Allan Gray Life-Orbis Global Equity (RRF) Feeder Portfolio

Inception date: 1 April 2015

31 December 2024

Portfolio objective and benchmark

The objective of the Portfolio is to outperform the MSCI World Index at no greater-than-average risk of loss. The benchmark is the MSCI World Index, with net dividends reinvested.

Product profile

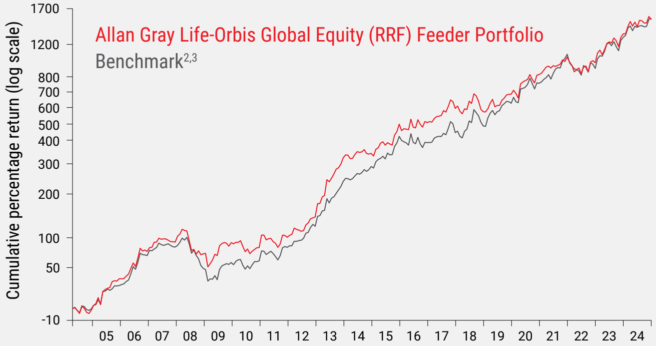
- This is a feeder portfolio, investing in the Orbis Institutional Global Equity Fund which is actively managed by Orbis.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- The Base Refundable Reserve Fee is levied in the underlying Orbis Institutional Global Equity Fund.

Performance net of fees[1]

Cumulative performance since inception



% Returns[1,4]	Portfolio		Benchmark[2,3]	
	ZAR	US$	ZAR	US$
Since inception	14.5	9.0	14.6	9.0
Latest 10 years	13.8	8.4	15.4	9.9
Latest 5 years	15.5	8.9	17.9	11.2
Latest 3 years	12.8	6.7	12.4	6.3
Latest 2 years	23.1	16.9	27.5	21.2
Latest 1 year	14.7	12.9	20.6	18.7
Latest 3 months	3.4	-5.3	9.0	-0.2

Asset allocation on 31 December 2024

This portfolio invests solely into the Orbis Institutional Global Equity Fund

	Total[6]	United States	UK	Europe ex-UK[5]	Japan	Other[5]	Emerging markets
Net equities	98.1	54.0	11.1	10.4	4.4	3.3	15.0
Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market and cash	1.9	1.3	0.2	0.1	0.0	0.0	0.4
Total (%)[6]	**100.0**	**55.3**	**11.2**	**10.5**	**4.4**	**3.3**	**15.4**
Currency exposure	100.0	53.8	6.2	9.5	14.5	8.1	7.9
Benchmark	100.0	73.9	3.4	11.5	5.4	5.8	0.0

Portfolio information on 31 December 2024

Assets under management	R1 101m

1. The returns prior to 1 April 2015 are those of the Allan Gray Life-Orbis Global Equity Portfolio since its inception on 18 May 2004. The Investor Class Fee was levied in the underlying Orbis Global Equity Fund.
2. The benchmark prior to 1 April 2015 was that of the Allan Gray Life-Orbis Global Equity Portfolio which was the FTSE World Index, including income.
3. MSCI World Index, with net dividends reinvested.
4. 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.
5. Refers to developed markets only.
6. There may be slight discrepancies in the totals due to rounding.

Top 10 share holdings on 31 December 2024 (updated quarterly)

Company	% of portfolio
QXO	7.2
Corpay	5.6
Alphabet	4.6
Interactive Brokers Group	4.3
UnitedHealth Group	3.9
Nintendo	3.6
Elevance Health	3.6
Global Payments	2.8
RXO	2.8
RenaissanceRe Holdings	2.6
Total (%)[6]	**41.0**

Issued: 10 January 2025

Fund manager quarterly commentary as at 31 December 2024

The difference in long-term shareholder value creation between an average or even top quartile CEO and a top 1% CEO can defy the imagination. Few examples provide a more vivid illustration than Howmet Aerospace, which we owned in the Portfolio almost continuously from 2013 until this most recent quarter.

For the first five years of our investment, the company languished and badly underperformed the market, suffering from a lack of price and cost discipline, terrible capital allocation, poor investor communication, corporate governance challenges, and a revolving door of CEOs. Finally, in early 2019, Howmet installed John Plant as CEO.

