Fund managers: Duncan Artus, Sean Munsie, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 16 August 2017

Allan Gray Stable Portfolio

28 February 2025

Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 45% offshore. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 40%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio or a balanced portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Retirement Fund.

Portfolio objective and benchmark

The Portfolio aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Portfolio's benchmark is the Consumer Price Index, plus 3%.

How we aim to achieve the Portfolio's objective

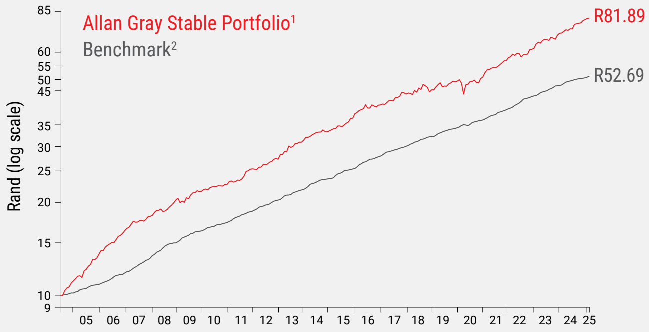
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Portfolio's stock market exposure in consideration of the Portfolio's capital preservation objectives. The Portfolio may also invest in bonds, property and commodities. The Portfolio's bond and money market investments are actively managed.

Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Stable Portfolio. When assessing the Portfolio's performance and risk measures over time, for periods before its inception (16 August 2017), the returns of the Allan Gray Life Global Stable Portfolio can be used. The combined history reflects the performance and risk of the strategy over the long term.

Performance net of all fees and expenses

Value of R10 invested at alignment



% Returns	Portfolio[1]	Benchmark[2]	CPI inflation[3]
Cumulative:			
Since alignment (1 August 2004)	718.9	426.9	194.1
Annualised:			
Since alignment (1 August 2004)	10.7	8.4	5.4
Latest 10 years	8.7	8.0	5.0
Latest 5 years	10.4	7.7	4.8
Latest 3 years	9.5	8.0	5.1
Latest 2 years	9.6	7.1	4.3
Latest 1 year	10.6	5.6	3.2
Year-to-date (not annualised)	1.1	1.1	0.4
Risk measures (since alignment)			
Maximum drawdown[4]	-10.3	-0.7	n/a
Percentage positive months[5]	74.6	98.0	n/a
Annualised monthly volatility[6]	5.3	1.4	n/a
Highest annual return[7]	27.5	15.0	n/a
Lowest annual return[7]	-6.9	4.9	n/a

1. The returns prior to 16 August 2017 are those of the Allan Gray Life Global Stable Portfolio since its alignment on 1 August 2004. The returns are shown net of the fees that would have been incurred had the current fee applied since alignment.
2. The Portfolio's benchmark is the Consumer Price Index plus 3%, performance as calculated by Allan Gray as at 28 February 2025.
3. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 31 January 2025 (source: IRESS).
4. Maximum percentage decline over any period calculated from monthly returns. The maximum drawdown occurred from January 2020 to March 2020. Drawdown is calculated on the total return of the Portfolio (i.e. including income).
5. The percentage of calendar months in which the Portfolio produced a positive monthly return since alignment.
6. 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.
7. These are the highest or lowest consecutive 12-month returns since alignment. This is a measure of how much the Portfolio and the benchmark returns have varied per rolling 12-month period. The Portfolio's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 31 August 2008. The Portfolio's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 May 2020.

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

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a portfolio that complies with retirement fund investment limits

Annual management fee

Allan Gray charges a fixed fee of 0.70% p.a. on the Portfolio assets excluding the portion invested in the range of Orbis funds. This fee is presently exempt from VAT.

A portion of the Portfolio may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

Top 10 share holdings on 31 December 2024 (SA and Foreign) (updated quarterly)[8]

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 (%)	**13.9**

8. Underlying holdings of foreign funds are included on a look-through basis.

Since inception, the Portfolio's month-end net equity exposure has varied as follows:

Minimum	23.7% (September 2023)
Average	32.4%
Maximum	40.1% (December 2018)

Asset allocation on 28 February 2025[8]

Asset class	Total	South Africa	Foreign
Net equities	24.4	12.2	12.2
Hedged equities	22.5	11.2	11.3
Property	0.8	0.1	0.7
Commodity-linked	2.0	1.3	0.7
Bonds	33.9	26.9	7.0
Money market and bank deposits[9]	16.4	13.3	3.1
Total (%)	**100.0**	**65.0**	**35.0[10]**

9. Including currency hedges.

10. The Portfolio can invest a maximum of 45% offshore. Market movements may periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio[11]	**0.87**	**0.87**
Fee for benchmark performance	0.73	0.73
Performance fees	0.11	0.11
Other costs excluding transaction costs	0.03	0.03
Transaction costs (including VAT)[12]	**0.04**	**0.04**
Total investment charge	**0.91**	**0.91**

11. 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.

12. 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.

Portfolio 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 2.8%, with offshore assets, local cash and bonds contributing to performance. Over the last year, the Portfolio has returned 10.9% compared to the benchmark's 5.9[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. Consumer Price Index plus 3% p.a.

© 2025 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Information and content

The information in and content of this publication/presentation are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication/presentation constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

Disclaimer

The Allan Gray Umbrella Retirement Fund (comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider and approved pension funds administrator under section 13B of the Pension Funds Act 24 of 1956. Allan Gray (Pty) Ltd, also an authorised financial services provider, is the sponsor of the Allan Gray Umbrella Retirement Fund.

The underlying investment options of the Allan Gray Umbrella Retirement Fund are portfolios of collective investment schemes in securities (unit trusts or funds) and life-pooled investments. The Allan Gray Stable Portfolio is a pooled portfolio that is made available to the Allan Gray Umbrella Retirement Fund. This pooled portfolio is underwritten by Allan Gray Life Ltd, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray (Pty) Ltd is Allan Gray Life Ltd's appointed investment manager.

Past performance is not indicative of future performance.

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

The FTSE/JSE All Bond Index, FTSE/JSE Financials Index, FTSE/JSE All Share Index and FTSE/JSE Resources Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Bond Index, FTSE/JSE Financials Index, FTSE/JSE All Share Index and FTSE/JSE Resources Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Bond Index, FTSE/JSE Financials Index, FTSE/JSE All Share Index and FTSE/JSE Resources Index vests in FTSE and the JSE jointly. All their rights are reserved.

Important information for investors

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**