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

Allan Gray Multi-Manager Cautious Portfolio

30 November 2021

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 35% (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 2021

Portfolio	% of Portfolio
Allan Gray Stable Portfolio	29.3
Coronation Inflation Plus Portfolio	24.5
Ninety-One Cautious Managed Portfolio	24.5
Nedgroup Investments Core Guarded Fund	19.7
Cash	2.0
Total	**100.0**

1. Performance is net of all fees and expenses.
2. Consumer price Index, plus 3 was prorated from 18 January 2019 to 31 January 2019.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. Includes holding in stub certificates or Prosus N.V., if applicable.

Performance as at 30 November 2021

% Returns	Fund[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	28.6	22.9
Annualised:		
Since inception (18 January 2019)	9.2	7.7
Latest 2 years	9.7	7.2
Latest 1 year	14.0	8.2
Year-to-date (not annualised)	12.3	7.8
Risk measures (since inception)		
Maximum drawdown[3]	-15.1	-0.6
Percentage positive months[4]	79.4	94.1
Annualised monthly volatility[5]	6.9	1.3

Top 10 share holdings on 30 September 2021 (updated quarterly)

Company	% of Portfolio
Naspers[6]	2.0
British American Tobacco	1.5
FirstRand	1.0
Glencore	0.9
Anglo American	0.8
Standard Bank	0.8
Nedbank	0.6
Aspen	0.5
Growthpoint	0.5
AB InBev	0.5
Total (%)	**9.2**

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

Tel 0860 000 654 or +27 (0)21 415 2301 **Fax** 0860 000 655 or +27 (0)21 415 2492 **Email** info@allangray.co.za **www.allangray.co.za**

Quarterly commentary as at 30 September 2021

The global recovery continued during the third quarter, aided by higher vaccination rates in developed markets. However, this was somewhat muted by waves of COVID-19 infections spread by the Delta variant and continued disruptions of global supply chains resulting in stock shortages. These supply constraints, along with higher energy costs, higher wages and "easy" money, have been catalysts for higher inflation. In August, inflation in the world's largest economy, the United States, reached 5.3%. The rhetoric that inflation is transitory is starting to wane as the US Federal Reserve Board has been communicating that it is likely to start tapering its bond-buying programme in November. Bond markets are starting to price in an end to the stimulatory monetary policy.

The South African government responded to the third COVID-19 wave with increased restrictions on mobility. Along with the rioting and looting in July in KwaZulu-Natal, it caused a slowdown of economic activity. However, the economy is now back on the mend. While China's slowdown will have an adverse impact on exports, the current account of the balance of payments should remain in surplus into next year, which will help to stabilise the rand. With increasing mobility there has been a notable recovery in tourism and dining out. South Africa too has experienced a surge in inflation. The August CPI was 4.9% with the biggest drivers continuing to be fuel and food prices. The South African Reserve Bank's (SARB's) repo rate of 3.5% was left unchanged at the September Monetary Policy Committee meeting. The SARB narrative has turned more hawkish as they are likely to join other central banks in responding to higher inflation by increasing rates. While our fiscal deficit has benefited from higher commodity prices, it is still unsustainably large. The Treasury has indicated that its longer-term planning will assume that the present commodity windfall will not last.

The FTSE/JSE Capped SWIX returned 3.9% in rand terms during the third quarter, bringing the year-to-date return to 16.9%. Financials was the best performing sector for the quarter, up 13.2%, driven by the continued improvement in bank earnings and a faster than expected recovery in bad debts. Industrials declined by 4.3% which was dragged down by the index's largest constituent Naspers. Resources returned -3.6% as global growth concerns and commodity price pressures impacted several stocks. The rand ended the quarter 5.4% weaker against the US dollar. The FTSE/JSE All Bond Index was down 2.1% over September, bringing its return for the quarter to 0.4% and 12.5% over the last 12 months. Inflation-linked bonds performed significantly better, as real yields held in despite the sell-off in nominal bonds.

The Portfolio returned 2.4% for the quarter and 14.4% for the year (after fees) – ahead of its CPI+3% benchmark. Total net equity exposure of 37% remains close to the upper limit of 40%, which is indicative of the underlying managers' views of where future returns are likely to come from. Local bond and cash exposure remains significant at 35% and 15.5% respectively. Ninety One holds 46% in local bonds, whereas Nedgroup holds approximately 22%, in line with its long-term strategic asset allocation, but a sizeable 30% in cash. During the quarter, Sibanye-Stillwater fell out of the top 10 local equities and has been replaced by Aspen.

The underlying managers continue to deploy different strategies to preserve capital over the shorter term, while aiming to outperform inflation plus 3% over the medium to long term. Commentaries from two of the underlying fund managers follow, reflecting their views.

Commentary contributed by Shaheed Mohamed

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1-year period ending 30 September 2021	1yr %[11,12]
Total expense ratio[9]	**0.95**
Fee for benchmark performance	0.60
Performance fees	0.25
Other costs excluding transaction costs	0.10
Transaction costs[10]	**0.05**
Total investment charge	**1.00**

9. 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.
10. 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.
11. Since inception of the Portfolio on 18 January 2019.
12. This estimate is based on information provided by the underlying managers.