Upon taking the helm at Howmet, John moved with breakneck speed, spinning off and selling non-core businesses, instilling commercial discipline across the organisation to ensure the company was fairly compensated for the value it delivered to customers, simplifying the organisational structure and eliminating layers of management, removing structural costs, driving operational focus, and reinvesting in those areas where the company was most competitively advantaged.

Now, nearly six years later, the results have been extraordinary. Howmet shares have outperformed their aerospace peers and the US market by a wide margin – and John's transformation of the company will rightly go down in the annals of corporate history as one of the greatest industrial turnarounds of the last several decades.

Most notably, John achieved these results during a period of unprecedented challenges in the commercial aerospace market and with the same assets as his predecessors – he simply was much more effective.

CEO talent is a necessary ingredient for such extraordinary achievement but is usually insufficient without the right motivation. Ideally, the largest dose of such motivation is intrinsic – but financial incentives matter a lot, and often more than we want to admit. Great CEOs, like great investors, are hungry to eat their own cooking and will seek opportunities that allow them to participate meaningfully in the value they create. Today, John's ownership stake in Howmet is worth approximately US$400 million. For shareholders, this should be a cause for celebration – but is exactly the sort of outcome that many corporate boards seek to avoid because of the ire it can draw from proxy advisers and passive investors who are often more focused on the absolute dollar value of management compensation than value-for-money.

Our preference, therefore, is to avoid the problem altogether by investing alongside principals like John. Our experience has been that a top 1% talent with a meaningful ownership interest in the business is an extraordinarily powerful force for long-term shareholder value creation. Of course, these opportunities are rare – and even less likely to be undiscovered by other investors – so we have to make the most of them when they come along. Fortunately, the vast US market provides a fertile hunting ground, and we are pleased that a substantial portion of the Portfolio's US holdings today fall into this bucket.

Last quarter, we wrote in detail about Brad Jacobs and our investment in QXO. In our view, Brad is the quintessential top 1% owner-entrepreneur, and our investments in his companies today (QXO, RXO, GXO and XPO) represent about 15% of the Portfolio. Other US companies that we believe fall into this category include Interactive Brokers (Thomas Peterffy and Milan Galik, 4% of the Portfolio), Motorola Solutions (Greg Brown, 1% of the Portfolio) and Corpay (Ron Clarke, 6% of the Portfolio). Collectively, these stocks represent more than a quarter of the Portfolio today and about half of the Portfolio's US exposure.

Of these positions, Corpay – now the Portfolio's second largest holding – is worth a closer look. Chairman and CEO Ron Clarke, who built the company over the last 20+ years, owns about 5% of the shares, and we have high conviction that he is very much a top 1% CEO.

Corpay helps other companies manage their expenses and pay their vendors. Under Ron's leadership, long-term results have been stunning, with 10%+ revenue growth, 30% returns on equity and 20% earnings per share growth. These metrics put Corpay in a rarified group – only a small handful of well-loved, celebrated businesses like Microsoft, Nvidia and Visa have achieved similar results over the last decade.

Despite these impressive attributes and track record of shareholder value creation, Corpay shares have lagged in recent years due to a confluence of short-term headwinds and investor fears about potential disruption in the company's fuel card business. Since 2021, shares have derated from about 22 times forward earnings to about 15 times, while the S&P 500's multiple has risen to 28 times forward earnings. Meanwhile, the likes of Microsoft, Nvidia, and Visa currently trade at 31 times, 31 times and 27 times forward earnings, respectively.

We believe this creates an unusually attractive opportunity. Indeed, not only do we expect recent headwinds to abate, but we see potential for revenue growth to accelerate above 10% over the next three to five years. Additionally, as with all great entrepreneurs, Ron is not simply drifting along with the tide but is instead continuously exploring new potential avenues of value creation.

It's not often that we can find a business with Corpay's superior fundamentals trading at a meaningful discount to the US market. It is even more unusual to find one that is also run by a top 1% owner-CEO like Ron Clarke.

Over the last quarter, we increased the Portfolio's position in Elevance Health and exited our positions in premium spirits manufacturer Diageo and Korea-based technology hardware company Samsung Electronics.

Adapted from a commentary contributed by Matt Adams, Orbis Investment Management (U.S.), L.P., San Francisco

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MSCI Index

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FTSE Russell Index

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