

**Portfolio objective and benchmark**

This Portfolio is for risk-averse institutional investors. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray’s risk-profiled range, this portfolio has less risk of capital loss than the Balanced Portfolio. The benchmark is the Alexander Forbes 3-month Deposit Index plus 2% or CPI plus 3%.

**Product profile**

- Conservatively managed pooled portfolio.
- Investments selected from all local asset classes.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest component will be conservative.

**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 or fixed fee.

**Compliance with Prudential Investment Guidelines**

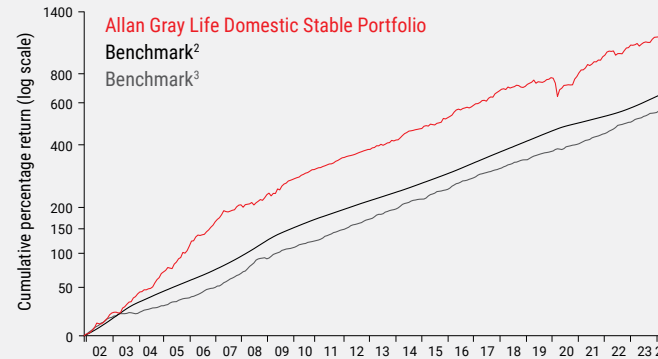
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act (“the Pension Funds Act”). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 August 2024**

Assets under management	R1 547m
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**Performance gross of fees**

Cumulative performance since inception<sup>1</sup>



1. Since alignment date (1 December 2001).
2. Alexander Forbes 3-month Deposit Index plus 2% p.a.
3. CPI plus 3% p.a. The return for August 2024 is an estimate.
4. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 August 2024.
5. There may be slight discrepancies in the totals due to rounding.

% Returns <sup>4</sup>	Portfolio	Benchmark <sup>2</sup>	Benchmark <sup>3</sup>
Since inception <sup>1</sup>	11.9	9.4	8.7
Latest 10 years	9.0	8.3	8.0
Latest 5 years	9.7	7.7	8.0
Latest 3 years	10.2	8.4	8.7
Latest 2 years	11.8	9.7	7.8
Latest 1 year	13.6	10.3	7.8
Latest 3 months	6.5	2.5	1.7

**Asset allocation on 31 August 2024**

Asset class	Total <sup>5</sup>
Net equities	21.3
Hedged equities	6.2
Property	0.8
Commodity-linked	1.7
Bonds	52.0
Money market and cash	18.0
<b>Total (%)<sup>5</sup></b>	<b>100.0</b>

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

Company	% of portfolio
British American Tobacco	2.9
AB InBev	2.4
AngloGold Ashanti	2.0
Standard Bank	1.7
Woolworths	1.5
Sappi	1.5
Sasol	1.4
Nedbank	1.3
MultiChoice	1.0
Gold Fields	1.0
<b>Total (%)<sup>5</sup></b>	<b>16.6</b>

In a welcome change from the recent past, returns from local risk assets took centre stage during the quarter. This came as the uncertainty around the outcome of the national elections began to clear and a more centrist coalition government than some had initially feared emerged. The FTSE/JSE All Bond Index returned 7.5% for the quarter as yield differentials to both the US and emerging market peers (i.e. risk premiums) narrowed. The beleaguered rand strengthened more than 3% to the US dollar, and the FTSE/JSE Financials Index, which is made up mostly of banks and insurers predominantly exposed to the domestic economy, added 17.8% compared to a still-healthy 8.2% for the FTSE/JSE Capped Shareholder Weighted All Share Index as a whole.

While the political developments were well-received by markets, there remains cause to temper some of the enthusiasm shown to date. If the formation of a government proved difficult, setting of policy priorities and ongoing decision-making may prove harder still. Opposing ideologies between (and, in some cases, within) the various political parties add complexity – not to mention the destabilising impact parties who are not part of the coalition could have, should they exert their influence. Indeed, this has been the undoing of numerous coalition agreements at a municipal level in the past.

Politics aside, the structural factors that contribute to our low-growth environment, including failing state-owned enterprises, weak law enforcement, skills shortages and expanding fiscal deficits, remain. It was these factors which

ultimately undid the initial bout of Ramaphoria in 2018. Fast-forward to 2024, and these aspects are now partly baked into the valuations at which our local assets trade. Therefore, any improvements in this regard, off a lower base, may contribute to improved investment outcomes.

The Portfolio's return for the quarter was 3.5%. Although the Portfolio benefited from its holdings in South African government and other local bonds and domestically focused businesses, its exposure to certain "rand hedge" shares detracted from performance. Over the last year, the Portfolio has returned 10.7%.

It is worth reiterating the Portfolio's dual objective of providing long-term returns ahead of cash and offering a high degree of capital stability. Current high cash rates do present a steep performance hurdle to overcome. It is important that the appropriate balance is struck between the risk and return required in meeting and surpassing this hurdle, especially in an environment of uncertainty both locally and offshore.

This quarter, we added to the Portfolio's existing positions in Sasol, AB InBev and Woolworths, and we trimmed our exposure to MultiChoice and Sibanye-Stillwater.

**Commentary contributed by Sean Munsie**

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

1. Alexander Forbes 3-month Deposit Index plus 2% p.a.

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

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index and FTSE/JSE Financials 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, FTSE/JSE All Bond Index and FTSE/JSE Financials 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, FTSE/JSE All Bond Index and FTSE/JSE Financials Index vests in FTSE and the JSE jointly. All their rights are reserved.

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