Asset allocation on 30 November 2021

Asset Class	Total	South Africa	Foreign
Net equities	38.3	20.5	17.7
Hedged equities	4.1	1.4	2.7
Property	2.7	2.3	0.4
Commodity-linked	1.9	1.6	0.3
Bonds	38.1	34.4	3.7
Money market and bank deposits	15.0	12.7	2.3
Total (%)	**100.0**	**72.9**	**27.1**

Tel 0860 000 654 or +27 (0)21 415 2301 **Fax** 0860 000 655 or +27 (0)21 415 2492 **Email** info@allangray.co.za **www.allangray.co.za**

Commentary from underlying fund managers as at 30 September 2021

Allan Gray Stable Portfolio

The Portfolio continued its respectable recent run in the third quarter, adding 3.8% and taking the year-to-date return to 11.7%. The Portfolio has maintained its relatively high equity weighting (as viewed against the 40% maximum), with stock selection contributing positively to performance over the period.

Holdings in Glencore and Sasol were among the Portfolio's largest contributors to returns this quarter. We have preferred Glencore over the other large, diversified miners for some time given our cautious view on iron ore versus a more favourable outlook for base metals, to which Glencore is heavily exposed. Following the Chinese government's interventions in the market, the iron ore price has almost halved since June; however, it remains above what we consider a fair long-term level. As the world's largest producer of thermal coal for export, Glencore is also benefiting from the surge in energy prices globally, as a recovery in demand meets relatively stagnant supply. There is a possibility that this will continue as we head into the Northern Hemisphere winter, with suppliers either unwilling or unable to fulfil demand.

While this period of elevated prices may have one-off positive implications for Glencore in terms of shareholder returns, it has made a more permanent impact on Sasol, allowing the company to repair its previously precarious debt position, leading to a rerating in the share price. With a lower debt burden and capital expenditure profile going forward, Sasol is better positioned to generate cash flow sustainably and resume dividends, even at lower oil prices. Continuing the recovery theme, Portfolio positions in companies exposed to the local economy, such as Old Mutual, Standard Bank and Remgro, among others, have also aided performance, with reported results proving less dire than market participants feared a year ago. We continue to find value in local financial and industrial counters.

Disappointingly for South African investors, the crackdowns on the Chinese technology and gaming sectors have had a material impact on Tencent, and in turn Naspers/Prosus. Although Tencent remains a good business, we have reduced our estimate of its long-term intrinsic value and have decreased the Portfolio's weighting to Naspers/Prosus slightly. Within fixed income, our local debt market has not been immune to the increased amount of taper talk coming out of most major central banks – in other words, the incremental reversal of quantitative easing strategies as their economies recover. This has implications for emerging markets such as ours, particularly given our reliance on foreign investor flows. Already-high levels of negative sentiment, plus a record current account surplus, albeit cyclical, will help cushion some of the impact. The Portfolio's offshore assets also mitigate part of this risk, benefiting from a weaker rand. We retain our preference for local bonds over cash and have increased duration marginally after the recent sell-off in yields.

Coronation Inflation Plus Portfolio

Over the past 12 months, the allocation to SA equity has been the biggest contributor to the Strategy's returns given its large exposure to this asset class, followed by the Strategy's holding in domestic bonds. During the quarter, we have increased the Strategy's exposure to emerging markets (via the Coronation Global Emerging Markets Strategy) following the sell-off in China tech stocks. Greater uncertainty means that a higher discount rate needs to be applied in valuing future anticipated cash flows from these businesses. However, many of these stocks have sold off heavily and are trading at attractive multiples, given what we still anticipate to be superior earnings growth profiles. We have been measured in our actions as we acknowledge that, while valuations are attractive, risks have also increased, and the range of outcomes could be wide.

After a very strong performance since building a meaningful position a year ago, we have also sold the Strategy's entire holding in Richemont. Our change in view stems from the fact that the company derives approximately 40% of its revenues from Chinese consumers. The move to common prosperity has uncertain implications for luxury goods purchases in China, but they are unlikely to be positive.

We continue to be cautious on most global asset classes. Developed market equities look finely priced, and government bonds will perform poorly if rates continue to rise. SA equities offer attractive value, particularly the global businesses that happen to be listed here. For this reason, our allocation to this asset class is relatively high. Domestic bonds continue to offer very attractive real yields, but one needs to be mindful of longer-term fiscal pressures that could impact returns.

The Strategy has delivered a resilient performance over the last year, comfortably meeting its mandate, despite uncertainty remaining high. This has been achieved by having a considered mix of income and growth assets and a judicious approach to instrument selection. We think the Strategy remains capable of delivering on its mandate over the medium term.

Important information for investors

Information and content

The information in and content of this publication 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 constitutes a solicitation, recommendation, endorsement or offer by Allan Gray, but 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 upon any information provided.

Disclaimer

The Allan Gray Multi-Manager Cautious 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 Limited, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray Proprietary Limited (the 'Investment Manager'), an authorised financial services provider, is Allan Gray Life's appointed investment manager.

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 (the FTSE/JSE indices) are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE Indices are the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Indices' values and constituent lists 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.

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**