

BCI Global Investment Conference

SA equity outlook and positioning

Jithen Pillay

50
YEARS

Allan Gray
SINCE 1973

ALLAN GRAY

SA Inc: too cheap to ignore?
What would Bobby Axelrod do?

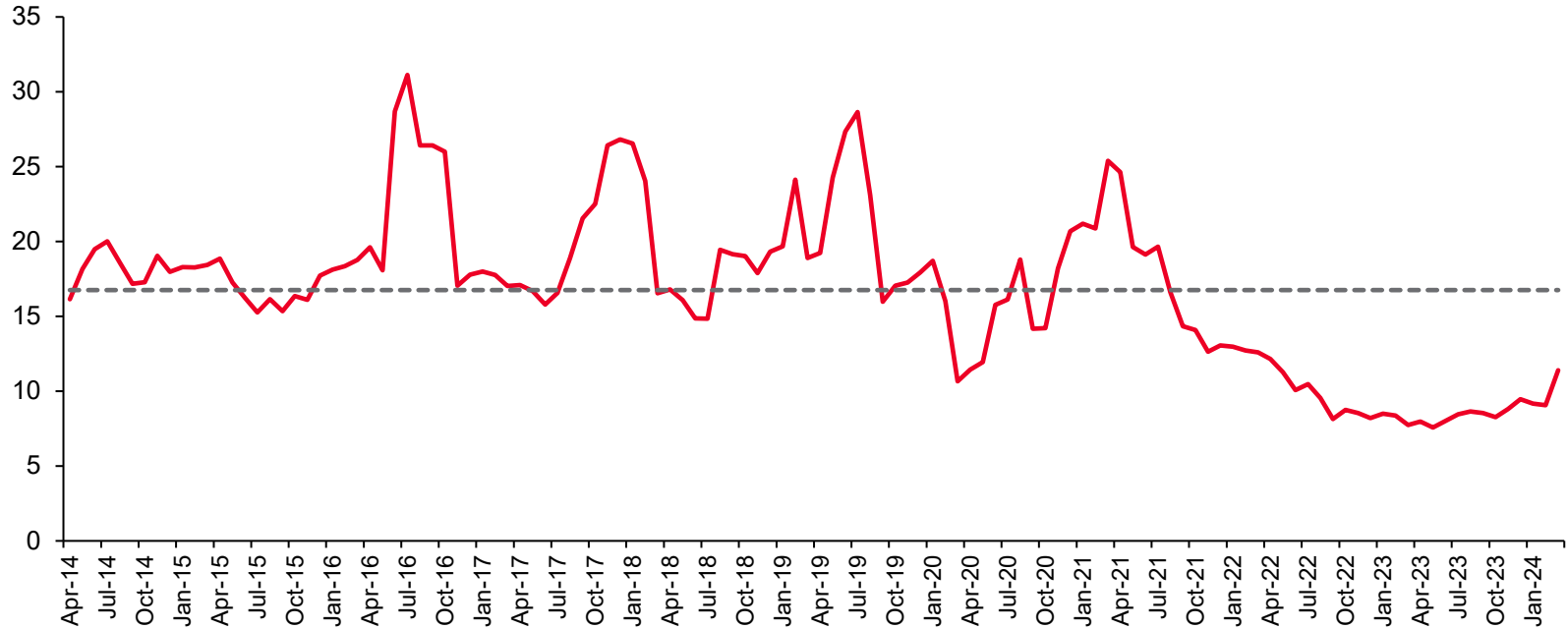


*“Faith can be a beautiful thing,
