AllanGray

Inception date: 15 July 2004

Allan Gray Life Global Stable Portfolio

31 December 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

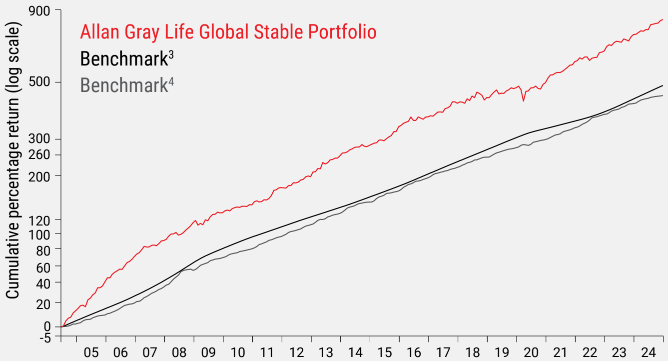
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will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

Assets under management	R5 108m

Performance[1]

Cumulative performance since inception[2]



% Returns[5]	Portfolio[1]	Benchmark[3]	Benchmark[4]
Since inception[2]	11.4	8.9	8.5
Latest 10 years	9.5	8.4	8.0
Latest 5 years	10.3	7.8	7.8
Latest 3 years	10.7	8.9	8.1
Latest 2 years	12.1	10.0	7.0
Latest 1 year	11.5	10.2	5.9
Latest 3 months	3.0	2.4	0.7

Asset allocation on 31 December 2024[6]

Asset class	Total[8]	South Africa	Foreign
Net equities	25.0	13.1	11.9
Hedged equities	20.8	9.0	11.8
Property	0.9	0.3	0.6
Commodity-linked	2.2	1.5	0.7
Bonds	34.2	27.2	6.9
Money market and bank deposits[7]	17.0	14.0	3.0
Total (%)[8]	**100.0**	**65.1**	**34.9**

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 December 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 December 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 31 December 2024 (SA and Foreign) (updated quarterly)[6]

Company	% of portfolio
British American Tobacco	2.5
AB InBev	2.4
Woolworths	1.5
Nedbank	1.3
AngloGold Ashanti	1.2
Standard Bank	1.1
Remgro	1.1
Gold Fields	1.0
Marriott International Inc	1.0
Sappi	0.8
Total (%)[8]	**13.9**

Fund manager quarterly commentary as at 31 December 2024

After two quarters of strong gains, the last quarter of 2024 saw more muted returns from the local equity and bond markets as they digested the outcome of the US presidential election in November and the latest actions from central banks, all while concerns regarding growth prospects in the world's largest economies persisted. Globally, equity markets fared similarly, with the exception of the United States where the benchmark indices have continued to hit fresh all-time highs. Interestingly, this is in stark contrast to the performance of US Treasuries whose yields have risen markedly since the US Federal Reserve began its rate-cutting cycle.

The standout performer among local asset classes in 2024 was government bonds with the FTSE/JSE All Bond Index returning 17.2% for the year as yield differentials, or risk premiums required by investors to hold the country's debt, narrowed versus both the US and emerging market peers. Given that local bonds are a significant component of the Portfolio's asset mix (27.2% of the Portfolio at 31 December 2024), this has provided a welcome tailwind to performance.

Similarly, buoyed by the outcome of South Africa's national elections, shares with greater exposure to the domestic economy were among the best performers on the JSE this year. The FTSE/JSE Financials Index, comprising mostly banks and insurers, gained 22.4%, while retailers and other select local industrials performed even stronger. The overall FTSE/JSE All Share Index returned 13.4%, its strongest showing since its post-COVID bounce in 2021.

For the most part, the rally to date has been driven more by a sentiment-based multiple rerating, from a depressed base, as opposed to a widespread positive uptick in earnings growth. For investment gains to be held and advance into a multi-year recovery, it is crucial that progress is made in addressing structural inhibitors to growth in the country. The fleeting returns seen during "Ramaphoria" remain fresh in investors' minds, helping to explain why foreign investor flows into our equity market – important "new money" – has remained on the sidelines thus far. The prolonged suspension of loadshedding has been a crucial step, but as always, caution is needed – particularly where undue optimism has run ahead of fundamentals.

Resource shares proved the biggest drag on index returns in the last quarter with the FTSE/JSE Resources Index falling 9.0%, and 8.6% for the full year.

Thus far, the raft of stimulus measures announced by the Chinese government in September 2024 have fallen short of the scale required to reinvigorate the residential property market, with prices continuing to fall into year end. As the largest store of household wealth, this has a significant impact on the consumptive side of the economy, which the government sees as the longer-term engine of economic growth. Despite the prevailing environment, prices for commodities with significant exposure to Chinese demand have not fallen as much as expected. For example, iron ore was down 27.2% but remains above US$100 per tonne and copper was up 2.7% for the year – potentially an indicator that further downside may be ahead before a bottom in the market can be called with any confidence.

Foreign assets comprised 34.9% of the Portfolio's assets at 31 December. The rand, together with most currencies, has fared poorly against the US dollar since the US elections, weakening by 9.1% over the quarter. Market breadth in the US, which now accounts for approximately 70% of global equity market capitalisation, has rarely been narrower. We, and our partners at 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.

The Portfolio's return for the quarter was 3.0%, with offshore assets, local cash and bonds contributing to performance. Over the last year, the Portfolio has returned 11.5% compared to the benchmark's 10.2[1]%.

It is worth reiterating the Portfolio's dual objective of providing long-term returns ahead of cash together with offering a high degree of capital stability. While the interest rate-cutting cycle has begun, persistently high cash rates 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. The allocation to hedged equities and cash serves a dual purpose in this regard, providing protection as well as optionality.

During the quarter, the Portfolio added to its existing position in AB InBev and trimmed its exposure to AVI, Pepkor and the gold ETF.

Adapted from a commentary contributed by Sean Munsie

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

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

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FTSE Russell Index

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