

Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 45% offshore. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 40%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio or a balanced portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of 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

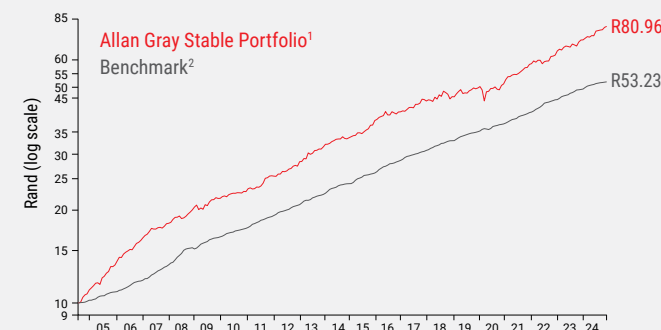
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Portfolio's stock market exposure in consideration of the Portfolio's capital preservation objectives. The Portfolio may also invest in bonds, property and commodities. The Portfolio's bond and money market investments are actively managed.

Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Stable Portfolio. When assessing the Portfolio's performance and risk measures over time, for periods before its inception (16 August 2017), the returns of the Allan Gray Life Global Stable Portfolio can be used. The combined history reflects the performance and risk of the strategy over the long term.

Performance net of all fees and expenses

Value of R10 invested at alignment



- The returns prior to 16 August 2017 are those of the Allan Gray Life Global Stable Portfolio since its alignment on 1 August 2004. The returns are shown net of the fees that would have been incurred had the current fee applied since alignment.
- The Portfolio's benchmark is the Consumer Price Index plus 3%, performance as calculated by Allan Gray as at 31 December 2024.
- This is based on the latest numbers published by IRESS as at 30 November 2024.
- Maximum percentage decline over any period. The maximum drawdown occurred from January 2020 to March 2020. Drawdown is calculated on the total return of the Portfolio (i.e. including income).
- The percentage of calendar months in which the Portfolio produced a positive monthly return since alignment.
- 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.
- These are the highest or lowest consecutive 12-month returns since alignment. This is a measure of how much the Portfolio and the benchmark returns have varied per rolling 12-month period. The Portfolio's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 31 August 2008. The Portfolio's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 May 2020.

% Returns	Portfolio ¹	Benchmark ²	CPI inflation ³
Cumulative:			
Since alignment (1 August 2004)	709.6	432.3	192.9
Annualised:			
Since alignment (1 August 2004)	10.8	8.5	5.4
Latest 10 years	8.8	8.0	4.9
Latest 5 years	9.8	7.8	4.9
Latest 3 years	10.1	8.1	5.3
Latest 2 years	11.5	7.0	4.2
Latest 1 year	10.9	5.9	2.9
Year-to-date (not annualised)	10.9	5.9	2.9
Risk measures (since alignment)			
Maximum drawdown ⁴	-10.3	-0.9	n/a
Percentage positive months ⁵	74.4	98.4	n/a
Annualised monthly volatility ⁶	5.3	1.5	n/a
Highest annual return ⁷	27.5	17.1	n/a
Lowest annual return ⁷	-6.9	5.0	n/a

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

Annual management fee

Allan Gray charges a fixed fee of 0.70% p.a. on the Portfolio assets excluding the portion invested in the range of Orbis funds. This fee is presently exempt from VAT.

A portion of the Portfolio may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund’s performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

Top 10 share holdings on 31 December 2024 (SA and Foreign)
(updated quarterly)⁸

Company	% of portfolio
British American Tobacco	2.5
AB InBev	2.4
Woolworths	1.5
Nedbank	1.3
AngloGold Ashanti	1.2
Standard Bank	1.1
Remgro	1.1
Gold Fields	1.0
Marriott International Inc	1.0
Sappi	0.8
Total (%)	13.9

8. Underlying holdings of foreign funds are included on a look-through basis.

Since inception, the Portfolio’s month-end net equity exposure has varied as follows:

Minimum	(September 2023) 23.7%
Average	32.6%
Maximum	(December 2018) 40.1%

Asset allocation on 31 December 2024⁸

Asset class	Total	South Africa	Foreign
Net equities	25.1	13.1	11.9
Hedged equities	20.8	9.0	11.8
Property	0.9	0.3	0.6
Commodity-linked	2.2	1.5	0.7
Bonds	34.2	27.2	6.9
Money market and bank deposits ⁹	16.9	13.9	3.0
Total (%)	100.0	65.1	34.9¹⁰

