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

Allan Gray Multi-Manager Cautious Portfolio

31 December 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.

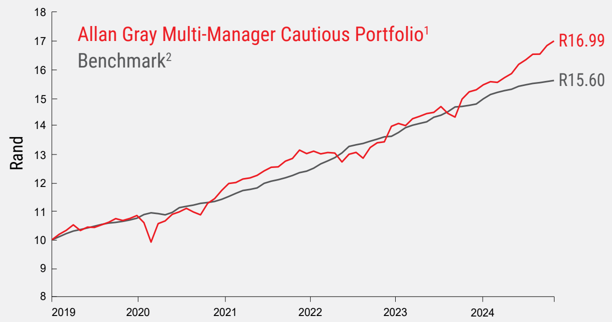
Allan Gray charges a multi-management fee based on the net asset value of the Portfolio, excluding the portion invested in Allan Gray portfolios. This fee is 0.20% p.a. (which equates to approximately 0.14% p.a. on the entire Portfolio).

Underlying portfolio allocation on 31 December 2024

Portfolio	% of Portfolio
Allan Gray Stable Portfolio	28.9
Coronation Inflation Plus Portfolio	24.9
Ninety One Cautious Managed Portfolio	24.6
Nedgroup Investments Core Guarded Fund	19.5
Cash	2.0
Total	**100.0**

Performance net of all fees and expenses

Value of R10 invested at inception



% Returns	Portfolio[1]	Benchmark[2]
Cumulative:		
Since inception (18 January 2019)	69.9	56.0
Annualised:		
Since inception (18 January 2019)	9.3	7.8
Latest 5 years	9.6	7.8
Latest 3 years	8.9	8.1
Latest 2 years	12.4	7.0
Latest 1 year	11.8	5.9
Year-to-date (not annualised)	11.8	5.9
Risk measures (since inception)		
Maximum drawdown[3]	-15.1	-0.7
Percentage positive months[4]	77.5	97.2
Annualised monthly volatility[5]	5.9	1.3

1. Performance is net of all fees and expenses.
2. Consumer Price Index, plus 3%, and was prorated from 18 January 2019 to 31 January 2019. The calculation methodology was amended in March 2024.
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.

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Quarterly commentary as at 31 December 2024

The annual inflation rate at the end of November 2024 was 2.9%, an increase of 0.1% from October 2024 but still below the South African Reserve Bank's (SARB's) target range. Following on from the previous rate cut, the SARB cut the repo rate by 25 basis points to end the year with a repo rate of 7.75%. The SARB highlighted that while inflation had slowed and allowed some room for major central banks to cut rates further, new inflation pressures and heightened uncertainty diminished policy space.

Turning to the markets, the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) ended the year at 13%. The financials and industrials sectors returned 22% and 18% respectively over the same period, while the resources sector detracted, returning -9% for the same one-year period ending 31 December 2024. The MSCI All Country World Index (MSCI ACWI) returned 17% in US dollar terms for the same period. This, coupled with the rand weakening by approximately 3% against the US dollar, saw the MSCI ACWI outperform the Capped SWIX in rand terms.

Performance eased in Q4 relative to Q3 with the Portfolio returning 2.8% (after fees) and its benchmark returning 0.7%. Over the one-year period ending 31 December 2024, the Portfolio returned 11.8% (after fees), outperforming its benchmark, which returned 5.9%.

There were marginal changes across local and foreign asset classes. There were no changes to the composition of the top 10 local equities on a look-through basis, apart from a few positional changes. Please refer to commentary below from two of the underlying investment managers.

Commentary contributed by Tonderai Makeke

Top 10 share holdings on 31 December 2024 (updated quarterly)

Company	% of Portfolio
Naspers & Prosus	1.5
British American Tobacco	1.3
AB InBev	0.9
FirstRand	0.9
Standard Bank	0.7
Nedbank	0.6
Woolworths	0.5
AngloGold Ashanti	0.5
Richemont	0.5
Gold Fields	0.5
Total (%)	**7.8**

