AllanGray

Inception date: 1 August 2015

Allan Gray Life Global Balanced (RRF) Portfolio

31 January 2024

Portfolio objective and benchmark

This Portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this Portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute Portfolio. The benchmark is the mean performance of the large managers as surveyed by consulting actuaries.

Product profile

- Actively 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.
- Represents Allan Gray's 'houseview' for a global balanced mandate.

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.
- The Base Refundable Reserve Fee is levied on the Orbis funds.

Compliance with Prudential Investment Guidelines

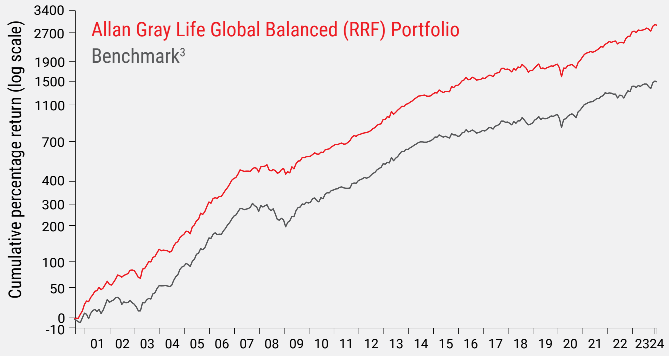
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory 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 31 January 2024

Assets under management	R29 833m

Performance[1,2]

Cumulative performance since inception



% Returns[2,4]	Portfolio[1]	Benchmark[3]
Since inception	15.6	12.4
Latest 10 years	9.5	8.1
Latest 5 years	11.0	10.0
Latest 3 years	13.1	10.3
Latest 2 years	10.9	6.9
Latest 1 year	7.9	5.3
Latest 3 months	7.0	8.2

Asset allocation on 31 January 2024[5]

Asset class	Total	South Africa	Foreign
Net equities	65.0	39.5	25.5
Hedged equities	12.9	2.5	10.4
Property	1.1	0.5	0.6
Commodity-linked	2.5	2.5	0.0
Bonds	11.4	8.1	3.2
Money market and bank deposits[6]	7.1	4.8	2.4
Total (%)	**100.0**	**57.9**	**42.1**

1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
2. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its inception on 31 August 2000. The Investor Class Fee was levied in the underlying Orbis funds.
3. Mean of Alexander Forbes Global Large Manager Watch. The return for January 2024 is an estimate.
4. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 January 2024.
5. Underlying holdings of foreign funds are included on a look-through basis.
6. Including currency hedges.

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

Top 10 share holdings on 31 December 2023 (SA and Foreign) (updated quarterly)[5]

Company	% of portfolio
British American Tobacco	4.3
AB InBev	3.9
Glencore	2.7
Naspers & Prosus	2.4
Mondi	2.2
Woolworths	2.1
Nedbank	1.9
Standard Bank	1.9
Remgro	1.7
Sasol	1.4
Total (%)	**24.3**

Fund manager quarterly commentary as at 31 December 2023

2023 was another year full of surprising and unpredictable events. Most notably, in our opinion, global markets continue to be dominated by the announcements and actions of central banks, and expectations around those actions, rather than fundamentals. In 2022, as global inflation spiked and central banks responded by hiking interest rates, we saw a considerable sell-off in speculative, long-duration and leveraged assets, as the era of "easy money" appeared to be over. As inflation tapered during the course of 2023, and central banks have begun to signal an end to rate hiking and possible rate cuts, many of these assets have rebounded sharply:

