

### 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 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. 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 75%. 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. 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 create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the benchmark without assuming any more risk. The Portfolio's benchmark is a composite benchmark that comprises indices that reflect the Portfolio's mandate.

### How we aim to achieve the Portfolio's objective

We seek to buy shares at a 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 increase the Portfolio's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Portfolio's stock market exposure. By varying the Portfolio's exposure to these different asset classes over time, we seek to enhance the Portfolio's long-term returns and to manage its risk. The Portfolio's bond and money market investments are actively managed.

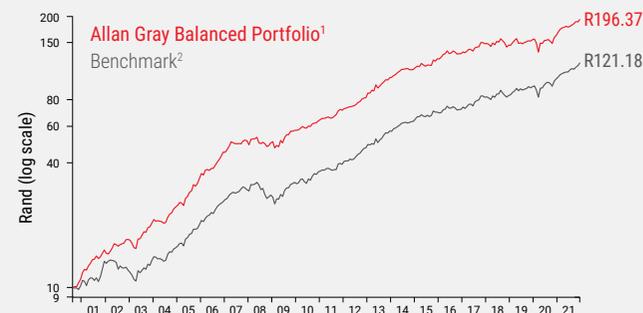
### Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Balanced (RRF) Portfolio. When assessing the Portfolio's performance and risk measures over time, including for periods before its inception (5 April 2017), the returns of the Allan Gray Life Global Balanced (RRF) Portfolio and the Allan Gray Life Global Balanced Portfolio can be used. When this data is combined, investors can get a view of the performance and risk measures of the strategy over the long term.

\*The blended returns are calculated by Allan Gray Proprietary Limited using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "AS IS" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilizing any MSCI Data, models, analytics or other materials or information.

### Performance net of all fees and expenses

Value of R10 invested at alignment



1. The returns prior to 5 April 2017 are those of the Allan Gray Life Global Balanced (RRF) Portfolio since its inception on 1 August 2015. The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its alignment on 1 September 2000. The returns shown are net of the fees that would have been incurred had the current fee been applied since alignment.

2. 47% FTSE/JSE Capped Shareholder Weighted All Share Index including income, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index including income and 12% J.P. Morgan GBI Global Index. From inception to 30 June 2018 the benchmark was 50% FTSE/JSE All Share Index, 15% FTSE/JSE All Bond Index, 10% Alexander Forbes 3-month Deposit Index, 15% MSCI All Country World Index and 10% J.P. Morgan GBI Global Index. Source: IRESS, Bloomberg, performance as calculated by Allan Gray as at 31 December 2021.\*

3. This is based on the latest numbers published by IRESS as at 30 November 2021.

4. Maximum percentage decline over any period. The maximum drawdown occurred from 17 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 19 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Portfolio/ benchmark (i.e. including income).

5. The percentage of calendar months in which the Portfolio produced a positive monthly return since inception.

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 30 April 2006. 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 30 April 2003. All rolling 12-month figures for the Portfolio and the benchmark are available from our Client Service Centre on request.

| % Returns                                  | Portfolio <sup>1</sup> | Benchmark <sup>2</sup> | CPI inflation <sup>3</sup> |
|--|------------------------|------------------------|----------------------------|
| <b>Cumulative:</b>                         |                        |                        |                            |
| Since alignment (1 September 2000)         | 1863.7                 | 1111.8                 | 206.5                      |
| <b>Annualised:</b>                         |                        |                        |                            |
| Since alignment (1 September 2000)         | 15.0                   | 12.4                   | 5.4                        |
| Latest 10 years                            | 10.6                   | 11.9                   | 5.0                        |
| Latest 5 years                             | 7.9                    | 10.9                   | 4.4                        |
| Latest 3 years                             | 10.1                   | 12.9                   | 4.1                        |
| Latest 2 years                             | 12.1                   | 14.3                   | 4.3                        |
| Latest 1 year                              | 19.9                   | 19.7                   | 5.5                        |
| Year-to-date (not annualised)              | 19.9                   | 19.7                   | 5.5                        |
| <b>Risk measures (since alignment)</b>     |                        |                        |                            |
| Maximum drawdown <sup>4</sup>              | -23.5                  | -24.8                  | n/a                        |
| Percentage positive months <sup>5</sup>    | 68.8                   | 66.0                   | n/a                        |
| Annualised monthly volatility <sup>6</sup> | 9.3                    | 9.9                    | n/a                        |
| Highest annual return <sup>7</sup>         | 49.0                   | 39.3                   | n/a                        |
| Lowest annual return <sup>7</sup>          | -12.2                  | -20.3                  | n/a                        |

### Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss but typically less than that of an equity fund
- Wish to invest in a portfolio that complies with retirement fund investment limits
- Typically have an investment horizon of at least three years

### Annual management fee

Allan Gray charges a fee based on the net asset value of the Portfolio excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Portfolio's total performance for the day, to that of the benchmark. This fee is presently exempt from VAT.

