ALLANGRAY

Fund managers: Allan Gray, Coronation, M&G, Ninety One
Inception date: 18 January 2019

Allan Gray Multi-Manager Moderate Portfolio

28 February 2023

Portfolio description and summary of investment policy

The Portfolio invests in the Balanced mandates of a minimum of three managers, all of which are managed to comply with the investment limits governing retirement funds. The Allan Gray Balanced 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 achieve steady long-term growth of capital for investors within the constraints governing retirement funds. The Portfolio's benchmark is a composite benchmark, of which 60% is domestic and 40% is foreign.[2]

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 real returns through different market cycles.

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 time horizon of at least three years
- Wish to diversify risk across multiple managers

Annual management fee

Each underlying manager charges their own fee. Where performance fees are charged, this is based on the underlying manager's performance compared to its respective benchmark. The benchmark for each underlying manager 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 28 February 2023

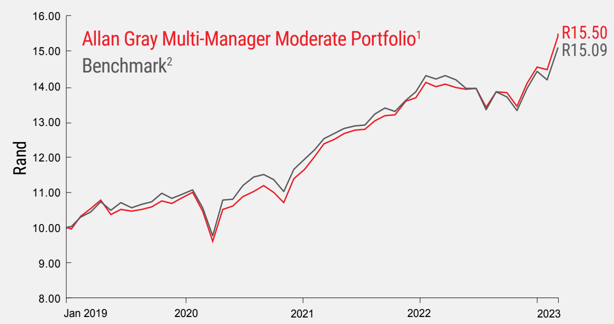
Portfolio	% of Portfolio
Allan Gray Balanced Portfolio	29.6
Coronation Global Houseview Portfolio	24.8
M&G Balanced Portfolio	19.8
Ninety One Opportunity Portfolio	24.8
Cash	1.0
Total	**100.0**

1. Performance is net of all fees and expenses.
2. 41% FTSE/JSE Capped Shareholder Weighted All Share Index, 10% FTSE/JSE All Bond Index, 9% 3-month STeFI, 24% MSCI All Country World Index and 16% J.P. Morgan GBI Global Index, all including income. From inception to 31 July 2022 the benchmark was 47% FTSE/JSE Capped Shareholder Weighted All Share Index, 14% FTSE/JSE All Bond Index, 9% 3-month STeFI, 18% MSCI All Country World Index and 12% J.P. Morgan GBI Global Index, all including income. Source: IRESS BFA, Bloomberg.*
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 17 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.

* 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 utilising any MSCI Data, models, analytics or other materials or information.

Performance net of all fees and expenses

Value of R10 invested at inception



% Returns	Portfolio[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	55.0	50.9
Annualised:		
Since inception (18 January 2019)	11.3	10.5
Latest 3 years	14.0	12.7
Latest 2 years	11.9	9.8
Latest 1 year	10.2	5.5
Year-to-date (not annualised)	7.1	6.4
Risk measures (since inception)		
Maximum drawdown[3]	-22.3	-23.0
Percentage positive months[4]	71.4	67.3
Annualised monthly volatility[5]	10.1	10.3

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Quarterly commentary as at 31 December 2022

After a buoyant first two months of the fourth quarter of 2022, December saw a decline in market momentum as investors increased their focus on the possibility of a global recession in 2023, therefore somewhat reducing their risk appetite.

The United States federal funds rate was raised seven times by the Federal Reserve Board (the Fed) in 2022. In December, the increase was 50 basis points, which broke a trend of four consecutive 75-basis-point increases. The Fed reiterated its message that short-term rates must remain higher for a longer period of time, implying that it will continue to tolerate economic pain, such as rising unemployment, until it considers inflation to be well contained. In lockstep with the Fed, central banks around the world continued to raise interest rates with China and Japan as the exceptions.