- After selling off in 2022, global equity markets rebounded and were once again dominated by US stocks, and in particular large-cap US technology stocks. For the year ending 31 December 2023, the MSCI World Index was up 24%, the S&P 500 up 26% and the Nasdaq up 45% – in US dollars. The largest US stocks (Apple, Alphabet, Meta, Microsoft, Tesla, Nvidia and Amazon) have come to be known as the "magnificent seven", and in 2023, magnificent they were. The "worst" performing of the group was Apple, up 49%, while the best, Nvidia, buoyed by the excitement around artificial intelligence and the related demand for their chips, was up over 200%. In absolute terms, the market value of Nvidia increased by over US$800bn.
- Cryptocurrencies have also seen a resurgence. After being down over 64% in 2022, Bitcoin has bounced more than 160% to end the year at US$42 085. Remarkably, that is still below where it began in 2022. This mathematical fact highlights how important avoiding large losses is to successful long-term investing. If you buy something that subsequently halves in value, you need it to increase by 100% to get your money back. In this particular case, Bitcoin speculators who bought on 31 December 2021 need to see a price recovery of 178% from 31 December 2022 to get their money back in nominal terms.
- One asset class that hasn't seen as strong a recovery is the bond market. At the end of 2020, at the peak of the "easy money" era, there were roughly US$18tn of negative-yielding bonds. That is to say, at that point in the market cycle, there was US$18tn of debt where lenders were paying borrowers to borrow money from them! As interest rates began increasing in 2021 and increased further through 2022, bondholders began to suffer. The J.P. Morgan Global Government Bond Index fell by 6.5% in 2021 and a further 17.2% in 2022. It has failed to recover meaningfully in 2023, returning 4.0%. Those who held long-duration "safe-haven" developed market bonds have fared much worse. In 2022, investors in US and UK 30-year bonds lost a third and half of their investments, respectively – only to see further declines in prices during the course of 2023, with a marginal recovery by year end.

Domestically, the economic environment remains challenging, dominated by poor sentiment and record levels of loadshedding. It is not surprising that we have not seen the same resurgence in asset prices:

- In rands, the FTSE/JSE Capped SWIX All Share Index generated a return of 7.9% in 2023, which equates to a decline of 1.1% in US dollars, given persistent rand weakness. Within that though, there has been a large divergence in individual sector and stock performance. By way of example, within the precious metals sector, Harmony Gold has returned 105% for the year, while Impala Platinum fell by 55%, including dividends.
- The FTSE/JSE All Bond Index has fared slightly better, generating a return of 9.7% in rands and 0.6% in US dollars. Somewhat surprisingly, given the economic landscape, growing government debt and fiscal deficits, the yield on 10-year bonds has strengthened marginally from 11.1% at the start of 2023 to 10.9% at the end of the year.

In this environment, the Portfolio returned 5.4% for the fourth quarter of 2023 and 14.5% for the 2023 calendar year. This compares with benchmark[1] returns of 7.0% for the quarter and 13.5% for the year. Over three years, the Portfolio has delivered an annualised return of 14.8%, compared with 11.9% for the benchmark and inflation of 6.1%.

As we look to 2024 and beyond, what should we expect of inflation, and how this may impact central banks' behaviour, interest rates and market returns?

In short: We don't know. Our only expectation is that events are likely to surprise us, and surprise us in how the market reacts. We navigate this uncertainty by being patient and disciplined, and striving to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour, with a large margin of safety and the knowledge that we won't always get it right.

During the quarter, the Portfolio bought South32 and AB InBev and sold Glencore and Standard Bank.

One other notable event that occurred in the final quarter of 2023 was the passing of Charlie Munger, aged 99. Warren Buffett's right-hand man, Charlie, was renowned for his investment acumen, common sense and "worldly wisdom". A remarkable man, Charlie never shied from sharing his opinion on a variety of topics, often with biting bluntness. On the topics of inflation, forecasting and probabilities, we think Charlie said it best:

"I remember the US$0.05 hamburger and a US$0.40-per-hour minimum wage, so I've seen a tremendous amount of inflation in my lifetime. Did it ruin the investment climate? I think not."

"People have always had this craving to have someone tell them the future. Long ago, kings would hire people to read sheep guts. There's always been a market for people who pretend to know the future. Listening to today's forecasters is just as crazy as when the king hired the guy to look at the sheep guts."

"If you don't get this elementary, but mildly unnatural, mathematics of elementary probability into your repertoire, then you go through a long life like a one-legged man in an *ss-kicking contest."

The investment world is a little less wise without Charlie in it.

Adapted from a commentary contributed by Rory Kutisker-Jacobson

1. Mean of Alexander Forbes Global Large Manager Watch

Important information for investors

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.

Allan Gray Life Ltd is a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017.

Past performance is not indicative of future performance.

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

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

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

J.P. Morgan Index

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2024, J.P. Morgan Chase & Co. All rights reserved.

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**