 to R270, while Capitec has risen from R1 982 to R3 045.

It is clear that the share prices of these locally focused companies are discounting a better future, but the recent earnings results were generally still reflective of the poor local economy, structural problems and a tough trading environment. It is also probably fair to say that the GNU’s “unity” has yet to be truly tested. It has been a great period for holders of these domestic assets and the rand has strengthened as well, but the fundamentals will still have to come through to justify the price moves. We have been trimming some positions where appropriate.

During the quarter, the Portfolio purchased shares in Anheuser-Busch InBev and select miners, and reduced its position in select banks.

Portfolio manager quarterly commentary as at 30 September 2024

Commentary contributed by Duncan Artus

© 2024 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; it 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 on any information provided.

Disclaimer

The Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider and approved pension funds administrator under section 13B of the Pension Funds Act 24 of 1956. Allan Gray (Pty) Ltd, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund. The underlying investment options of the Allan Gray Umbrella Retirement Fund are portfolios of collective investment schemes in securities (unit trusts or funds) and life-pooled investments. The Allan Gray Balanced Portfolio is a pooled portfolio that is made available to the Allan Gray Umbrella Retirement Fund.

This pooled portfolio is underwritten by Allan Gray Life Ltd, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray (Pty) Ltd is Allan Gray Life Ltd's appointed investment manager.

Past performance is not indicative of future performance.

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

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

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 2024, J.P. Morgan Chase & Co. All rights reserved.

Important information for investors

Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website www.allangray.co.za or via our Client Service Centre on **0860 000 654**