except when it’s misplaced”*

- *Billions*

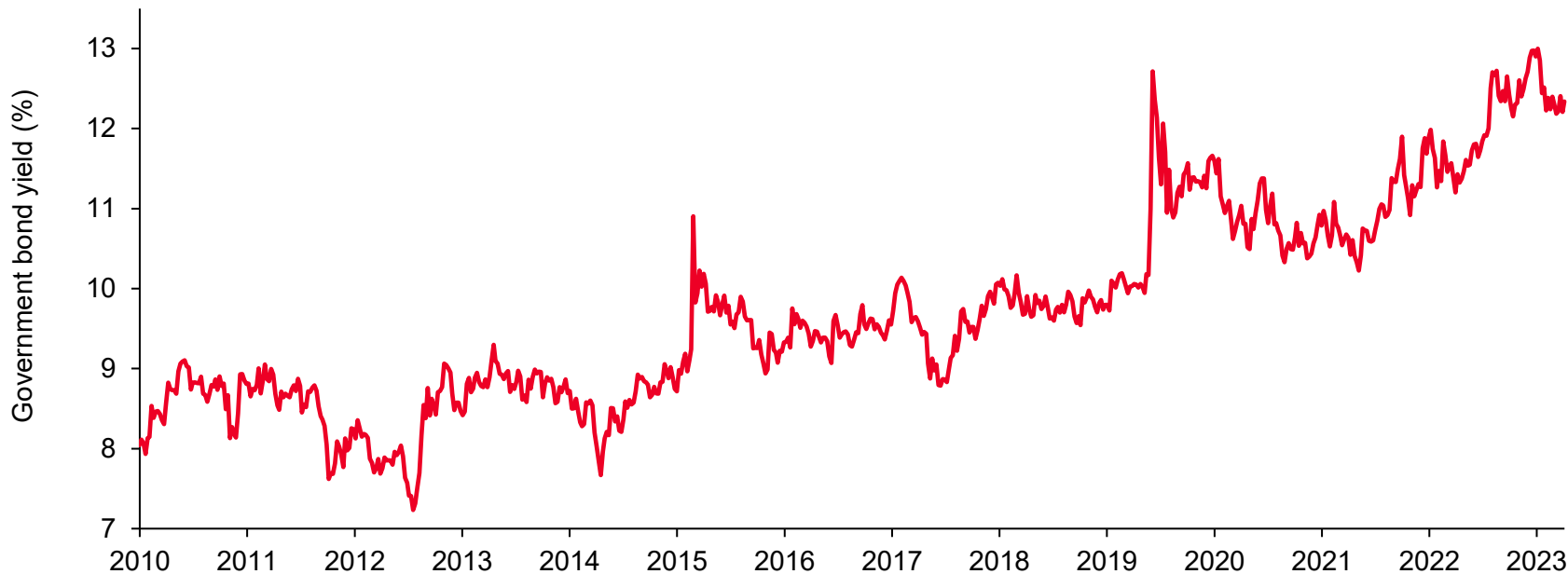
SA Inc looks cheap overall

FTSE/JSE Mid Cap Index P/E ratio



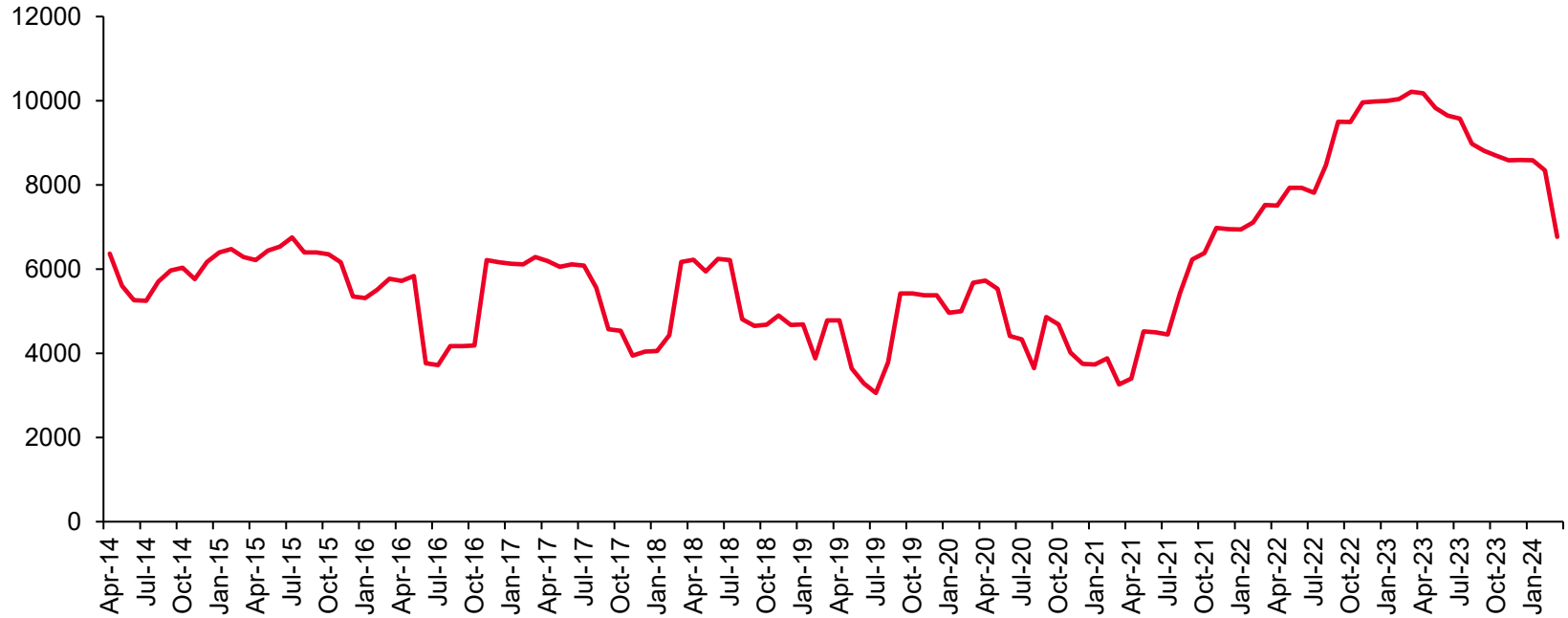
However, the SA “risk-free” rate has repriced structurally higher...

