Allan Gray Life Global Stable Portfolio

31 August 2024

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 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.
- 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 portfolio will be conservative.

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 or fixed fee.

Compliance with Prudential Investment Guidelines

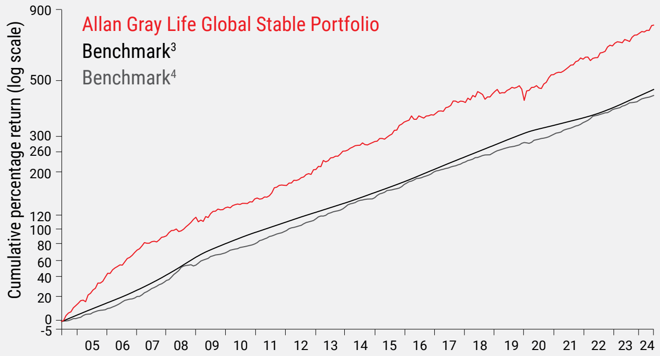
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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	R4 897m

Performance[1]

Cumulative performance since inception[2]



% Returns[5]	Portfolio[1]	Benchmark[3]	Benchmark[4]
Since inception[2]	11.5	8.9	8.6
Latest 10 years	9.3	8.3	8.0
Latest 5 years	10.1	7.7	8.0
Latest 3 years	11.5	8.4	8.7
Latest 2 years	12.8	9.7	7.8
Latest 1 year	11.3	10.3	7.8
Latest 3 months	4.0	2.5	1.7

Asset allocation on 31 August 2024[6]

Asset class	Total[8]	South Africa	Foreign
Net equities	25.7	14.2	11.5
Hedged equities	21.9	8.8	13.1
Property	0.9	0.5	0.4
Commodity-linked	2.3	1.6	0.7
Bonds	33.0	26.7	6.3
Money market and cash[7]	16.1	13.4	2.7
Total (%)[8]	**100.0**	**65.3**	**34.7**

1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
2. Since alignment date (1 August 2004).
3. Alexander Forbes 3-month Deposit Index plus 2%.
4. CPI plus 3%. The return for August 2024 is an estimate.
5. 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.
6. Underlying holdings of foreign funds are included on a look-through basis.
7. Including currency hedges.
8. There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 30 June 2024 (SA and Foreign) (updated quarterly)[6]

Company	% of portfolio
British American Tobacco	2.7
AB InBev	2.2
Woolworths	1.6
Nedbank	1.4
AngloGold Ashanti	1.2
Standard Bank	1.2
Gold Fields	1.2
Remgro	1.0
Glencore	1.0
Sappi	1.0
Total (%)[8]	**14.4**

Tel 0860 000 654 or +27 (0)21 415 2301 **Email** institutional@allangray.co.za **www.allangray.co.za**

Fund manager quarterly commentary as at 30 June 2024

In a welcome change from the recent past, returns from local risk assets took centre stage during the last 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 local assets trade. Therefore, any improvements in this regard, off a lower base, may contribute to improved investment outcomes.

Globally, this is a bumper year for elections. Some of these election outcomes have already influenced investment markets. Examples beyond South Africa include India, Mexico, France, the European Parliament and the UK. US voters are set to head to the polls in November. The US equity market has continued to post new all-time highs during the quarter driven by the mega-cap technology shares, even as the number of counters powering the rally has thinned out further. Market breadth in the US, which now accounts for approximately 62% of global equity market capitalisation, has rarely been narrower. We, and our colleagues at our offshore partner, Orbis, remain concerned over valuation levels in certain parts of the global market and what this may mean for near-term absolute returns if large valuation discrepancies begin to unwind. An allocation to offshore hedged equities seeks to exploit such an occurrence.

The Portfolio's performance over the quarter was underwhelming. While the Portfolio benefited from its holdings in South African government and other local bonds and domestically focused businesses, its offshore assets (when measured in rands) together with certain "rand hedge" shares detracted. Over the last year, the Portfolio has returned 9.0%.

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.

Adapted from a commentary contributed by Sean Munsie

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

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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, FTSE/JSE All Bond Index and FTSE/JSE Financials Index

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FTSE Russell Index

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