Fund managers: Allan Gray, Coronation, M&G, Ninety One
Inception date: 18 January 2019

Allan Gray Multi-Manager Moderate Portfolio

31 August 2024

Portfolio description and summary of investment policy

The Portfolio invests in the Balanced mandates of a minimum of three managers, all of which are managed to comply with the investment limits governing retirement funds. The Allan Gray Balanced Portfolio has a target allocation of 30% (excluding cash) in the Multi-Manager Portfolio. This allocation can change as a result of performance within pre-defined parameters. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Pension Fund and the Allan Gray Umbrella Provident Fund (collectively known as the Allan Gray Umbrella Retirement Fund).

Portfolio objective and benchmark

The Portfolio aims to achieve steady long-term growth of capital for investors within the constraints governing retirement funds. The Portfolio's benchmark is a composite benchmark, of which 60% is domestic and 40% is foreign.[2]

How we aim to achieve the Portfolio's objective

We have selected managers with a strong track record who have consistently executed on their investment approach over time. These managers have complementary investment styles which, when combined appropriately, should improve the Portfolio's potential to deliver real returns through different market cycles.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment time horizon of at least three years
- Wish to diversify risk across multiple managers

Annual management fee

Each underlying manager charges their own fee. Where performance fees are charged, this is based on the underlying manager's performance compared to its respective benchmark. The benchmark for each underlying manager may differ from the benchmark of the Portfolio.

Allan Gray charges a multi-management fee based on the net asset value of the Portfolio, excluding the portion invested in Allan Gray portfolios. This fee is 0.20% p.a. (which equates to approximately 0.14% p.a. on the entire Portfolio).

Underlying portfolio allocation on 31 August 2024

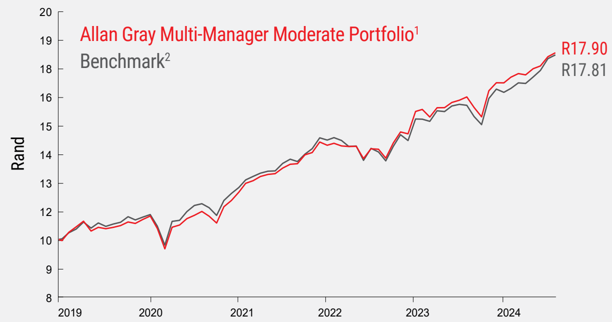
Portfolio	% of Portfolio
Allan Gray Balanced Portfolio	29.5
Coronation Global Houseview Portfolio	25.0
M&G Balanced Portfolio	19.3
Ninety One Opportunity Portfolio	25.1
Cash	1.0
Total	**100.0**

1. Performance is net of all fees and expenses.
2. 41% FTSE/JSE Capped Shareholder Weighted All Share Index, 10% FTSE/JSE All Bond Index, 9% 3-month STeFI, 24% MSCI All Country World Index and 16% J.P. Morgan Global Government Bond Index, all including income. From inception to 31 July 2022 the benchmark was 47% FTSE/JSE Capped Shareholder Weighted All Share Index, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index and 12% J.P. Morgan Global Government Bond Index, all including income. Source: IRESS BFA, Bloomberg.*
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 17 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Portfolio/benchmark (i.e. including income).
4. The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.
5. The standard deviation of the Portfolio's monthly return. This is a measure of how much an investment's return varies from its average over time.

* The blended returns are calculated by Allan Gray Proprietary Limited using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "AS IS" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information.

