ALLAN GRAY

Fund managers: Allan Gray, Coronation, Nedgroup Investments, Ninety One
Inception date: 18 January 2019

Allan Gray Multi-Manager Cautious Portfolio

30 November 2024

Portfolio description and summary of investment policy

The Portfolio invests in the cautious mandates of a minimum of three managers, all of which are managed to comply with the investment limits governing retirement funds. The Allan Gray Stable 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 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

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 returns through different market cycles.

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
- Wish to diversify risk across multiple managers

Annual management fee

Each underlying manager charges a fee within their portfolio. Where performance fees are charged, this is based on the performance of the portfolio compared to its benchmark. The benchmarks of the underlying portfolios 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).

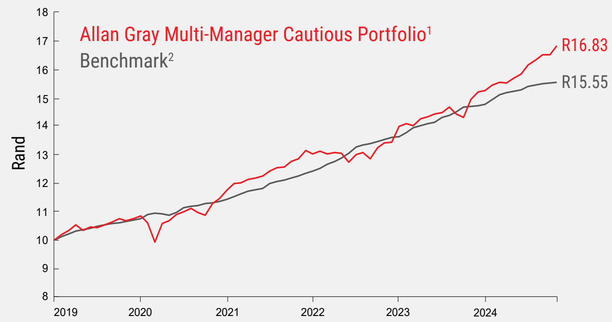
Underlying portfolio allocation on 30 November 2024

Portfolio	% of Portfolio
Allan Gray Stable Portfolio	29.0
Coronation Inflation Plus Portfolio	24.9
Ninety One Cautious Managed Portfolio	24.6
Nedgroup Investments Core Guarded Fund	19.6
Cash	2.0
Total	**100.0**

1. Performance is net of all fees and expenses.
2. Consumer Price Index, plus 3%, and was prorated from 18 January 2019 to 31 January 2019. The calculation methodology was amended in March 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 February 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 31 March 2020 to 31 May 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.

Performance net of all fees and expenses

Value of R10 invested at inception



% Returns	Portfolio[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	68.3	55.5
Annualised:		
Since inception (18 January 2019)	9.3	7.8
Latest 5 years	9.5	7.9
Latest 3 years	9.4	8.2
Latest 2 years	12.0	7.2
Latest 1 year	12.6	5.8
Year-to-date (not annualised)	10.7	5.6
Risk measures (since inception)		
Maximum drawdown[3]	-15.1	-0.7
Percentage positive months[4]	77.1	97.1
Annualised monthly volatility[5]	6.0	1.3

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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 4.3% and 14.4% (after fees) for the quarter and one-year period ending 30 September. It outperformed its benchmark, which returned 1.3% and 6.8% over the respective periods. It has also outperformed 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 changes across asset class categories. However, the local component of the Portfolio increased by approximately 1%. 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	1.6
British American Tobacco	1.3
FirstRand Bank	1.0
AB InBev	0.9
Standard Bank	0.9
Nedbank	0.6
Woolworths	0.6
Gold Fields	0.5
AngloGold Ashanti	0.5
Richemont	0.5
Total (%)	**8.3**

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

Asset allocation on 30 November 2024

Asset Class	Total	South Africa	Foreign
Net equities	33.3	14.5	18.7
Hedged equities	6.2	2.6	3.6
Property	1.4	1.0	0.4
Commodity-linked	1.7	1.5	0.2
Bonds	37.9	31.6	6.2
Money market, bank deposits and currency hedge	19.1	18.7	0.4
Other[6]	0.5	0.5	0.0
Total (%)	**100.0**	**70.5**	**29.5**

6. Hedge fund.

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024[9]	1yr %	3yr %
Total expense ratio[7]	**0.87**	**0.82**
Fee for benchmark performance	0.64	0.64
Performance fees	0.16	0.11
Other costs excluding transaction costs	0.07	0.07
Transaction costs[8]	**0.03**	**0.04**
Total investment charge	**0.90**	**0.86**

7. 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.
8. 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.
9. This estimate is based on information provided by the underlying managers.

