ALLANGRAY

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

Allan Gray Multi-Manager Moderate Portfolio

31 October 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 October 2024

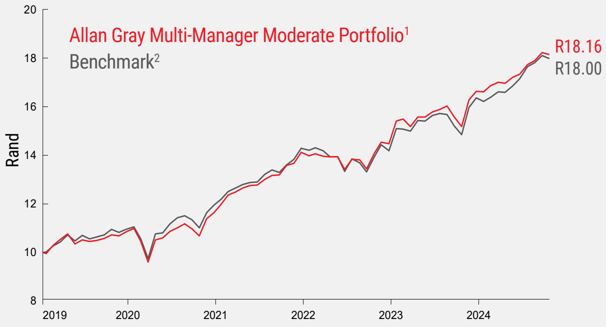
Portfolio	% of Portfolio
Allan Gray Balanced Portfolio	29.3
Coronation Global Houseview Portfolio	25.3
M&G Balanced Portfolio	19.5
Ninety One Opportunity Portfolio	24.9
Cash	1.1
Total	**100.0**

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)	81.6	80.0
Annualised:		
Since inception (18 January 2019)	10.9	10.7
Latest 5 years	11.1	10.4
Latest 3 years	10.2	9.8
Latest 2 years	13.5	13.6
Latest 1 year	19.6	21.1
Year-to-date (not annualised)	9.2	10.0
Risk measures (since inception)		
Maximum drawdown[3]	-22.3	-23.0
Percentage positive months[4]	71.0	65.2
Annualised monthly volatility[5]	9.4	9.5

Quarterly commentary as at 30 September 2024

At the end of September, the annual inflation rate stood at 3.8%. It has been on a downward trend for four consecutive months and is at its lowest since March 2021, when it was 3.2% according to Stats SA. This quarter also saw the South African Reserve Bank's (SARB's) Monetary Policy Committee lower the repo rate, for the first time since the COVID-19 pandemic, by 25 basis points to 8%. At the time of the announcement to change the repo rate, the latest annual inflation rate stood at 4.4%, which is below the midpoint of the SARB's target range.

Despite a slow start to the year, the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) continued from where it left off in Q2 to deliver 10% in rand terms for Q3. The financials sector contributed 14%, while industrials contributed 12% over the same period. The resources sector, however, detracted, returning -1% for the quarter. Over the one-year period ending 30 September, the Capped SWIX returned 25%, outperforming the MSCI All Country World Index (MSCI ACWI) which returned 21% in rand terms. The rand strengthened by approximately 10% against the US dollar over the same period, which also saw the Capped SWIX outperform the MSCI ACWI in US dollar terms.

The Portfolio returned 5.2% and 17% (after fees) for the quarter and one-year period ending 30 September. It underperformed its benchmark, which returned 5.6% and 19.2% for the respective periods. While the Portfolio underperformed in the short term, it has delivered returns ahead of its benchmark over longer periods.

Over the quarter, there were no changes to the top 10 local equity holdings on a look-through basis, apart from a few positional changes. As in the previous quarter, there were marginal shifts across asset classes from foreign to local asset class categories. As a result, the overall local component of the Portfolio increased by approximately 1.3%. Below is commentary from two of the underlying investment managers outlining their performance review and portfolio positioning.

Commentary contributed by Tonderai Makeke

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

Company	% of Portfolio
Naspers & Prosus	5.1
British American Tobacco	2.4
Standard Bank	2.0
FirstRand Bank	1.7
AB InBev	1.4
Richemont	1.3
Remgro	1.3
Mondi	1.2
BHP	1.1
Capitec Bank	1.0
Total (%)	**18.6**

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

Asset allocation on 31 October 2024

Asset class	Total	South Africa	Foreign
Net equities	66.4	36.2	30.2
Hedged equities	4.1	1.4	2.7
Property	2.7	2.0	0.7
Commodity-linked	1.3	1.3	0.0
Bonds	16.8	12.8	4.1
Money market, bank deposits and currency hedge	8.6	8.0	0.6
Total (%)	**100.0**	**61.6**	**38.4**

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 September 2024

M&G Balanced Portfolio

Performance review

The Portfolio gained 6.4% for Q3 of 2024 while, for the 12-month period and three-year periods ending 30 September 2024, it delivered 18.5% and 11.7% per annum respectively. Looking at the Portfolio's asset allocation, SA equity holdings added by far the most value to absolute performance for the quarter, followed by SA bond and SA listed property exposures. Global bonds were the largest detractors, followed by global cash, while global equities contributed positively, the former mainly due to currency movements.

