ALLAN GRAY

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

Allan Gray Multi-Manager Cautious Portfolio

29 February 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).

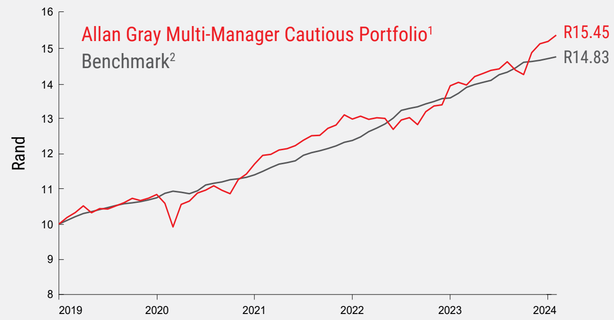
Underlying portfolio allocation on 29 February 2024

Portfolio	% of Portfolio
Allan Gray Stable Portfolio	29.1
Coronation Inflation Plus Portfolio	24.9
Ninety-One Cautious Managed Portfolio	24.8
Nedgroup Investments Core Guarded Fund	19.3
Cash	2.0
Total	**100.0**

1. Performance is net of all fees and expenses.
2. Consumer Price Index, plus 3% and has been 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 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)	54.5	48.3
Annualised:		
Since inception (18 January 2019)	8.9	8.0
Latest 5 years	8.7	8.0
Latest 3 years	8.8	8.8
Latest 2 years	8.5	8.8
Latest 1 year	9.7	7.6
Year-to-date (not annualised)	1.6	0.7
Risk measures (since inception)		
Maximum drawdown[3]	-15.1	-0.6
Percentage positive months[4]	75.4	96.7
Annualised monthly volatility[5]	6.3	1.4

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Quarterly commentary as at 31 December 2023

Inflation continues to decline globally. There is a high expectation of interest rate cuts in 2024 and this was seen as the reason for the market rally towards the end of 2023.

The growth in the US economy in 2023 contradicted the recession expectations at the beginning of the year. The growth in GDP of 5.2% experienced in Q3 2023 was the fastest expansion in approximately two years. It was cited that consumer spending, declining inflation (down to 3.1% in November from 3.7% in September), as well as increased employment numbers were the major supporters of this growth. The Federal Reserve (the Fed) kept the interest rate unchanged for a third consecutive meeting, keeping the federal funds rate target range at 5.25-5.5%. Given the improved inflation numbers, it is anticipated that this will provide an opportunity for rate cuts in 2024.

In China, growth prospects remain muted with the property market crisis, local government debt fears and global geopolitical tensions mentioned in our previous commentary being the contributors. The manufacturing Purchasing Managers' Index (PMI) fell to below 50 in November, indicating further contraction of the sector. It is expected that further government support will be required to turn around growth fortunes.

Annual inflation in South Africa was 5.1% at the end of December. This was a decrease from November year-on-year inflation of 5.5% and it represented an approximate reduction of 2% when compared to the December 2022 figure. The South African Reserve Bank's (SARB's) Monetary Policy Committee left the repo rate unchanged at 8.25% at their meeting in November 2023. They maintained that at this rate, policy remains restrictive, consistent with elevated inflation expectations. Economic growth is expected to be slow due to energy supply issues and logistical constraints, which impact the ports. The FTSE/JSE Capped Shareholder Weighted All Share Index ("Capped SWIX") recovered in the fourth quarter, returning 8.2% in rand terms for Q4. The financials sector contributed 11.8% while industrials and resources contributed 5.9% and 3% over the same period respectively. While the Capped SWIX returned 7.9% over the year, this translated to -1.1% in US dollar terms because of the weakness of the rand. This was a significant underperformance relative to the MSCI All Country World Index (MSCI ACWI).

The Portfolio returned 5.2% and 13.1 %, after fees, for the quarter and the year respectively. The Portfolio outperformed the benchmark which returned 1.4% and 8% for the respective periods.

Over the fourth quarter, there were no changes to the composition of the top 10 local equity holdings. There was a decrease across the bond asset category with the equity asset category gaining the most.