20-year Government Bond Yield



Source: Bloomberg, 180123 (TP)

... and the fundamentals are stagnating
 FTSE/JSE Mid Cap Index real earnings



Justified P/E ratio

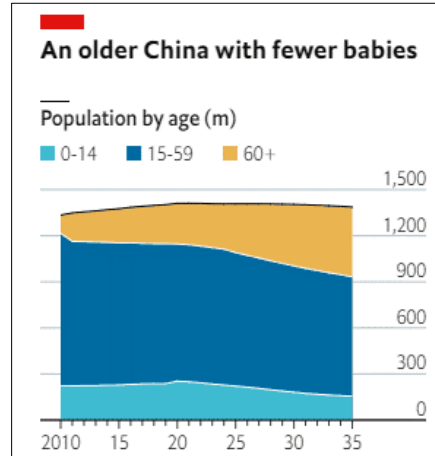
Two important factors need to change in SA:

Growth rate	↑
Cost of capital	↓

*“There’s a small group who can do the math.
There’s an even smaller group who can explain it.
But those few who can do both,
they become billionaires”*

- Bobby 'Axe' Axelrod

Out of our control: China
SA is still a resource-dependent economy

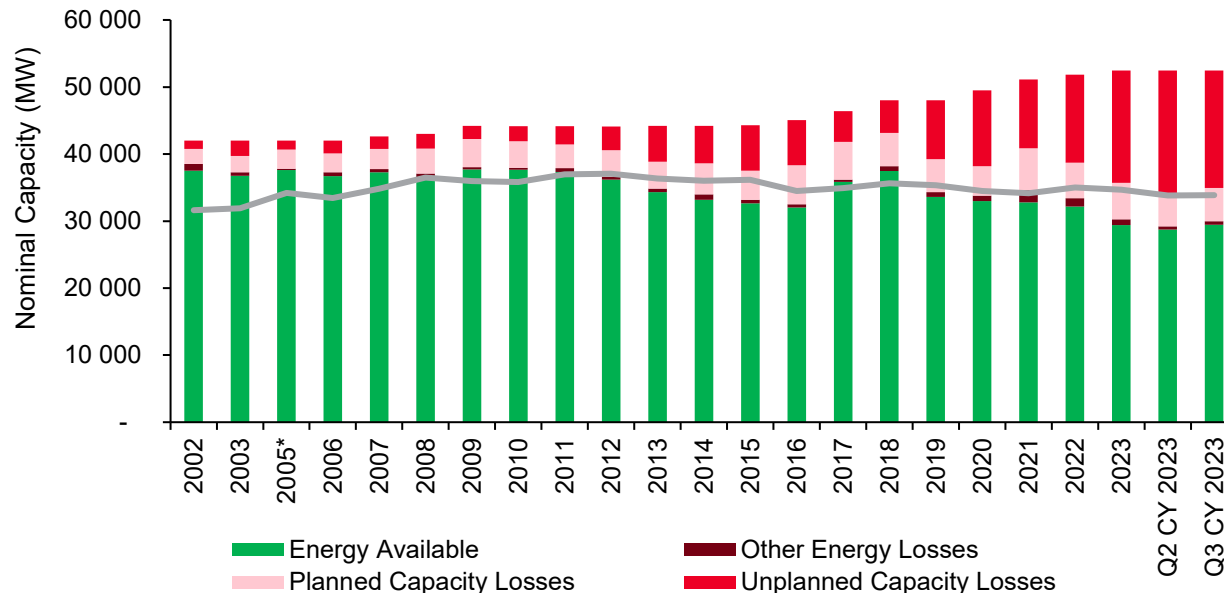


“China is a pig on LSD. You never know which way it’s going to run”

- Bobby 'Axe' Axelrod

In our control: Eskom

Deteriorating energy availability



“The greats never sacrifice the important for the urgent. They handle the immediate problem and still make sure to secure the future”

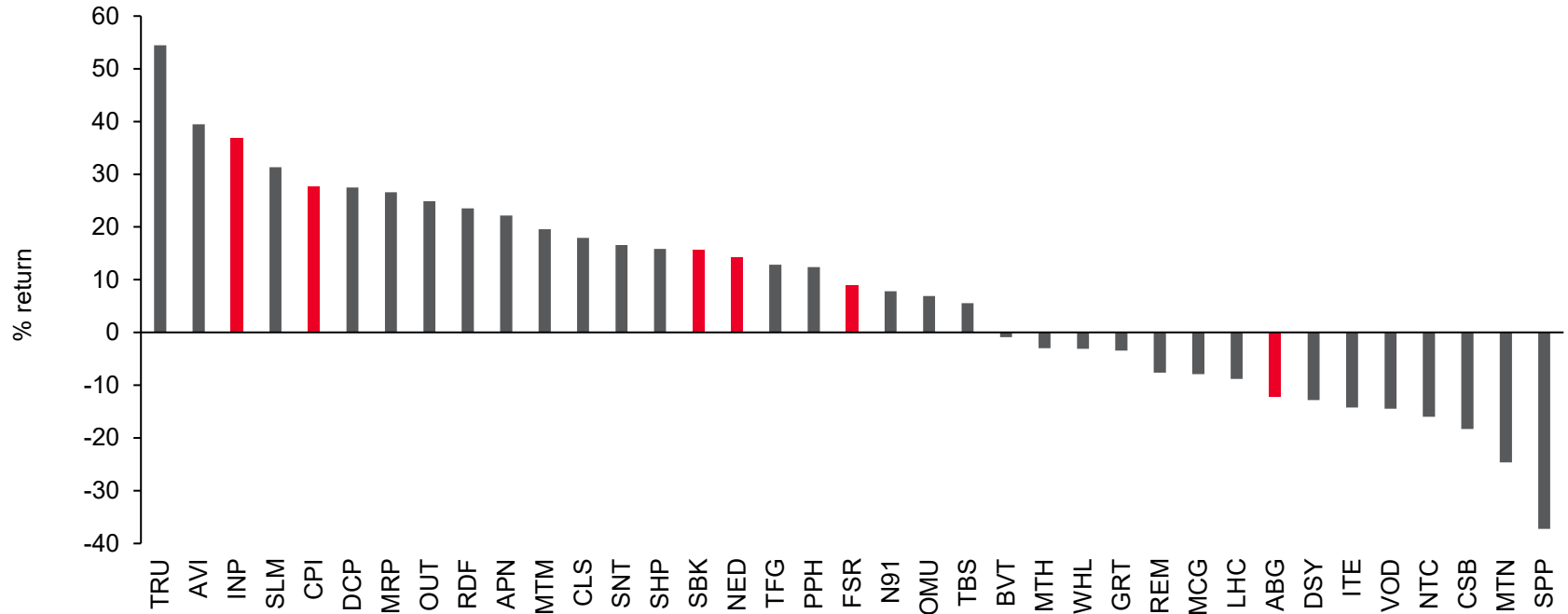
- Bobby 'Axe' Axelrod

Data is Eskom year-end to March each year. Last two data points are CY quarters from weekly reports