A significant increase in new infections has emerged as a result of China's relaxation of COVID-19 restrictions, which is likely to have a negative impact on investor sentiment and the prospects for short-term economic growth. Given the relatively strong equity market performance in December, however, investors appear to be overlooking these risks. If this reopening goes off without a hitch, it will ultimately benefit Chinese investors, but only time will tell. Possible supply constraints, as experienced by other countries in their reopening processes, would need to be largely avoided, along with offsetting the slowdown in global demand given current and continued tightening by major central banks. Another significant looming concern for Chinese authorities and investors is the highly indebted property sector.

On the home front, inflation eased slightly to 7.2% in December, a seven-month low, though there are mounting pressures, including a large increase in electricity tariffs. The Monetary Policy Committee is expected to continue hiking rates but not as aggressively as previous hikes. South African growth has normalised (post-COVID-19) and continues on a trend of tepid growth as a result of the country's deepening energy supply problems, poorly performing parastatals and ailing infrastructure. In line with expectations, Cyril Ramaphosa was re-elected at the National Conference of the ANC in December.

The FTSE/JSE Capped Shareholder Weighted Index ("Capped SWIX") made a strong recovery in the final quarter of 2022 with a return of 12.2% in rand terms, led by the resources sector (+16.1%). Industrials and financials followed, delivering 15.7% and 11.9% respectively. Over the period, the rand strengthened by 5.5% against the US dollar, which brought the Capped SWIX 's dollar return to 18.6%. The Capped SWIX significantly outperformed the MSCI All Country World Index ("ACWI") in dollars, which returned 9.9% for the quarter. The ACWI ended the year on -18.4%.

The Portfolio returned 7.7% over the quarter and 2.5% for the year (after fees). This is ahead of the benchmark, which returned 6.5% over the quarter and -0.8% for the year. The Portfolio has outperformed meaningfully across all periods and against the composite benchmark. Over the year, South Africa's broad asset classes delivered low single-digit returns, while offshore asset classes fared much worse, with negative returns in both dollar and rand terms.

Over the fourth quarter, AB InBev and Mondi entered the top 10 local equity holdings on a look-through basis, with MTN and Remgro falling out. Over the quarter there were no significant shifts in the broad asset class exposure; however, there was some movement within asset classes with a shift towards local bonds versus offshore bonds.

Commentary contributed by Mpumelelo Mkhwanazi

Top 10 share holdings on 31 December 2022 (updated quarterly)

Company	% of Portfolio
Naspers[6]	5.0
British American Tobacco	3.0
Standard Bank	2.4
Glencore	2.1
Compagnie Financiere Richemont SA	1.6
AB InBev	1.5
Mondi Plc	1.2
Sasol	1.2
Anglo American	1.1
BHP	1.1
Total (%)	**20.2**

6. Includes holding in Prosus N.V.

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

Asset allocation on 28 February 2023

Asset Class	Total	South Africa	Foreign
Net equities	67.3	40.9	26.4
Hedged equities	5.0	1.8	3.2
Property	1.8	1.4	0.4
Commodity-linked	1.8	1.8	0.0
Bonds	17.3	14.6	2.7
Money market, bank deposits and currency hedge	6.9	6.5	0.4
Total (%)	**100.0**	**67.0**	**33.0**

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2022[9,10]	1yr %	3yr %
Total expense ratio[7]	**1.08**	**1.02**
Fee for benchmark performance	0.65	0.66
Performance fees	0.31	0.22
Other costs excluding transaction costs	0.12	0.14
Transaction costs[8]	**0.10**	**0.10**
Total investment charge	**1.18**	**1.12**

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

Commentary from underlying fund managers as at 31 December 2022

Allan Gray Global Balanced Portfolio

The Portfolio returned 8.4% for the fourth quarter and 10.1% for the 2022 calendar year. This compares with the benchmark returns of 6.7% for the quarter and 0.4% for the year[1]. We are pleased with the strong recovery in relative performance and have now meaningfully outperformed the average manager in our benchmark over one, three and five years.

It is common for pundits to make economic forecasts as a year draws to a close, for the next 12 months and beyond. At Allan Gray, we shy away from this practice, because we feel there are too many unknowns. We could certainly make some educated guesses but that is what they would ultimately be: guesses. The economy is a complex system, and there are a multitude of interrelated factors that need to be considered.