9. Including currency hedges.

10. The Portfolio can invest a maximum of 45% offshore. Market movements may periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

Total expense ratio (TER) and transaction costs
(updated quarterly)

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio¹¹	0.87	0.87
Fee for benchmark performance	0.73	0.73
Performance fees	0.11	0.11
Other costs excluding transaction costs	0.03	0.03
Transaction costs (including VAT)¹²	0.04	0.04
Total investment charge	0.91	0.91

11. 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.

12. 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.

Local assets performed strongly following the formation of the new government of national unity (GNU) in June, and this performance continued into the third quarter. Year to date, local shares have returned 15.9% – as measured by the FTSE/JSE Capped SWIX, bonds have returned 16.7% and cash has returned 6.1%. Over this period, the Portfolio delivered a return of 8.3%. The Portfolio's local share and bond holdings helped boost year-to-date performance, as both asset classes have outperformed cash.

The Portfolio aims to generate returns superior to money market investments while maintaining a high degree of capital stability and minimising the risk of loss over any two-year period. Going into the election, the Portfolio was carefully positioned to achieve these objectives regardless of the outcome. An even higher allocation to risk assets would, of course, have delivered an even higher return, but this is easy to see in hindsight. While the national elections ultimately resulted in a market-friendly outcome, this was far from certain in the run-up to voting day. Even after the initial election results were declared, there was still much uncertainty about the form the ruling coalition would take.

Given the recent rally in South African assets following the announcement of the GNU, the Portfolio has taken some profits on both local shares and bonds. Short-term prospects for the South African consumer are looking better than a year ago, with the South African Reserve Bank cutting interest rates by 25 basis points (bps) over the quarter. Lower oil prices, probable further rate cuts and proceeds from the two-pot retirement reform will also put more money into the hands of consumers. Moreover, the reprieve in loadshedding has reduced non-productive expenditure which should improve revenue opportunities for local companies. Beyond these temporary tailwinds, however, we remain concerned about South Africa's growth prospects. Opposing ideologies between and within the GNU's coalition partners are likely to cause complications down the road and, in the meantime, South Africa still faces serious structural issues. These include

the ongoing challenges at Eskom and Transnet, as well as deteriorating local government infrastructure. It is therefore possible that the recent enthusiasm, which has seen South Africa outperform many of its emerging market peers, has gotten ahead of itself. We carefully weigh up these considerations as we review the investment cases for local assets, and despite the broader structural concerns, we continue to find some compelling opportunities.

At yields of 8-9%, the return on local cash is currently attractive in real terms and, as a result, the Portfolio's cash balance has remained substantial over the quarter. In our view, cash is a valuable source of optionality, giving us the flexibility to take advantage of opportunities as they arise. The incremental return that can be earned on longer-dated bonds has narrowed considerably, making bonds a less attractive alternative. The Portfolio takes little credit risk, and its bond exposure is towards the shorter end of the curve.

The rand has strengthened in the months following the election, causing the Portfolio's foreign exposure to be a drag on performance. The same can be said for "rand hedge" shares, such as Anheuser-Busch InBev. The Portfolio maintains a foreign exposure of 34%, with the ability to increase this up to 45%. Currently, most of the Portfolio's offshore allocation is invested in low-risk instruments such as cash or cash-like securities and hedged equities. The foreign component of the Portfolio remains a useful source of protection against negative developments in South Africa or a pullback in local asset prices.

Over the quarter, we added to our existing positions in inflation-linked bonds and Gold Fields, and trimmed our exposure to Glencore.

Adapted from a commentary contributed by Tim Acker

**Portfolio manager
quarterly commentary
as at 31 December 2024**

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The underlying investment options of the Allan Gray Umbrella Retirement Fund are portfolios of collective investment schemes in securities (unit trusts or funds) and life-pooled investments. The Allan Gray Stable 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 Ltd, a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. Allan Gray (Pty) Ltd is Allan Gray Life Ltd's appointed investment manager.

Past performance is not indicative of future performance.

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