Source: Eskom Weekly & Annual Reports (RKJ08122023ns)

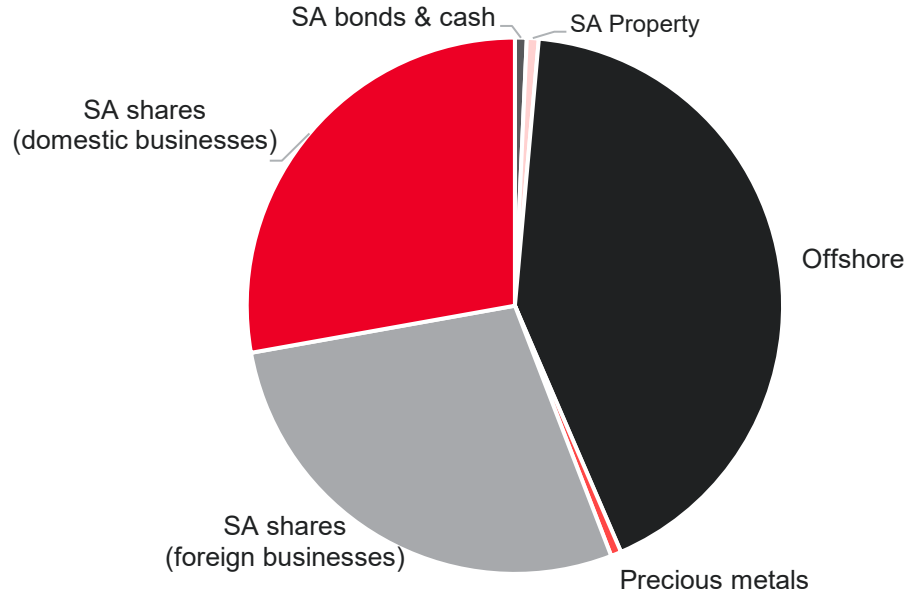
Stock selection is key

1-year total returns of selected SA stocks



A diversified portfolio for a wide range of potential outcomes

Allan Gray Equity Fund



Source: Allan Gray, data to 31.03.24 (MP050424ns)

Concluding remarks

- 2024 is a year of above average SA political and social risk
- Our positioning is tilted offshore towards a higher inflation, higher interest rate and energy short world. But we keep an open mind
- There are many depressed local assets, especially when measured in US\$ terms. But selectivity is key: we favour companies with self-help levers and/or priced-for-distress valuations

Thank You



ALLAN GRAY

Top 10 local equity holdings

Allan Gray Equity Fund: 31 March 2024

	% of portfolio
British American Tobacco	4.7
Anheuser-Busch InBev SA/NV	4.2
Naspers & Prosus	4.0
Glencore	3.1
Standard Bank	2.8
Nedbank	2.5
Mondi	2.4
Woolworths	2.3
Remgro	1.6
Goldfields	1.5
Total	29.1

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

Local equity sectoral allocation

As at 31 March 2024

	AGEF	% of Capped SWIX	% of ALSI
Financials	28	32	32
Reinet & Remgro	5	2	2
Banks	16	18	18
Insurers	3	5	5
Other	4	7	7
Industrials	49	45	45
AB InBev	8	2	2
British American Tobacco	9	3	3
Naspers & Prosus	8	13	14
Food & retailers	11	15	15
Healthcare	2	2	2
Other	11	10	9
Resources	23	23	23
BHP & Anglo American	0	5	5
Glencore	6	1	1
Gold & platinum mining	8	12	12
Other	9	5	5
Total	100	100	100

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

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Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the Fund/s they select.

The Allan Gray Equity, Balanced, Stable and rand-denominated offshore funds may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

A feeder fund is a unit trust that invests in another single unit trust which charges its own fees. A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its feeder fund or funds of funds.

The Allan Gray Money Market Fund is not a bank deposit account. The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to the applicable ASISA Standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens withdrawals may be ring-fenced and managed over a period of time.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], STRATE and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They 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. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge.

Additional information for retirement fund members and investors in the tax-free investment account, living annuity and endowment

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