Performance net of all fees and expenses

Value of R10 invested at inception



% Returns	Portfolio[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	79.0	78.1
Annualised:		
Since inception (18 January 2019)	10.9	10.8
Latest 5 years	11.2	10.8
Latest 3 years	10.7	10.0
Latest 2 years	13.8	14.0
Latest 1 year	11.7	13.6
Year-to-date (not annualised)	7.6	8.9
Risk measures (since inception)		
Maximum drawdown[3]	-22.3	-23.0
Percentage positive months[4]	71.6	65.7
Annualised monthly volatility[5]	9.5	9.6

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Quarterly commentary as at 30 June 2024

The Portfolio has returned 10.6% net of fees since inception compared to its benchmark which has returned 10.4%. It has delivered superior returns relative to the benchmark for periods greater than one year. Despite local assets posting strong returns over the past quarter, global assets have detracted in rand terms (due to the rand strengthening over the same period), which has seen the Portfolio's overall performance over the quarter fall short of the benchmark. This is not unexpected, however, as returns can be more volatile in the short term.

Over the quarter, Glencore and Bid Corporation fell out of the top 10 share holdings and were replaced by BHP Group and Capitec Bank Holdings respectively. There were insignificant changes across asset class categories; however, in aggregate local asset classes saw a marginal increase of approximately 0.5% at the expense of foreign asset classes. Portfolio commentary for two of the four underlying investment managers is shown below.

Commentary contributed by Tonderai Makeke

Allan Gray Balanced Portfolio

The MSCI World Index continues to trade near all-time highs, mainly driven by large-cap US shares. The S&P 500 was up 4.3% for the quarter. The FTSE/JSE All Share Index was up 8.2% in rands and 12.4% in US dollars.

2024 has been noted as a year of above-average political risk due to the significant number of elections taking place globally. We are now halfway through the year, and although the US election is still to come, we have already witnessed several important elections take place in Taiwan, the European Union, India and South Africa. As we expected, they have moved asset prices and triggered potentially significant sociopolitical change:

- Taiwan elected a pro-independence leader despite pressure from China.
- The incumbent parties in Europe were decimated, especially in Germany and France. The French government called for a snap election, which led to a sell-off of French assets and broader European markets in sympathy.
- In India, Modi's Bharatiya Janata Party lost its majority in parliament, which initially led to a sell-off in the Indian market. However, the market recovered as Modi remained prime minister – albeit with less power.
- In South Africa, the ANC lost its majority, which has led to the formation of a GNU.

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

Company	% of Portfolio
Naspers & Prosus	4.6
British American Tobacco	2.4
Standard Bank	1.7
FirstRand	1.5
Richemont	1.4
Mondi	1.4
AB InBev	1.3
Remgro	1.2
BHP	1.1
Capitec Bank	1.1
Total (%)	**17.8**

Note: There may be slight discrepancies in the totals due to rounding.

Asset allocation on 31 August 2024

Asset Class	Total	South Africa	Foreign
Net equities	66.4	36.3	30.0
Hedged equities	4.0	1.0	3.1
Property	2.3	1.7	0.7
Commodity-linked	1.4	1.4	0.0
Bonds	16.5	11.7	4.8
Money market, bank deposits and currency hedge	9.4	8.6	0.8
Total (%)	**100.0**	**60.7**	**39.3**

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024[8]	1yr %	3yr %
Total expense ratio[6]	**0.88**	**0.89**
Fee for benchmark performance	0.67	0.66
Performance fees	0.06	0.09
Other costs excluding transaction costs	0.15	0.14
Transaction costs[7]	**0.08**	**0.09**
Total investment charge	**0.96**	**0.98**

6. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.
7. Transaction costs are a necessary cost in administering the Portfolio and impacts Portfolio returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER.
8. This estimate is based on information provided by the underlying managers.

Commentary from underlying fund managers as at 30 June 2024

While it is still very early days in South Africa, we seem to have avoided, or at least reduced the probability of, the left-tail risk scenario (a sharp move to radical policies) and consequently increased the probability of the right-tail, very positive economic scenario.