Even if we did know one or more of these factors with certainty, we are not sure it would help with predicting market outcomes. By way of example, in 2020, when the world was under lockdown in response to the COVID-19 pandemic, the US economy shrank by 3.5% in real terms and the S&P 500 delivered a return of 18.4% in US dollars.

Contrast that with 2022. At the end of the third quarter, the US economy was growing at 3.2% and continued to have a tight labour market with unemployment below 4%. Yet the S&P 500 fell 18.1%.

Historically, across markets, there is very little correlation between economic outcomes and market returns. This is because markets are forward looking, and investor sentiment plays a huge role in driving investment returns, particularly in the short term. It is not enough to know what the economy will do. You also need to know what expectations are already priced in.

How do we get around this uncertainty? We look at the current environment and the prices on offer today. We consider the risks and range of possible outcomes, acknowledging full well that there are risks and outcomes we cannot reasonably foresee. Most importantly, we focus on the price we pay: Is the price we are paying today discounting a favourable or unfavourable future? Are the potential risks on the horizon already priced in, or could a bout of turbulence materially disrupt the investment case for the asset?

In summary, we do not know what the future holds, and we manage the risks accordingly. By being patient and disciplined, we strive to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour and there is a large margin of safety. We won't always get it right but focusing on the price we pay is the best way to protect and grow capital over the long term.

We purchased Mondi over the quarter, and sold British American Tobacco and Glencore.

Coronation Global Houseview Portfolio

The Portfolio returned 8.0% for the fourth quarter, resulting in a return of -1.0% over the last year. The Portfolio has taken advantage of falling global markets to build its holding in global equities at what we believe are attractive prices. The Portfolio has performed well against its peer group over all meaningful time periods.

2022 was a year of broad weakness across asset classes. Markets retreated off their January highs in the face of high inflation, rising interest rates, and slowing growth. The MSCI All Country World Index ("ACWI") ended the year on -18% (after strengthening +10% in the fourth quarter [Q4-22]). The Portfolio started the year with very low exposure to global equities given valuation concerns. The Portfolio now has a healthy exposure to global equity where we believe the asset class presents significant stockpicking opportunities.

Bond yields rose rapidly through most of the year (Bloomberg Barclays Global Aggregate Bond Index [BBGAB] -16% for 2022). This was in response to high inflation and aggressive interest rate hiking cycles. Bond yields now sit closer to normal levels, but still offer inadequate compensation given highly indebted sovereign balance sheets. The Portfolio continues to have no exposure to developed market sovereign bonds. Unlike the narrow credit spreads in South Africa (SA), global credit bonds offer more attractive pricing.

In US dollar terms, the FTSE/JSE Capped Shareholder Weighted Index ("SWIX") outperformed the global benchmark to end the year on -4% versus -18% for the MSCI ACWI. We believe SA equities are cheap and continue to deserve a place in our portfolios alongside global equities. We have diversified our energy holdings across a broader basket of local (Sasol and Exxaro) and global names to reduce company-specific risk. All are expected to benefit from elevated cash flows that will support high levels of dividends and buybacks.

The Portfolio has reasonable exposure to the banks via FirstRand, Standard Bank and, more recently, Absa. Life insurers underperformed their bank counterparts (-13% for 2022, +4% for Q4-22) as they faced COVID-19-inflated mortality claims, weak equity markets, low growth, and competitive pricing in risk insurance. The Portfolio does not own the life insurers, preferring positions in the banks and other financials.

Domestic stocks continue to offer attractive stockpicking opportunities. Our emphasis within the Portfolio has been on finding businesses that can prosper even in a low-growth economy. Having entered 2022 with limited exposure to global assets, we used the sell-off to increase our global holdings. A diversified portfolio of global equity, supplemented with some global credit, should provide attractive risk-return benefits. While headwinds exist in both global and domestic markets, we believe growth assets are well priced for the risks and offer attractive returns off these low starting prices.

1. The return for December 2022 is an estimate.

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J.P. Morgan GBI Global Index

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MSCI Index

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