

Portfolio objective and benchmark

This Portfolio is designed for institutional investors seeking superior absolute returns (in excess of inflation) over the long term with a higher risk tolerance in the short term than the Balanced Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all local asset classes.
- Fully reflects the manager’s strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio.

Investment specifics

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

Compliance with Prudential Investment Guidelines

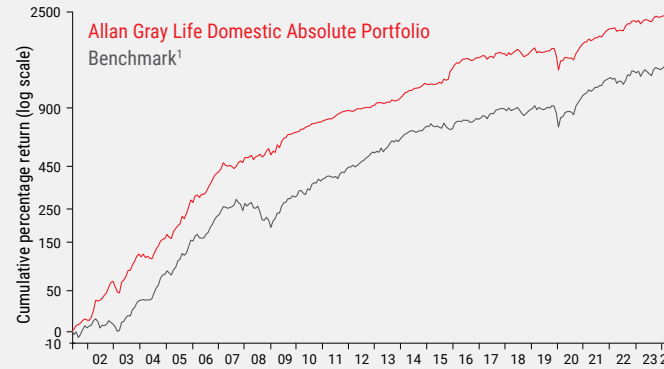
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act (“the Pension Funds Act”). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 30 June 2024

Assets under management	R339m
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Performance gross of fees

Cumulative performance since inception



% Returns ²	Portfolio	Benchmark ¹
Since inception	15.1	12.7
Latest 10 years	8.2	7.4
Latest 5 years	8.1	9.9
Latest 3 years	9.7	10.8
Latest 2 years	9.7	12.0
Latest 1 year	8.4	12.2
Latest 3 months	3.1	8.0

Asset allocation on 30 June 2024

Asset class	Total ³
Net equities	53.5
Hedged equities	7.8
Property	0.2
Commodity-linked	3.7
Bonds	20.0
Money market and cash	14.8
Total (%)³	100.0

- Mean of Alexander Forbes Domestic Large Manager Watch. The return for June 2024 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 June 2024.
- There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 30 June 2024 (updated quarterly)

Company	% of portfolio
British American Tobacco	6.4
AB InBev	5.9
Standard Bank	4.9
Woolworths	4.6
Prosus	4.1
MultiChoice	3.7
Glencore	3.5
Nedbank	2.7
Remgro	2.5
Tiger Brands	2.2
Total (%)³	40.5

The MSCI World Index continues to trade near all-time highs, mainly driven by large-cap US shares. The S&P 500 was up 4.3% for the quarter. The FTSE/JSE All Share Index was up 8.2% in rands and 12.4% in US dollars.

In our Q1 2024 factsheet commentary, we highlighted that 2024 would be a year of above-average political risk due to the significant number of elections taking place globally. We said, "In the normal course of thinking about investments, we don't pay special attention to politics, but we don't believe this is a normal election cycle. The outcome of some of the elections could drastically change many policies that affect some of our underlying holdings."

We are now halfway through 2024, and although the US election is still to come, we have already witnessed several important elections take place in Taiwan, the European Union, India and South Africa. As we expected, they have moved asset prices and triggered potentially significant sociopolitical change:

- Taiwan elected a pro-independence leader despite pressure from China.
- The incumbent parties in Europe were decimated, especially in Germany and France. The French government called for a snap election, which led to a sell-off of French assets and broader European markets in sympathy.
- In India, Modi's Bharatiya Janata Party lost its majority in parliament, which initially led to a sell-off in the Indian market. However, the market recovered as Modi remained prime minister – albeit with less power.
- In South Africa, the African National Congress lost its majority, which has led to the formation of a government of national unity.

While it is still very early days in South Africa, we seem to have avoided, or at least reduced the probability of, the left-tail risk scenario (a sharp move to radical policies) and consequently increased the probability of the right-tail, very positive economic scenario.

In response, South African assets have rallied, with strong price movements in what investors collectively term SA Inc stocks, such as retailers, banks and

property REITs. As discussed in previous commentaries, many of these shares had been trading at very depressed levels when measured in US dollars. This was due to South Africa's poor economic fundamentals and exacerbated by investors waiting on the sidelines until the outcome of the election was known. When speaking to various sell-side institutions, we have heard that there was little foreign investor buying during the initial rally. Foreign investors are underweight South African markets in aggregate, so their potential buying could provide another leg up to the rally. Investors have also started taking a less constructive view on Mexico and Brazil, given some of their proposed political and economic changes. Any proceeds from reducing their positions in these markets may be switched into South African assets.

Of course, South Africa still faces significant social and economic headwinds, and it will be a herculean task to overcome them successfully, no matter who is running the country. The underlying fundamentals will have to improve to support the increase in asset prices if we are to avoid a repeat of the years post the Ramaphoria rally of 2018, which saw South African equities perform poorly.

These global and local geopolitical trends provide both risks and opportunities. We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes. The Portfolio has exposure to locally listed shares that are international businesses, attractively valued local businesses, high-yielding cash and bonds as well as precious metals. We believe running a successful asset allocation portfolio requires a holistic view that allows us to balance the opportunities and risks derived from our positioning.

During the quarter, the Portfolio increased its exposure to Standard Bank and Sasol and reduced its positions in Sibanye-Stillwater and MultiChoice.

Commentary contributed by Duncan Artus

**Fund manager quarterly
commentary as at
30 June 2024**

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

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MSCI Index

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