ALLANGRAY

**Fund managers:** Duncan Artus, Rory Kutisker-Jacobson, Tim Acker
(Most foreign assets are invested in Orbis funds)
**Inception date:** 1 October 1999

# Allan Gray Balanced Fund

**31 October 2026**

## Fund description and summary of investment policy

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 45% offshore. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

ASISA unit trust category: South African – Multi Asset – High Equity

## Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

## How we aim to achieve the Fund's objective

We seek to buy shares at a 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 increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

## 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 unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

## Meeting the Fund objective

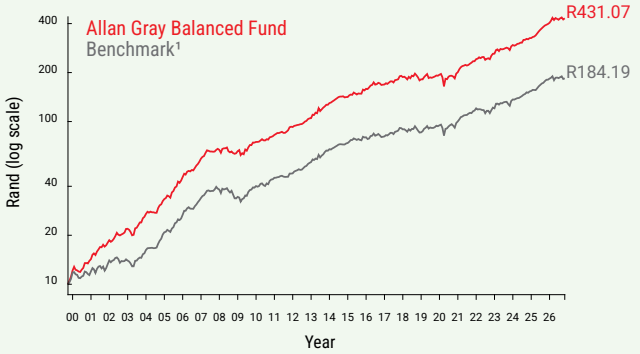
The Fund has created wealth for its long-term investors. Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. The Fund experiences periods of underperformance in pursuit of its objective of creating long-term wealth for investors, without taking on greater risk of loss than the average balanced fund.

## Fund information on 31 October 2026

| | |
|---|---|
| Fund size | R259.7bn |
| Number of units | 636 140 218 |
| Price (net asset value per unit) | R201.41 |
| Class | A |

## Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested




| % Returns | Fund | Benchmark[1] | CPI inflation[2] |
|---|---|---|---|
| **Cumulative:** | | | |
| Since inception (1 October 1999) | 4210.7 | 1741.9 | 312.6 |
| **Annualised:** | | | |
| Since inception (1 October 1999) | 14.9 | 11.4 | 5.4 |
| Latest 10 years | 9.9 | 8.7 | 4.7 |
| Latest 5 years | 12.9 | 9.7 | 4.9 |
| Latest 3 years | 16.2 | 13.8 | 3.9 |
| Latest 2 years | 16.0 | 10.7 | 4.0 |
| Latest 1 year | 9.6 | 2.0 | 4.5 |
| Year-to-date (not annualised) | 6.6 | 0.3 | 4.5 |
| **Risk measures (since inception)** | | | |
| Maximum drawdown[3] | -25.4 | -23.3 | n/a |
| Percentage positive months[4] | 70.8 | 68.6 | n/a |
| Annualised monthly volatility[5] | 9.1 | 9.1 | n/a |
| Highest annual return[6] | 46.1 | 41.9 | n/a |
| Lowest annual return[6] | -14.2 | -16.7 | n/a |

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 October 2026. From inception to 31 January 2013 the benchmark was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund. Source: Morningstar.
2. This data reflects the latest available headline CPI inflation numbers as at 30 September 2026 (source: Iress).
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 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 30 April 2006 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

## Income distributions for the last 12 months

| To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually. | 31 Dec 2025 | 30 Jun 2026 |
|---|---|---|
| **Cents per unit** | **194.8429** | **147.4650** |

## Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark.

**Fee for performance equal to the Fund's benchmark:** 1.00% p.a. excl. VAT

For each percentage of two-year performance above or below the benchmark we add or deduct 0.10%, subject to the following limits:

**Maximum fee:** 1.50% p.a. excl. VAT
**Minimum fee:** 0.50% p.a. excl. VAT

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund 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.

## We are making changes to our fees

On 1 February 2027, we will be making changes to some of our fees. Learn more about how these changes may affect your investment.

## 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 Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

## Top 10 share holdings on 30 September 2026 (SA and Foreign) (updated quarterly)[7]

| Company | % of portfolio |
|---|---|
| AB InBev | 3.9 |
| Naspers & Prosus | 3.0 |
| Glencore | 2.9 |
| AngloGold Ashanti | 2.7 |
| British American Tobacco | 2.3 |
| Standard Bank | 2.2 |
| Nedbank | 2.0 |
| Remgro | 1.8 |
| The Walt Disney Company | 1.6 |
| Sasol | 1.5 |
| **Total (%)** | **23.9** |

## Total expense ratio (TER) and transaction costs for periods ending 30 September 2026 (updated quarterly)

| 1- and 3-year TER and transaction costs breakdown | 1yr % | 3yr % |
|---|---|---|
| **Total expense ratio** | **1.81** | **1.65** |
| Fee for benchmark performance | 1.13 | 1.13 |
| Performance fees | 0.63 | 0.48 |
| Other costs excluding transaction costs | 0.04 | 0.04 |
| **Transaction costs** | **0.07** | **0.07** |
| **Total investment charge** | **1.88** | **1.72** |

Note: All TER components and transaction costs include VAT.