Fee for performance equal to the Portfolio's benchmark: 0.50% p.a.

For each percentage of daily performance above or below the benchmark we add or deduct 0.2%, subject to the following limits:

**Maximum fee:** 2.00% p.a. excl. VAT

**Minimum fee:** 0.50% p.a. excl. VAT

To the extent that the fee calculated exceeds the maximum fee or falls short of the minimum fee, the monetary excess or shortfall will be carried forward to the next day. Any excess or shortfall carried forward from previous day(s) will be added or subtracted to determine the fee payable.

A portion of the Portfolio may be invested in Orbis funds which are levied performance-based fees by Orbis. 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 2021 (SA and Foreign) (updated quarterly)<sup>9</sup>

| Company                  | % of portfolio |
|--------------------------|----------------|
| British American Tobacco | 6.5            |
| Naspers <sup>8</sup>     | 5.7            |
| Glencore                 | 4.8            |
| Woolworths               | 2.4            |
| Nedbank                  | 2.2            |
| Sasol                    | 2.1            |
| Remgro                   | 2.1            |
| Standard Bank            | 2.1            |
| AB InBev                 | 2.1            |
| Sibanye-Stillwater       | 1.9            |
| <b>Total (%)</b>         | <b>31.8</b>    |

8. Includes holding in Prosus N.V., if applicable.

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

|         |                       |
|---------|-----------------------|
| Minimum | (February 2020) 59.8% |
| Average | 63.5%                 |
| Maximum | (July 2021) 67.9%     |

### Asset allocation on 31 December 2021<sup>9</sup>

| Asset Class                    | Total        | South Africa | Africa ex-SA | Foreign ex-Africa        |
|--------------------------------|--------------|--------------|--------------|--------------------------|
| Net equities                   | 66.9         | 51.3         | 1.7          | 14.0                     |
| Hedged equities                | 11.7         | 2.6          | 0.0          | 9.1                      |
| Property                       | 0.9          | 0.9          | 0.0          | 0.1                      |
| Commodity-linked               | 2.4          | 2.3          | 0.0          | 0.1                      |
| Bonds                          | 11.6         | 9.5          | 1.2          | 0.9                      |
| Money market and bank deposits | 6.5          | 3.7          | 0.3          | 2.5                      |
| <b>Total (%)</b>               | <b>100.0</b> | <b>70.2</b>  | <b>3.2</b>   | <b>26.6<sup>10</sup></b> |

9. Underlying holdings of Orbis funds are included on a look-through basis.

10. The Portfolio can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements 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

| TER and Transaction costs breakdown for the 1- and 3-year period ending 31 December 2021 | 1yr %       | 3yr %       |
|--|-------------|-------------|
| <b>Total expense ratio<sup>11</sup></b>  | <b>0.57</b> | <b>0.57</b> |
| Fee for benchmark performance  | 0.53        | 0.53        |
| Performance fees   | 0.00        | 0.00        |
| Other costs excluding transaction costs  | 0.04        | 0.04        |
| <b>Transaction costs (including VAT)<sup>12</sup></b>                                    | <b>0.08</b> | <b>0.09</b> |
| <b>Total investment charge</b>   | <b>0.65</b> | <b>0.66</b> |

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.

The Portfolio returned 5.1% for the quarter and 20.3% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

We remain significantly underweight US equities, which make up over 60% of the MSCI World Index. Instead, we find depressed European, UK, and emerging market equities more attractive. Although this has hurt relative returns in the short term, we find the valuation disparity compelling. We continue to own no long-dated developed world sovereign bonds and rather have a position in gold. The Portfolio has been increasingly tilted towards managing the risks that may arise from higher realised global inflation and interest rates.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity weighting that is greater than usual, as well as a high allocation to local bonds. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen equity positions. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares

in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount to its underlying investments. Indeed, the discount climbed as high as 38% during 2021. Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have been increasing our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Portfolio. The positions in British American Tobacco and AB InBev should be considered within this context.

We remain as focused on thinking about and managing risk in the Portfolio as we are on generating real long-term returns.

### **Portfolio manager quarterly commentary as at 31 December 2021**

© 2022 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 Balanced 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.

### J.P. Morgan GBI Global 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 2022, J.P. Morgan Chase & Co. All rights 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.

### 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 the 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 the 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 the FTSE/JSE All Bond 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](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**