Commentary contributed by Tonderai Makeke

Top 10 share holdings on 31 December 2023 (updated quarterly)

Company	% of Portfolio
Naspers & Prosus	1.2
British American Tobacco	1.2
AB InBev	0.8
FirstRand	0.8
Standard Bank	0.8
Nedbank	0.6
Compagnie Financiere Richemont SA	0.5
Mondi	0.5
Glencore	0.5
Woolworths	0.5
Total (%)	**7.3**

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

Asset allocation on 29 February 2024

Asset Class	Total	South Africa	Foreign
Net equities	32.2	13.1	19.1
Hedged equities	6.6	2.9	3.7
Property	2.0	1.3	0.7
Commodity-linked	1.6	1.4	0.2
Bonds	35.1	27.4	7.7
Money market, bank deposits and currency hedge	22.5	22.1	0.3
Total (%)	**100.0**	**68.3**	**31.7**

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2023[8]	1yr %	3yr %
Total expense ratio[6]	**0.82**	**0.80**
Fee for benchmark performance	0.64	0.63
Performance fees	0.10	0.10
Other costs excluding transaction costs	0.08	0.07
Transaction costs[7]	**0.04**	**0.04**
Total investment charge	**0.86**	**0.84**

6. 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.
7. 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.
8. This estimate is based on information provided by the underlying managers.

Commentary from underlying fund managers as at 31 December 2023

Coronation Inflation Plus Portfolio

Calendar year 2023 was another year of surprises. The much-anticipated US recession failed to materialise, the strength of the Chinese recovery disappointed investors, and geopolitical tensions continued in Ukraine, with a new conflict arising in the Middle East. The robustness of the US economy caused a material shift in interest rate expectations. This, in turn, drove a vigorous recovery in global equity markets, with the MSCI All Country World Index delivering a 31% net return (in rands) for the year. After negative return performances in the preceding two years, the World Government Bond Index delivered 13% (in rands) in 2023.

Against this backdrop, the Portfolio delivered a particularly pleasing performance, with a 16% return for the year (and just over 6% for the fourth quarter). This return is materially above the Portfolio's mandated return target. Importantly, the Portfolio has also exceeded its inflation target over longer time periods.

The Portfolio's allocation to global assets was the largest contributor to performance over the past year. The global equity allocation, coupled with a steady increase in our allocation to global bonds, and the 7% depreciation in the rand relative to the US dollar, were the main drivers of this contribution.

In a rather tricky SA economic environment, our domestic assets contributed positively to Strategy performance over the past 12 months, with the exposure taken primarily through equities and bonds. Good equity and bond selection enhanced the returns ahead of their respective indices. Within domestic equities, Standard Bank, FirstRand, Richemont, Textainer, and OUTsurance were the largest contributors to returns, while holdings in Anglo American and British American Tobacco detracted.

In domestic fixed income, the biggest contribution came from holdings in nominal bonds. We continue to see real yields on offer from SA government bonds as attractive but are increasingly mindful of the structural challenges faced by the domestic economy. Risk is managed by keeping the duration of the Portfolio's bond carve-out lower than that of the FTSE/JSE All Bond Index (ALBI) but at a real yield that remains compelling.

The Portfolio will continue to stick to its approach of making active asset allocation and instrument selection decisions based off valuations while being mindful of managing downside risks through diversification and purchasing protection. We continue to have a relatively full equity allocation, as we see significant value in our selection. A portion of our global and local equity exposure remains under put protection. We have also balanced the risk asset exposure with a healthy fixed income and cash allocation where we can achieve attractive real yields.

We think the Portfolio is well set up to deliver on its targeted returns for clients, while remaining resilient and able to navigate future uncertainties.

Nedgroup Investments Core Guarded Fund

In the fourth quarter, inflation data softened faster than expectations and neutral monetary policy guidance from the Federal Reserve led to a rapid change in investor confidence. As a result, both stock prices and long-term interest rates reversed direction, and we experienced one of the more powerful rallies in both the stock and bond markets that we have seen in recent years. With global equity and bond markets experiencing a significant rally in the last two months, this led to positive returns for the fourth quarter and improved returns over 12 months.

Domestically, the third quarter GDP was disappointing, with a -0.2% decrease due to electricity and logistic challenges, as well as disappointments from the agriculture sector. South African equities managed to build on November's returns, with another positive month in December. Local equity markets finished the fourth quarter positively, with the FTSE/JSE All Share SWIX yielding an 8.1% return. The FTSE/JSE All Bond Index increased by 1.5% in December, resulting in an impressive 8.1% return for the quarter. South African property & REITs finished 2023 on a high note with the fourth quarter yielding a return of approximately 16.4%. Hence, the Nedgroup Investments Core Guarded Fund increased by 6.4% over the quarter.

Major central banks appear to have reached the peak of their upward interest rate adjustments. The anticipation of slower economic growth and a moderation in prices is likely to mitigate the risks associated with further tightening of monetary policies. However, the commencement and pace of monetary easing will probably hinge on how swiftly economic activity and inflation respond to the economic challenges that are faced by most economies globally.

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