Commentary from underlying fund managers as at 30 September 2024

Allan Gray Stable Portfolio

Local assets performed strongly following the formation of the new government of national unity (GNU) in June, and this performance continued into the third quarter. Year to date, local shares have returned 15.9% – as measured by the FTSE/JSE Capped SWIX – bonds have returned 16.7% and cash has returned 6.1%. Over this period, the Portfolio delivered a return of 8.3%. The Portfolio's local share and bond holdings helped boost year-to-date performance, as both asset classes have outperformed cash.

The Portfolio aims to generate returns superior to money market investments while maintaining a high degree of capital stability and minimising the risk of loss over any two-year period. Going into the election, the Portfolio was carefully positioned to achieve these objectives regardless of the outcome. An even higher allocation to risk assets would, of course, have delivered an even higher return, but this is easy to see in hindsight. While the national elections ultimately resulted in a market-friendly outcome, this was far from certain in the run-up to voting day. Even after the initial election results were declared, there was still much uncertainty about the form the ruling coalition would take.

Given the recent rally in South African assets following the announcement of the GNU, the Portfolio has taken some profits on both local shares and bonds. Short-term prospects for the South African consumer are looking better than a year ago, with the South African Reserve Bank cutting interest rates by 25 basis points (bps) over the quarter. Lower oil prices, probable further rate cuts and proceeds from the two-pot retirement reform will also put more money into the hands of consumers. Moreover, the reprieve in loadshedding has reduced non-productive expenditure which should improve revenue opportunities for local companies. Beyond these temporary tailwinds, however, we remain concerned about South Africa's growth prospects. Opposing ideologies between and within the GNU's coalition partners are likely to cause complications down the road and, in the meantime, South Africa still faces serious structural issues. These include the ongoing challenges at Eskom and Transnet, as well as deteriorating local government infrastructure. It is therefore possible that the recent enthusiasm, which has seen South Africa outperform many of its emerging market peers, has gotten ahead of itself. We carefully weigh up these considerations as we review the investment cases for local assets, and despite the broader structural concerns, we continue to find some compelling opportunities.

At yields of 8-9%, the return on local cash is currently attractive in real terms and, as a result, the Portfolio's cash balance has remained substantial over the quarter. In our view, cash is a valuable source of optionality, giving us the flexibility to take advantage of opportunities as they arise. The incremental return that can be earned on longer-dated bonds has narrowed considerably, making bonds a less attractive alternative. The Portfolio takes little credit risk, and its bond exposure is towards the shorter end of the curve.

The rand has strengthened in the months following the election, causing the Portfolio's foreign exposure to be a drag on performance. The same can be said for "rand-hedge" shares, such as Anheuser-Busch InBev. The Portfolio maintains a foreign exposure of 34%, with the ability to increase this up to 45%. Currently, most of the Portfolio's offshore allocation is invested in low-risk instruments such as cash or cash-like securities and hedged equities. The foreign component of the Portfolio remains a useful source of protection against negative developments in South Africa or a pullback in local asset prices.

Over the quarter, we added to our existing positions in inflation-linked bonds and Gold Fields and trimmed our exposure to Glencore.

Ninety One Cautious Managed Portfolio

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

Local government bonds were the largest driver of performance over the period, with inflation-linked bonds and floating-rate notes further adding to returns. Despite bond yields having come down materially over the quarter, they remain attractive relative to our inflation targets. This, together with a more positive outlook regarding the country's political landscape, saw us increase the Portfolio's exposure and duration. At quarter end, we held an allocation of around 26% in domestic government bonds in the belly of the curve, with a duration of 3.7 years and an accompanying yield of 9.8% for our fixed income component. We continue to believe that the best local risk-adjusted opportunity remains government bonds.

The Portfolio's domestic equity exposure also added value, with Discovery, British American Tobacco and the JSE 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. As at quarter end our allocation to domestic equities increased to just under 11%.

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.

Commentary from underlying fund managers as at 30 September 2024

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. We also added to positions in the Hong Kong Stock Exchange and London Stock Exchange 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 over 23% to global equities at quarter end.

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MSCI Index

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FTSE Russell Index

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