Inception date: 1 September 2001

Allan Gray Life Domestic Balanced Portfolio

31 March 2025

Portfolio objective and benchmark

This Portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this Portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute 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.
- Represents Allan Gray's 'houseview' for a domestic balanced mandate.

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

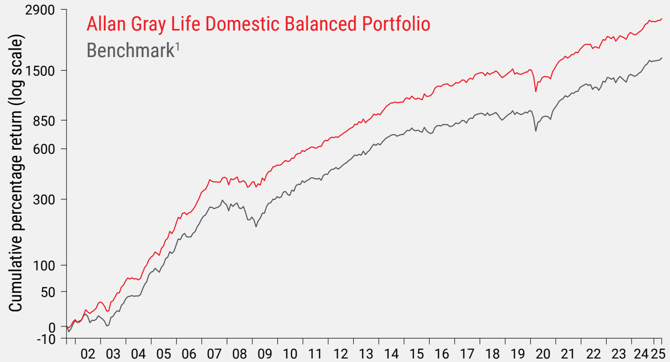
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 31 March 2025

Assets under management	R9 817m

Performance gross of fees

Cumulative performance since inception



% Returns[2]	Portfolio	Benchmark[1]
Since inception	14.9	12.9
Latest 10 years	9.0	8.1
Latest 5 years	16.9	17.0
Latest 3 years	9.6	9.8
Latest 2 years	11.3	12.3
Latest 1 year	17.9	20.8
Latest 3 months	3.5	3.6

Asset allocation on 31 March 2025

Asset class	Total[3]
Net equities	63.7
Hedged equities	1.6
Property	0.6
Commodity-linked	3.0
Bonds	21.9
Money market and cash	9.2
Total (%)[3]	**100.0**

1. Mean of Alexander Forbes Domestic Large Manager Watch. The return for March 2025 is an estimate.
2. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 March 2025.
3. There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 31 March 2025 (updated quarterly)

Company	% of portfolio
Naspers & Prosus	6.3
AB InBev	6.1
British American Tobacco	5.0
Standard Bank	3.4
AngloGold Ashanti	3.0
Mondi	2.5
Nedbank	2.4
Woolworths	2.3
FirstRand	2.1
Glencore	2.0
Total (%)[3]	**35.2**

Issued: 10 April 2025

Fund manager quarterly commentary as at 31 March 2025

2024 was a strong year for local assets, and this positive momentum carried through into the first quarter of 2025. The FTSE/JSE All Share Index generated a return of 13% in 2024 and 6% in the quarter, while the FTSE/JSE All Bond Index returned 17% in 2024 and 1% for the quarter.

The Portfolio returned 3.5% for the quarter, slightly behind its benchmark. Performance was driven by large multinational "rand-hedge" shares, such as AB InBev and British American Tobacco. This is a reversal of one of the dominant trends of 2024: Following the national elections and the formation of the government of national unity (GNU) in June 2024, domestically focused "SA Inc" shares strongly outperformed rand-hedge shares. The Portfolio responded by reducing select SA Inc exposure in the second half of 2024 and adding to its rand-hedge positions. SA bonds also had a strong 2024 but have come under pressure in the last six months. A conservative bond stance and favouring rand-hedge shares detracted from performance last year but have supported performance in the most recent quarter.

The formation of the GNU sparked a wave of optimism about South Africa's future, both locally and abroad. Some of this was driven by hopes of political reform and economic recovery, but it also reflected relative appeal – many emerging markets were in deeper turmoil, making South Africa look comparatively stable. While we acknowledge encouraging signs, such as improvements at Eskom, our research suggests that broader progress has been limited. State-owned enterprises continue to face deep structural issues, and the business environment remains difficult.

Recent financial results from consumer-focused companies reinforce this view – many continue to report subdued earnings as household spending remains under pressure.

This highlights the danger of paying a premium for optimism. When expectations run ahead of fundamentals, prices can detach from reality. Our approach remains rooted in bottom-up analysis, favouring companies priced well below their intrinsic value, across sectors and regions. While there are still undervalued SA Inc shares, many are now priced for perfection in an economy still facing major headwinds. The difficulty in passing the first coalition budget and ongoing public tension between our government and the United States are good reminders of the economic and political risks.

There is value in having a diversified portfolio containing both SA Inc and rand-hedge stocks. The Portfolio reflects that there are attractive opportunities available in both categories. SA bonds offer high yields that appear very attractive at first glance, but we remain concerned about the fiscal challenges facing the SA government. Despite a steepening yield curve, the Portfolio maintains a conservative duration position, preferring shorter-dated bonds.

During the quarter, we added to the Portfolio's positions in AngloGold Ashanti and Mondi, and we reduced its exposure to British American Tobacco and Gold Fields.

Commentary contributed by Tim Acker

Important information for investors

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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

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MSCI Index

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