ALLAN GRAY

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

Allan Gray Multi-Manager Cautious Portfolio

31 May 2025

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.

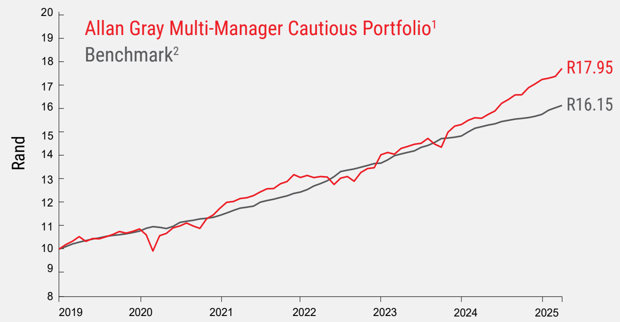
Allan Gray charges a multi-management fee based on the net asset value of the Portfolio, excluding the portion invested in Allan Gray portfolios. This fee is 0.20% p.a. (which equates to approximately 0.14% p.a. on the entire Portfolio).

Underlying portfolio allocation on 31 May 2025

Portfolio	% of Portfolio
Allan Gray Stable Portfolio	29.1
Coronation Inflation Plus Portfolio	24.9
Ninety One Cautious Managed Portfolio	24.6
Nedgroup Investments Core Guarded Fund	19.4
Cash	2.0
Total	**100.0**

Performance net of all fees and expenses

Value of R10 invested at inception



1. Performance is net of all fees and expenses.
2. Consumer Price Index (CPI), plus 3%, and was prorated from 18 January 2019 to 31 January 2019. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 30 April 2025 (source: IRESS).
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 February 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 31 March 2020 to 31 May 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.

% Returns	Portfolio[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	79.5	61.5
Annualised:		
Since inception (18 January 2019)	9.6	7.8
Latest 5 years	11.0	8.2
Latest 3 years	11.2	7.8
Latest 2 years	11.8	7.0
Latest 1 year	14.3	5.9
Year-to-date (not annualised)	5.6	3.4
Risk measures (since inception)		
Maximum drawdown[3]	-15.1	-0.7
Percentage positive months[4]	78.9	97.4
Annualised monthly volatility[5]	5.8	1.3

Quarterly commentary as at 31 March 2025

Last year was marked with above average political risk as a result of the major elections which took place. This year has been marked with its own share of risks, as can be seen with the tariff wars. Having said this, the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) returned approximately 23% for the year ending 31 March 2025 – an increase compared to the one-year period ended 31 December 2024. The resources sector recovered to post positive returns of approximately 19% for the one-year period to 31 March 2025. The financials and industrials sectors returned approximately 20% and 21% respectively over the same period. The MSCI All Country World Index (MSCI ACWI) underperformed the Capped SWIX, returning approximately 6% in rand terms over the one-year period ending 31 March 2025.

The latest annual inflation figure was unchanged from the previous month at 3.2% (February 2025). This marked the fourth month in a row that inflation was above the five-year low of 2.8% recorded in October 2024, as noted by Statistics South Africa. At its previous meeting in March 2025, the South African Reserve Bank highlighted that risks to economic stability required caution and therefore kept the repo rate unchanged at 7.5%.

While the Portfolio underperformed its benchmark over the latest quarter, it continues to meaningfully outperform its benchmark over the one-year and other long-term periods.

Over the quarter, the composition of the top 10 local equities stayed the same on a look-through basis, apart from Richemont which was displaced by Mondi. From an asset class point of view, the overall local versus foreign holdings for the end of Q1 2025 were similar to Q4 2024.

Commentary contributed by Tonderai Makeke

Top 10 share holdings on 31 March 2025 (updated quarterly)

Company	% of Portfolio
Naspers & Prosus	1.5
British American Tobacco	1.3
AB InBev	1.2
AngloGold Ashanti	0.8
FirstRand Bank	0.8
Standard Bank	0.8
Gold Fields	0.7
Nedbank	0.5
Mondi	0.5
Woolworths	0.4
Total (%)	**8.5**

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

Asset allocation on 31 May 2025

Asset class	Total	South Africa	Foreign
Net equities	32.1	15.1	17.0
Hedged equities	7.1	3.7	3.5
Property	1.5	1.0	0.5
Commodity-linked	1.8	1.6	0.2
Bonds	39.1	32.2	6.9
Money market, bank deposits and currency hedge	17.9	16.4	1.6
Other[6]	0.5	0.5	0.0
Total (%)	**100.0**	**70.4**	**29.6**

6. Hedge fund.

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2025[9]	1yr %	3yr %
Total expense ratio[7]	**0.93**	**0.86**
Fee for benchmark performance	0.64	0.64
Performance fees	0.22	0.15
Other costs excluding transaction costs	0.07	0.07
Transaction costs[8]	**0.04**	**0.04**
Total investment charge	**0.97**	**0.90**

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

Commentary from underlying fund managers as at 31 March 2025

Allan Gray Stable Portfolio

The first quarter of 2025 saw the local equity market add to the strong gains posted in the preceding year, with the FTSE/JSE All Share Index returning 5.9%. Among the largest contributors to returns at the index level were precious metal miners, telecommunications providers and the dual-listed consumer goods companies, including AB InBev, British American Tobacco and Richemont. Gains for the local banks, insurers and retailers have either begun to stall or go backwards, while the diversified miners and other cyclical rand hedges Sasol and Mondi have continued to struggle in the new year. The FTSE/JSE All Bond Index eked out a 0.7% gain for the quarter, as the risk premium on local government bonds increased, particularly on longer-dated instruments. The faltering US market contributed to declines in the MSCI World Index and the S&P 500, which returned -1.8% and -4.4% in US dollars respectively over the quarter.