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

Asset allocation on 31 December 2024

Asset Class	Total	South Africa	Foreign
Net equities	33.4	15.7	17.7
Hedged equities	6.0	2.6	3.4
Property	1.9	1.2	0.7
Commodity-linked	1.7	1.5	0.2
Bonds	37.6	31.2	6.4
Money market, bank deposits and currency hedge	18.9	18.2	0.7
Other[6]	0.5	0.5	0.0
Total (%)	**100.0**	**70.9**	**29.1**

6. Hedge fund.

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024[9]	1yr %	3yr %
Total expense ratio[7]	0.87	0.82
Fee for benchmark performance	0.64	0.64
Performance fees	0.16	0.11
Other costs excluding transaction costs	0.07	0.07
Transaction costs[8]	0.03	0.04
Total investment charge	**0.90**	**0.86**

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 December 2024

Coronation Inflation Plus Portfolio

The past year proved rewarding for investors willing to take on some risk, as the combination of falling inflation and easier monetary policy contributed to higher ratings for stock markets. The strong showing of the so-called "Magnificent Seven" tech giants pushed the S&P 500 Index to record highs. The South African stock and bond market also had a stellar 12-month period, benefiting from a post-election rerating that was driven by the hope of a better government. In this context, the Strategy delivered healthy double-digit returns, handily outpacing its targeted return. Our longer-term performance track record continues to hold, with the Strategy delivering ahead-of-target returns over longer periods.

The rally in local equity markets was a welcome contribution to the Strategy's returns. While market beta was supportive, our equity selection added to client returns. The Strategy benefited from allocation to its rand-hedge stocks (Naspers and British American Tobacco), as well as a carefully curated basket of SA equities. A combination of mid-cap names (OUTsurance, PSG Konsult, Dis-Chem, ADvTECH, and Altron) delivered handsome absolute and relative returns in our SA equity allocation. Our selection of these local businesses was built with the view that these are well-managed businesses with robust business models, able to grow and take market share in a weak economy. These are also highly cash-generative businesses – a further attraction for our Strategy. From a valuation perspective, the domestic market has rallied from very cheap levels to a more normal and not yet expensive level. We continue to favour a large allocation to attractively valued rand-hedge shares and remain selective in our domestic names. While the optimism over our election outcome is justified, this must now translate into higher economic growth for the equity rally to be sustained.

In this commentary, we have focused on the asset classes that contributed to most of the Strategy's returns over the last year. It would, however, be remiss of us not to mention that the smaller allocations in the Strategy – namely SA property, SA cash, offshore cash and offshore fixed income – also contributed positively to returns. As a collective, these exposures provide beneficial diversification in the Strategy and add to the robustness of portfolio returns.

In conclusion, we have managed this Strategy in volatile and uncertain times, and we expect 2025 to be no different. Our success in delivering good client outcomes stems from our ability to work as an integrated team to identify the best investment opportunities and to act quickly to take advantage of them. We continue to be responsible stewards of your capital, primarily focusing on delivering on the targeted mandate return in a wide range of economic outcomes.

Nedgroup Investments Core Guarded Fund

On 21 November 2024, the SARB reduced its primary interest rate by 25 basis points to 7.75%, marking the lowest level since April 2023. This move, aimed at balancing weak economic growth with stable inflation expectations following the global monetary tightening cycle, was widely anticipated. While short-term inflation remains contained, the medium-term outlook suggests potential upward risks, prompting the SARB to revise its 2024 inflation forecast down to 4.5%, maintain its 2025 projection at 4% and raise its 2026 estimate to 4.6% due to expected electricity price hikes. Concurrently, the US Federal Reserve also reduced interest rates by 25 basis points in December 2024, marking the third consecutive cut. The South African rand experienced volatility against the US dollar, reflecting the sensitivity of emerging market currencies to US monetary policy shifts. South Africa's GDP contracted by 0.3% in Q3 2024, driven by declines in the primary sector, while overall annual growth is expected to be around 0.8%, highlighting ongoing economic challenges.

The Nedgroup Investments Core Guarded Fund achieved a 2.1% quarterly return, driven by strong exchange rate changes (depreciation) within the quarter. Most asset classes' returns were negative, and the contribution was therefore muted. Despite the challenging economic environment, the Fund's performance was bolstered by the favourable exchange rate movements, which helped offset the negative returns from other asset classes.

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