Allan Gray Life Global Stable Portfolio

30 June 2022

Portfolio objective and benchmark

This Portfolio is for risk-averse institutional investors. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray's risk-profiled range, this Portfolio has less risk of capital loss than the Balanced Portfolio. The benchmark is the Alexander Forbes 3-month Deposit Index plus 2% or CPI plus 3%.

Product profile

- Conservatively managed pooled portfolio.
- Investments selected from all asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest portfolio will be conservative.

Investment specifics

- This Portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- Performance based fee/Fixed fee.

Compliance with Prudential Investment Guidelines

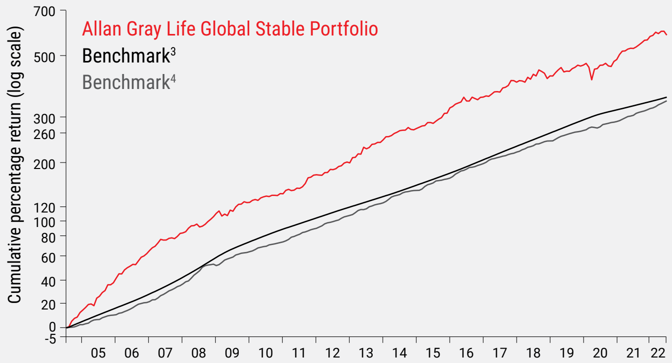
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 30 June 2022

Assets under management	R4 655m

Performance[1]

Cumulative performance since inception[5]



% Returns[2]	Portfolio	Benchmark[3]	Benchmark[4]
Since inception[5]	11.3	8.8	8.7
Latest 10 years	9.2	7.9	8.3
Latest 5 years	7.8	7.6	7.7
Latest 3 years	8.2	6.6	7.7
Latest 2 years	10.4	5.7	8.9
Latest 1 year	9.1	5.8	10.0
Latest 3 months	-1.0	1.5	2.7

Asset allocation on 30 June 2022

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	35.2	25.8	1.7	7.7
Hedged equities	14.0	3.3	0.0	10.7
Property	1.0	0.8	0.0	0.2
Commodity-linked	3.1	2.4	0.0	0.7
Bonds	32.3	24.7	3.2	4.3
Money market and bank deposits	14.4	10.1	0.2[6]	4.1
Total (%)	**100.0**	**67.1**	**5.2**	**27.7**

1. Performance gross of local fees, net of foreign fees.
2. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 June 2022.
3. Alexander Forbes 3-month Deposit Index plus 2%.
4. CPI plus 3%. The return for June 2022 is an estimate.
5. Since alignment date (1 August 2004).
6. Including currency hedges.
7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Includes holding in Prosus N.V.,if applicable.

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

Top 10 share holdings on 30 June 2022 (SA and Foreign) (updated quarterly)[7]

Company	% of Portfolio
British American Tobacco	2.6
Glencore	2.4
Naspers[8]	1.9
Sasol	1.7
Nedbank	1.6
Standard Bank	1.5
Woolworths	1.2
Remgro	1.1
AB InBev	1.1
Sibanye-Stillwater	1.1
Total (%)	**16.1**

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Fund manager quarterly commentary as at 30 June 2022

If Russia's invasion of Ukraine had the most profound impact on financial markets in the first quarter of the year, the second quarter was in turn defined by coordinated central bank action to combat rising and persistent inflation. The US Federal Reserve hiked rates by the largest margin in almost three decades, the Bank of England delivered its fifth increase in a row and the usually slow-to-react European Central Bank signalled an end to quantitative easing and the beginning of interest rate increases from July onwards. Closer to home, the South African Reserve Bank delivered its steepest increase since 2016.

It is often cited that Russia's actions, together with the ongoing supply chain disruptions and Chinese lockdowns, are the proximate causes for this inflationary impulse, but in reality the seeds were sown prior to these events. Greater protectionism, prolonged underinvestment in traditional energy infrastructure and the massive monetary and fiscal stimulus embarked upon in response to the pandemic are all inflationary by nature. Interest rate increases may well take the steam out of demand but will have little impact on long-standing supply-side imbalances.

The backdrop of rapidly tightening monetary policy has proved a difficult one for the performance of risk assets, with fears that rising rates will curb growth and ultimately spark a recession. Most exposed globally have been the previously high-flying technology shares, whose values sit further out into the future, where higher rates have an outsized impact. Year to date, the S&P 500 has returned -20.0%, the MSCI World Index -20.5% and the FTSE World Government Bond Index -14.8%.

Local inflation has lagged that of developed and emerging market peers by virtue of a limited pandemic stimulus response and continued pedestrian economic growth. While South African assets have performed comparatively better than their global counterparts, they have not been immune to global pressures, with the FTSE/JSE All Share Index returning -8.3% (-10.9% in US dollars) and the FTSE/JSE All Bond Index returning -1.9% (-4.7% in US dollars) year to date. The Portfolio's 0.8% year-to-date return should be viewed in this context.

The Portfolio retains the relatively high net equity weight that has served it well, with a preference for locally listed shares over offshore stocks. This is informed by valuations that remain attractive, and in some instances underlying company fundamentals have been positively impacted by recent events (e.g. Sasol, via the oil price, and domestic banks, owing to the endowment effect). The largest offshore weight is to hedged equities, which have contributed to overall return year to date. In general, exposure to equities provides greater inflation protection than cash or bonds over longer time periods, particularly when starting valuations are undemanding. It could be argued that local government bonds are in a not dissimilar position, given their high absolute and relative yields, with a risk premium (e.g. from an inflation overshoot) already factored into their price.

During the quarter, the Portfolio added to its positions in BHP, Gold Fields and Tiger Brands and reduced its exposure to Fortress A and Northam Platinum.

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Past performance is not indicative of future performance.

FTSE/JSE All Share Index and FTSE/JSE All Bond Index

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MSCI Index

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FTSE Russell Index

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