# Allan Gray Life Global Absolute Portfolio

31 March 2025

## 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 asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- 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.
- Minimum investment: R20m.
- Performance based fee.
- The Base Refundable Fee Reserve is levied in the underlying Orbis funds.

## Compliance with Prudential Investment Guidelines

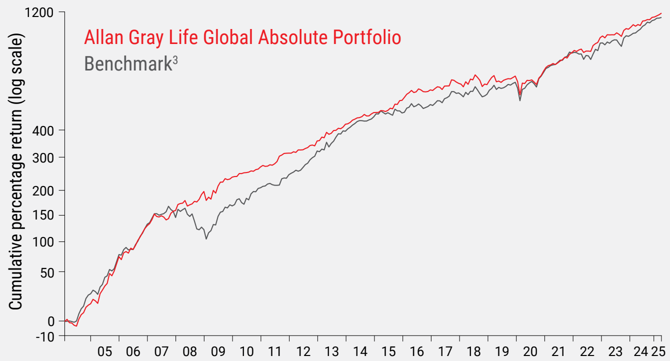
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 | R2 004m |

### Performance[1]

Cumulative performance since inception[2]




1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
2. Since alignment date (1 March 2004).
3. Mean of Alexander Forbes Global Large Manager Watch. The return for March 2025 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 March 2025.
5. Underlying holdings of foreign funds are included on a look-through basis.
6. Including currency hedges.
7. There may be slight discrepancies in the totals due to rounding.

| % Returns[4] | Portfolio[1] | Benchmark[3] |
|---|---|---|
| Since inception[2] | 12.8 | 12.6 |
| Latest 10 years | 8.5 | 8.3 |
| Latest 5 years | 14.4 | 14.8 |
| Latest 3 years | 11.1 | 10.2 |
| Latest 2 years | 10.7 | 12.0 |
| Latest 1 year | 10.0 | 14.0 |
| Latest 3 months | 3.2 | 2.1 |

## Asset allocation on 31 March 2025[5]

| Asset class | Total[7] | South Africa | Foreign |
|---|---|---|---|
| Net equities | 60.7 | 35.3 | 25.3 |
| Hedged equities | 14.3 | 6.8 | 7.6 |
| Property | 1.4 | 0.2 | 1.2 |
| Commodity-linked | 4.7 | 4.7 | 0.0 |
| Bonds | 12.9 | 8.3 | 4.6 |
| Money market and cash[6] | 6.0 | 3.2 | 2.8 |
| **Total (%)[7]** | **100.0** | **58.6** | **41.4** |

## Top 10 share holdings on 31 March 2025 (SA and Foreign) (updated quarterly)[5]

| Company | % of portfolio |
|---|---|
| AB InBev | 6.1 |
| British American Tobacco | 4.1 |
| Standard Bank | 3.7 |
| Naspers & Prosus | 3.4 |
| Woolworths | 3.1 |
| The Walt Disney Company | 3.0 |
| AngloGold Ashanti | 2.2 |
| Nedbank | 1.9 |
| Gold Fields | 1.8 |
| MultiChoice | 1.6 |
| **Total (%)[7]** | **31.0** |

## 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. Global equity markets also performed well in 2024 but have had a softer start to 2025. The MSCI World Index rose 19% in US dollars in 2024 but fell 2% in the first quarter of 2025.

The Portfolio returned 3.2% for the quarter, outperforming its benchmark by 1.2%. Local 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.

Offshore stock selection contributed to relative performance in the quarter. We remain underweight the US market and mega-cap tech – areas that have driven global market returns for several years but now appear increasingly crowded and expensive. There have been early signs of this trend shifting. European equities, long neglected by investors, have attracted fresh interest. Emerging markets, too, outperformed the MSCI World Index this quarter. Japan, often overlooked in global portfolios, offers compelling opportunities for uncorrelated returns in a concentrated global market. The majority of the Portfolio's 41% foreign allocation is in equities, with the remainder mostly in hedged equities and short-dated bonds. This positioning reflects our view that the overall global stock market remains expensive and longer-dated global government bonds don't offer compelling value either. The offshore portion of the Portfolio continues to look very different from the world index and many of our competitors, a divergence we believe will benefit long-term returns.

During the quarter, the Portfolio added to AB InBev and Aspen Pharmacare, and reduced exposure to British American Tobacco and Gold Fields.

Commentary contributed by Tim Acker

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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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### FTSE Russell Index

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