Against this backdrop, the Portfolio returned 2.7% for the quarter, slightly behind its benchmark[1].

Portfolio holdings in AB InBev and gold miners were among the largest contributors to performance. Gains for AngloGold Ashanti, Gold Fields and DRDGOLD have been particularly strong, with share prices more than 50% higher year to date in rands – this as the gold price breached US$3 000 per ounce for the first time and continued to set new highs. Predominant trends, including diversification away from the US dollar with increased interest in gold as a reserve asset, fears of stagflation in developed economies as growth slows, and political and trade uncertainties, remain more relevant than ever. Despite this, equity investors remain sceptical of the trajectory of the gold price, with valuations of the miners, including those mentioned above, screening as very compelling at the spot price.

The offshore component of the Portfolio was a contributor to overall returns, primarily driven by stock selection. Defence-related holdings were among the leading contributors, having benefitted from increased global defence spending and European government commitments to future defence investment. US dollar weakness also aided returns, given the Portfolio's underweight exposure. The offshore component has been positioned against the narrative of American exceptionalism for some time and continues to have limited US exposure.

It is worthwhile noting that events occurring immediately post quarter end pose a possible threat to wider risk asset returns – namely, the sustainability of the government of national unity locally following the conflict-ridden Budget process and the ratcheting up of global trade tensions after President Donald Trump's "Liberation Day" tariff announcements. Last quarter, we wrote about our concerns regarding unsustainable valuation levels both locally and globally, and what this may mean for future returns. This, coupled with geopolitical pressures and elevated uncertainty, makes for increased market volatility ahead.

1. Consumer Price Index plus 3%

In our opinion, the Portfolio's current defensive positioning in terms of stock selection, a 24% net equity weight (which is below the 40% maximum), its sizeable asset allocation towards hedged equities, and its lower-duration bond holdings ensure that we are well placed to navigate these challenges.

Ninety One Cautious Portfolio

For the quarter, the Portfolio generated a positive absolute return.

SA government bonds experienced a volatile first quarter in 2025, reflecting a mix of global and domestic pressures. Yields began the year relatively stable. However, tensions escalated in early February when US President Donald Trump announced the suspension of funding to South Africa, triggering a sharp rise in yields. The market regained some ground by the end of March as a stronger rand – boosted by rising gold prices and optimism around a potential budget deal between the African National Congress and Democratic Alliance – helped pull yields lower, benefitting performance. Overall, the quarter was defined by heightened sensitivity to political developments and global risk sentiment. We maintain an exposure of just over 45% of which the bulk is allocated to SA government bonds given the yield underpin and real return support, with the remainder evenly split between inflation-linked bonds and floating-rate notes.

Also adding value over the quarter was the Portfolio's gold exposure. The gold price surged to a record high of over US$3 100 per ounce by quarter end driven by heightened geopolitical tensions and global economic uncertainty, which boosted demand for safe-haven assets. While the rand appreciated against the US dollar over the period, the strength in the underlying US dollar gold price more than offset currency headwinds. As a result, our gold exchange-traded fund positioning delivered strong rand-based returns, providing valuable diversification and downside protection amid volatile market conditions.

Our domestic equity positioning contributed meaningfully to performance over the quarter in what was a strong period for the domestic market. Our equity exposure was maintained at approximately 11% of the Portfolio at quarter end, with around half allocated to SA listed global businesses and the remainder across locally focused companies. Our positioning reflected a cautious and selective stance toward the South African market, aligned with the uncertain macroeconomic backdrop. This approach acknowledged the limited progress on a broad-based economic recovery and the persistent weakness in foreign investor appetite. Given the elevated external risks and wide range of potential outcomes, our conviction in local equities remains tempered. Material contributors over the quarter included British American Tobacco and Prosus, where investors sought the comfort of safety while looking towards positions with positive earnings and growth prospects. Offsetting this were domestic-oriented holdings where earnings are linked to the local economy in an environment where investor optimism has faded and foreign holders continue to sell. These include Famous Brands and FirstRand Bank.

In terms of the Portfolio's offshore equity exposure, the first quarter saw notable shifts in global markets. US equities faced challenges, with the S&P 500 hitting a technical correction in March, off its peak just a month earlier. This decline was largely attributed to escalating trade tensions and recent tariff announcements by US President Donald Trump, which negatively impacted investor confidence, raised inflation concerns and weighed on real growth expectations.

Markets also experienced a notable shift, with the technology sector coming under pressure amid a broader reassessment of interest rate expectations, positioning and valuation risks. Key drivers included stronger-than-expected inflation data in the US, which pushed bond yields higher and led investors to scale back bets on near-term US interest rate cuts. This weighed particularly heavily on growth-oriented sectors like technology, where valuations are more sensitive to discount rate moves. The impact was also acute on goods-producing sectors, where we have already seen immediate impacts on autos and consumer discretionary stocks. Tariff responses can only come from raising prices or absorbing the cost and suffering margin declines. Rand strength compounded the impact, with primary detractors including Microsoft, Alphabet, Icon and Booking Holdings. Contributors included Visa, Verisign, Check Point and Nestlé.

Over the quarter, we trimmed positions in Check Point, Moody's, Nestlé and ADP, which performed well, reducing position-sizing into strength. We added to Align Technology, given confidence in the investment thesis at a more attractive entry point. We initiated a new position in Marsh McLennan, a high-quality, defensive and globally diversified professional services firm with strong recurring revenue characteristics. Positioning remains diversified, focused on businesses with low economic sensitivity and earnings.

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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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