Within SA equities, the rally in The Foschini Group (TFG) and banking shares added good value to the Portfolio, as did the fall in the Aspen share price, which we do not own. Other notable contributors included globally exposed holding Prosus. The largest detractors from performance were Exxaro, Investec and MultiChoice and shares in stocks that we don't hold or hold very little of in the Portfolio.

Strategy and positioning

In **global equities**, the valuation for the S&P 500 continues to screen as expensive to other markets with a forward price-to-earnings (P/E) increase to about 21.5 times during the period, and therefore we continue to hold a small underweight to this asset class, with a bigger underweight to the US market in favour of cheaper markets such as the UK, Europe, Korea and other emerging markets, like Mexico.

We retain our small overweight positions in **global bonds** and **global cash**. We did not make any changes to our overweight duration position during the quarter and continue to hold exposure to the long end of the US Treasury curve as well as more muted positions in UK gilts and EM bonds with high real yields in undervalued currencies. We continue to stay underweight **global corporate credit** given the narrow credit spreads and the unattractive risk-reward payoffs in those instruments.

We continue to favour **SA equities** and we made use of the post-election waiting period at the start of the quarter to add to our existing equity exposure across the portfolios. SA equity valuations, when looking at the 12-month forward P/E ratio of the FTSE/JSE Capped SWIX, moved higher to around 10.7 times due to a rally in share prices. On a price-to-book basis, the market moved slightly less cheap from 1.6 at the start of the quarter to just over 1.7 by quarter end, but still trades cheap compared to history and relative to other markets. The portfolios benefited from the equity team's move to add more SA-exposed stocks pre-election, such as increasing the bank and retail exposure in the portfolios.

We decreased the extent of our underweight exposure in the **SA listed property** sector, given the improving fundamentals we have witnessed in that segment of the market. The rate-cutting environment, sharp reduction in bond yields and improved balance sheet efficiency of the property companies should take away some of the headwinds the sector has had to contend with since the COVID-19 period.

Another change we made during the quarter was to lock in some of the performance we experienced in our overweight **SA nominal bonds** position. Local bonds have rallied strongly since the GNU announcement and, although we are still positive on the asset class, we feel the speed of the move has been so sudden that it would be beneficial to take some of our position off. Real yields remain attractive compared to our fundamentals and we therefore continue to hold an overweight position to the sector, but at a reduced scale.

Our house-view portfolios continue to have no meaningful exposure to **SA inflation-linked bonds** (ILBs) as our preference has been for nominal bonds in favour of ILBs.

Finally, our portfolios remain tilted away from **SA cash** as the interest rate-cutting environment will lead to lower positive real cash rates over the medium term.

Ninety One Opportunity Portfolio

For the quarter, the Portfolio generated a positive absolute return.

The Portfolio's domestic equity exposure was the largest driver of performance over the period, with Prosus, Remgro and British American Tobacco among the top contributors to performance, while positions in Mondi and Richemont weighed marginally on returns. Optimism toward the domestic economy continued to gain traction following the formation of the government of national unity (GNU) and the potential of market-friendly policy reforms. The GNU has so far been a strong catalyst for domestic opportunities and continues to provide hope, but will need to erase years of stagnation and restore corporate confidence for the short-term rally to be sustainable.

Over the quarter, we added to our position in Richemont at an attractive entry point, with further support coming from stimulus measures announced in China, which reduces the potential for further downside risk for high-end luxury goods. As at quarter end, our domestic equity allocation increased to 27%.

Local government bonds also added value over the period. Despite bond yields having come down materially over the quarter, they remain attractive relative to our inflation targets. At quarter end, we held an allocation of around 16% in domestic government bonds in the belly of the curve, with a duration of 4.6 years and an accompanying yield of 9.5% for our fixed income component. We continue to believe that the best local risk-adjusted opportunity remains government bonds.

Commentary from underlying fund managers as at 30 September 2024

Despite a bumpy start to the quarter, global equities managed to deliver a positive return, marking the sixth quarter of positive performance out of the previous seven (in US dollars). This positive gain in hard currency, however, was more than offset by currency headwinds, driven by a significantly stronger rand relative to the US dollar. Performance over the third quarter was hastened by interest rate cuts from key central banks, most notably in the US where the Fed lowered its key interest rate by 50 basis points, exceeding earlier expectations. In terms of the Portfolio's global equity exposure, holdings in ASML, Microsoft and Alphabet were among the key detractors from absolute performance, as investors sought the comfort and safety of more defensive sectors. Over the quarter, we initiated a new position in Edwards Lifesciences at an attractive entry point, while trimming our positions in Microsoft, Booking Holdings, Moody's Holdings, ASML and TSMC into strength. Our positioning remains diversified, focused on businesses with low economic sensitivity and earnings resilience given our expectation of market volatility over the short term. We maintained an allocation of just under 37% to global equities at quarter end.

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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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