In response, South African assets have rallied, with strong price movements in what investors collectively term SA Inc stocks, such as retailers, banks and property REITs. Many of these shares had been trading at very depressed levels when measured in US dollars. This was due to South Africa's poor economic fundamentals and exacerbated by investors waiting on the sidelines until the outcome of the election was known. When speaking to various sell-side institutions, we have heard that there was little foreign investor buying during the initial rally. Foreign investors are underweight South African markets in aggregate, so their potential buying could provide another leg up to the rally. Investors have also started taking a less constructive view on Mexico and Brazil, given some of their proposed political and economic changes. Any proceeds from reducing their positions in these markets may be switched into South African assets.

Of course, South Africa still faces significant social and economic headwinds, and it will be a herculean task to overcome them successfully, no matter who is running the country. The underlying fundamentals will have to improve to support the increase in asset prices if we are to avoid a repeat of the years post the Ramaphoria rally of 2018, which saw South African equities perform poorly.

These global and local geopolitical trends provide both risks and opportunities. We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes. The Portfolio has exposure to offshore assets, locally listed shares that are international businesses, attractively valued domestic businesses, high-yielding cash and bonds as well as precious metals. We believe running a successful asset allocation portfolio requires a holistic view that allows us to balance the opportunities and risks derived from our positioning.

During the quarter, the Portfolio increased its exposure to Standard Bank and Sasol and reduced its positions in Sibanye-Stillwater and MultiChoice.

Coronation Global Houseview Portfolio

The Portfolio underperformed the benchmark for the quarter (Q2 of 2024). The large offshore allocation has benefited the Portfolio over the long term but detracted in Q2 as domestic assets (including the rand) rallied on the back of the South African election outcome. The Portfolio has performed well over meaningful periods.

The FTSE/JSE Financials Index (with its predominantly domestic exposure) drove Q2 market returns with a buoyant 18% return. Trading updates from the banks continued to indicate a weak economic environment with elevated credit losses. We were pleased with good earnings delivery from the Portfolio's core holdings in winning banks FirstRand and Capitec. Banks are leveraged to economic outcomes and any uptick in growth would both reduce credit losses from high current levels and support advances growth.

The FTSE/JSE Africa All Share Industrials Index rose 5% for the quarter (+6% for the year to date). The Portfolio's core holdings include many of the global stocks listed in South Africa (Naspers, Richemont, Aspen, Bidcorp, British American Tobacco and Anheuser-Busch InBev) for whom the rand strength was a headwind. Whilst larger holdings such as Richemont and Bidcorp detracted during the quarter, we believe both operate in growing markets with strong franchises that will take market share over time.

The resource sector returned 4% for the quarter (+2% for the year to date) boosted by a take-out offer for Anglo American. Miners face increasing difficulty in bringing on new supply in an environment with increased regulatory scrutiny, community engagement requirements and ESG pressures. In addition, ore bodies are more complex, more remote and deeper. This strengthens the position of owners of existing tier-one assets whilst supporting management decisions to buy assets rather than build. Considering this, BHP Billiton announced a takeover bid for Anglo American, hoping to secure their enviable strategy of copper assets. The Portfolio benefited from its overweight holding in Anglo American, which it reduced during the bid process. The Portfolio holds an underweight position in the sector, given reasonably full valuations. The Portfolio's underweight position in gold shares contributed this quarter on the back of a more stable gold price and Gold Fields' production disappointment. It remains a detractor over the year, given the spike in the gold price. We do not believe current gold equity valuations offer a sufficient margin of safety to increase our holding.

The Portfolio continues to have a meaningful allocation offshore. While global equities have benefited from rising markets, there remain considerable stockpicking opportunities given the narrow market returns. We believe the holding in global credits enhances the risk-adjusted returns of the Portfolio. These offshore holdings are supplemented by domestic assets; predominantly SA equities, which is our favoured domestic asset class. A positive election outcome should improve sentiment and may support further appreciation in domestic asset classes. However, given the structural and economic challenges that continue to plague South Africa, we believe the large offshore allocation remains optimal for delivering long-term risk-adjusted returns.

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Important information for investors

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J.P. Morgan Global Government Bond Index

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

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