

Portfolio objective and benchmark

This portfolio is designed for institutional investors seeking superior absolute returns (in excess of inflation) over the long term with a higher risk tolerance in the short term than the Balanced Portfolio. The benchmark is the mean performance of the large managers as surveyed by Alexforbes.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all local asset classes.
- Fully reflects the manager's strong investment convictions and could deviate considerably in both asset allocation and stock selection from the average retirement portfolio.

Investment specifics

- This portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Compliance with Prudential Investment Guidelines

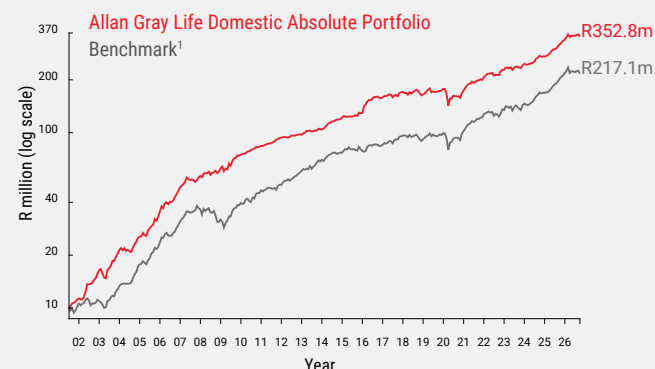
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 30 September 2026

Assets under management	R278.5m
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Performance gross of fees

Value of R10m invested at inception



% Returns ²	Portfolio	Benchmark ¹
Since inception	15.2	13.0
Latest 10 years	8.2	9.8
Latest 5 years	12.2	12.7
Latest 3 years	14.5	16.6
Latest 2 years	13.4	13.1
Latest 1 year	10.8	6.8
Latest 3 months	-1.1	-1.8

- Mean of Alexforbes Domestic Large Manager Watch. The return for September 2026 is an estimate.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 September 2026.

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

Top 10 share holdings on 30 September 2026

Company	% of portfolio
AB InBev	7.8
Standard Bank	5.9
Glencore	5.7
Richemont	3.5
British American Tobacco	3.5
Prosus	3.2
AngloGold Ashanti	3.0
Woolworths	2.6
Remgro	2.5
Sasol	2.2
Total (%)	40.1

Asset allocation on 30 September 2026

Asset class	Total
Net equities	59.6
Hedged equities	2.1
Property	0.3
Commodity-linked	3.6
Bonds	26.6
Money market and cash	7.8
Total (%)	100.0

We are pleased with the Portfolio'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.

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 metals 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 metals 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.

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 Portfolio. 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 Portfolio added to its existing positions in Boxer and Dis-Chem, while reducing its holdings in BHP and Glencore.

Commentary contributed by Tim Acker

**Fund manager quarterly
commentary as at
30 September 2026**

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MSCI Index

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