## Asset allocation on 31 October 2026[7]

| Asset class | Total | South Africa | Foreign |
|---|---|---|---|
| Net equities | 67.1 | 38.6 | 28.5 |
| Hedged equities | 7.4 | 1.7 | 5.7 |
| Property | 1.0 | 0.0 | 0.9 |
| Commodity-linked | 2.1 | 1.7 | 0.4 |
| Bonds | 17.2 | 11.5 | 5.7 |
| Money market and cash[8] | 5.3 | 3.2 | 2.1 |
| **Total (%)** | **100.0** | **56.8** | **43.2[9]** |

7. Underlying holdings of foreign funds are included on a look-through basis.
8. Includes the impact of any currency hedging.
9. The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

## Since inception, the Fund's month-end net equity exposure has varied as follows:

| | |
|---|---|
| Minimum | 49.3% (February 2000) |
| Average | 63.5% |
| Maximum | 72.9% (May 2021) |

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

## Fund manager quarterly commentary as at 30 September 2026

The Fund returned 0.4% for the quarter, taking its year-to-date return to 4.9%. We are pleased with the Fund's progress this year, with returns well ahead of the benchmark. However, 2026 has been a notably tougher environment for local markets, with the FTSE/JSE All Share Index (ALSI) and FTSE/JSE All Bond Index returning -3.2% and 3.5% respectively, year to date. Recent market moves serve as a reminder that returns are unlikely to follow a straight line.

The weak performance of the ALSI this year is partly attributable to poor returns from many domestically focused companies. A number of businesses that previously traded at elevated valuations have seen significant declines in their share prices from the highs reached over the past few years. Examples include Foschini (-72%), WeBuyCars (-53%), Clicks (-48%) and AVI (-30%). Against this backdrop, we are increasingly finding attractive opportunities among South African companies trading at valuations well below historical levels and have selectively increased exposure to domestic businesses. At the same time, we continue to see considerable value in maintaining meaningful offshore diversification, given the wide range of possible economic and political outcomes.

While progress has been made on several domestic reform initiatives, given the scale of South Africa's challenges, improvements are likely to remain gradual. When investing in domestically focused businesses, we therefore do not assume a meaningful improvement in economic growth in the near term. Elevated oil prices have increased pressure on consumers and businesses, while the South African Reserve Bank (SARB) raised the repo rate to 7.25% in September, marking its second increase this year. Headline inflation remains above the upper end of the SARB's new 2-4% target range, making further interest rate increases likely. The upcoming local government elections on 4 November 2026 will be closely watched by investors as a test of confidence in the government of national unity's reform agenda. While political developments can affect market sentiment in the short term, we remain focused on identifying attractively valued investments rather than attempting to predict election outcomes.

A second factor behind the ALSI's weak return this year has been the decline in the gold price and the resulting weakness in precious metal shares. Despite its traditional role as a hedge during periods of uncertainty, gold ended the quarter at approximately US$4 200 per ounce, well below the peak of approximately US$5 400 per ounce reached earlier in the year. Much of that rally appears to have been driven by speculative buying during late 2025. This reinforces a point we frequently make: A good asset can still be a poor investment if purchased at too high a price. While we continue to recognise gold's diversification benefits and retain exposure to gold mining companies, we remain mindful of the risks associated with concentrated exposure to any single theme. With precious metal shares now representing about a quarter of the ALSI's weight, index concentration has reached levels that we view as excessive. This reinforces the importance of active stock selection.

Global markets experienced a challenging quarter but have remained remarkably strong throughout 2026. A notable feature has been the continued dominance of a relatively small group of companies associated with artificial intelligence (AI), while much of the broader market has delivered more modest returns. We remain sceptical that the enormous investment currently being directed towards data centres will ultimately earn attractive economic returns and are cautious of investing in areas where expectations and valuations appear overly optimistic. Our offshore holdings, managed primarily by Orbis, have nevertheless benefited from selected exposure to businesses supplying critical components and infrastructure to the AI ecosystem, which contributed positively to the Fund's performance.

At the beginning of the year, markets anticipated interest rate cuts from the US Federal Reserve (Fed). Instead, the Fed raised rates by 25 basis points in September and reiterated its commitment to returning inflation to its 2% target, suggesting that further tightening may be required to tame inflation. A significant market development this year has been the sharp rise in long-dated US government bond yields, with the yield on 30-year Treasury bonds ending the quarter at approximately 5.6% – the highest level since 2002. Concerns around inflation and the continued deterioration of the United States' fiscal position have been key drivers. For many years, the Fund has held very limited exposure to developed market government bonds, but yields have now reached levels where a case can increasingly be made for having some allocation.

This year has been characterised by rising geopolitical tension, higher interest rates and increasing market concentration. While these risks are different in nature, they all highlight the importance of portfolio resilience. Protecting capital in difficult environments remains a key focus of the Fund. Rather than positioning the portfolio for a single outcome, we continue to build a diversified portfolio designed to perform across a range of economic environments.

During the quarter, the Fund added to its existing positions in Prosus and Clicks, while reducing its holdings in BHP and Sasol.

Commentary contributed by Tim Acker

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**Performance**
Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and dividend withholding tax.

**Fund mandate**
Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

**Unit price**
Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

**Fees**
Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray. For more information about our annual management fees, refer to the frequently asked questions, available via the Allan Gray website.

**Compliance with Regulation 28**
The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

**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) and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy) are shown separately. All TER components and transaction costs include VAT, where applicable. Transaction costs are necessary costs 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 (TIC).

**Foreign securities**
The Fund invests in foreign securities. Depending on their markets, trading in those securities may carry risks relating to, among others, macroeconomic and political circumstances, constraints on liquidity or the repatriation of funds, foreign exchange rate fluctuations, taxation and trade settlement.

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